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, 2017

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))

ITEM 2.02 RESULTS OF OPERATIONS AND FINANCIAL CONDITION

On February 23, 2017, Integra LifeSciences Holdings Corporation (the “Company”) issued a press release announcing financial results for the quarter ended December 31, 2016 (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 December 31, 2016 and 2015, GAAP net income to adjusted earnings before interest, taxes, depreciation and amortization (“EBITDA”) for the quarters and years ended December 31, 2016 and 2015, GAAP net income to adjusted net income for the quarters and years ended December 31, 2016 and 2015, GAAP diluted weighted average shares outstanding to adjusted diluted weighted average shares outstanding for the quarters and years ended December 31, 2016 and 2015, GAAP earnings per diluted share to adjusted earnings per diluted share for the quarters and years ended December 31, 2016 and 2015, and GAAP operating cash flow to free cash flow and adjusted free cash flow conversion used by management for the quarters and years ended December 31, 2016 and 2015 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 2017. 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, (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) post-spin SeaSpine separation related charges (iv) certain employee severance charges; (v) acquisition-related charges; (vi) convertible debt non-cash interest; (vii) intangible asset amortization expense; and (viii) 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 December 31, 2016 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 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 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 acquisition integration, 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.

- Certain employee severance charges. Certain employee severance 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 restructuring. 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.

- Acquisition-related charges. Acquisition-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, and (iv) 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.

- Post-spin SeaSpine separation related charges. These charges include legal expenses and adjustments to stock based compensation incurred as part of the spin-off.

- Intangible asset amortization expense. Management excludes this item when evaluating the Company's operating performance because it is a non-cash expense.

- Convertible debt non-cash interest. 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 non-convertible 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.

- 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. Specifically, the adoption of the FASB Update No. 2016-09 accounting standard has the effect of generating a significant tax expense benefit in each of the first three quarters of 2016. For the adjusted tax rate, we are treating this as a rate item, which is consistent with how other discrete tax expense items are handled in our current adjusted tax expense measure.

Weighted average shares used to calculate GAAP diluted EPS includes the convertible notes and warrant transactions because they are dilutive. The measure of adjusted diluted weighted average shares outstanding used to calculate adjusted diluted EPS includes the effect of the convertible notes hedge transactions, which is anti-dilutive. Integra believes the non-GAAP measure is useful for understanding the economic benefit of the convertible notes hedge transactions.

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 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 ERP 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 organic revenues for the quarters ended December 31, 2016 and 2015 and GAAP net income to adjusted EBITDA, GAAP net income to adjusted net income, GAAP diluted weighted average shares outstanding to adjusted diluted weighted average shares outstanding, 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 December 31, 2016 and 2015. Also included are reconciliations for future periods.

Item 9.01 FINANCIAL STATEMENTS AND EXHIBITS

(d) Exhibits

99.1	Press release with attachments, dated February 23, 2017-Earnings Release

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: February 23, 2017	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 February 23, 2017, issued by Integra LifeSciences Holdings Corporation

EXHIBIT 99.1

News Release

Contact:

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Integra LifeSciences Reports Fourth Quarter and Full-Year 2016 Financial Results and Updates 2017 Full-Year Guidance

2016 Results and 2017 Guidance in line with January 10, 2017 Preliminary Announcement

Plainsboro, New Jersey, February 23, 2017 - Integra LifeSciences Holdings Corporation (NASDAQ: IART) today reported its financial results for the fourth quarter and full year ending December 31, 2016.

Highlights:

- Full-year 2016 revenue increased 12.4% to $992.1 million, while organic revenue increased 9.0% over the prior year;
- Fourth quarter revenue increased 6.0% over the prior-year quarter to $255.7 million, with organic revenues up 7.0%;
- Fourth quarter GAAP gross margin increased to 66.6% or 390 basis over the prior-year period; adjusted gross margin in the fourth quarter reached a record high of 70.2%, a 190 basis point increase over the prior year period;
- Fourth quarter GAAP earnings per diluted share (EPS) amounted to $0.35, a 75% increase over the prior year period; adjusted EPS amounted to $0.52, or an increase of 18%;
- Full-year 2016 cash flow from operations was $116.4 million, a decrease from $117.1 million over the prior year. Excluding $42.8 million for the accreted interest payment associated with the convertible notes, cash flow from operations was $159.2 million, above the high end of our guidance range.

Total revenues for the full year 2016 were $992.1 million, an increase of $109.3 million, or 12.4%, over the full year 2015. Total revenues for the fourth quarter were $255.7 million, representing an increase of $14.5 million, or 6.0%, over the fourth quarter of 2015.

Organic revenues, computed by adjusting GAAP revenues as set forth in the attached reconciliation, increased over 2015 by 9.0% in the full year, and 7.0% in the fourth quarter.

"We were pleased with our performance in 2016, which resulted in full-year organic revenue growth of 9% and full-year adjusted gross margin of 69.5%," said Peter Arduini, Integra's President and Chief Executive Officer. "We look forward to a transformative 2017 as we integrate two of the largest acquisitions in the Company's history."

The Company reported GAAP net income of $74.6 million, or $0.94 per diluted share, for the full year 2016, compared to GAAP net income of $6.9 million, or $0.10 per diluted share in 2015. Results in 2015 included a $35.6 million non-cash tax charge to establish a valuation allowance for certain deferred tax assets associated with the SeaSpine separation. The Company reported GAAP net income of $28.2 million, or $0.35 per diluted share, in the fourth quarter of 2016 compared to GAAP net income of $15.0 million, or $0.20 per diluted share, in the fourth quarter of 2015.

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

Adjusted EBITDA for the full year 2016 was $231.7 million, or 23.4% of revenue, an increase from $195.6 million, or 22.2% of revenue, in the prior year. Adjusted EBITDA for the fourth quarter of 2016 was $66.5 million, or 26.0% of revenue, an increase from $56.7 million, or 23.5% of revenue, in the fourth quarter of the prior year.

Adjusted net income for the full year 2016 was $135.3 million, or $1.76 per diluted share, compared to $108.6 million, or $1.54 per diluted share in 2015. Adjusted net income for the fourth quarter of 2016 was $40.7 million, or $0.52 per diluted share, compared to adjusted net income of $32.8 million, or $0.44 per diluted share, in the fourth quarter of 2015.

For the year ended December 31, 2016, cash flows from operations totaled $159.2 million, excluding a $42.8 million accreted interest payment. Cash invested in capital expenditures was $47.3 million. Adjusted free cash flow conversion for the trailing twelve months ended December 31, 2016 was 82.7% versus 77.0% for the twelve months ended December 31, 2015. Integra generated $49.3 million of cash flows from operations, excluding a $42.8 million accreted interest payment, and invested $21.2 million in capital expenditures in the fourth quarter of 2016.

Outlook for 2017

The Company expects full year 2017 revenues to be between $1.12 billion and $1.14 billion, including the Derma Sciences acquisition, and organic sales growth to be between 7% and 8.5%. The Company expects its GAAP EPS for the full year to be between $0.49 and $0.55, and adjusted EPS to be between $1.88 and $1.94.

"In 2016, faster growth in higher margin products resulted in meeting or exceeding the high-end of our earnings and operating cash flow targets," said Glenn Coleman, Chief Financial Officer. "The Derma Sciences tender offer has been completed and we expect the transaction to close shortly. We are now including Derma Sciences into our 2017 guidance, while the assumptions underlying our base business remain unchanged."

Full-year 2017 revenue and EPS guidance includes the expected financial impact of Derma Sciences. Our GAAP EPS and cash flow guidance also reflect the estimated expense and cash impact of estimates for pre-close costs associated with the Codman Neurosurgery acquisition. The post-closing financial impact of the Codman Neurosurgery acquisition is excluded from guidance and will be updated later in the year.

In the future, the Company may record, or expect 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 organic revenue growth, adjusted EBITDA and adjusted EPS for historical periods and in providing adjusted EPS guidance.

Conference Call and Presentation Available Online

Integra has scheduled a conference call for 8:30 AM ET today, Thursday, February 23, 2017 to discuss fourth quarter and full-year 2016 financial results, 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, which can be found on the Investor section of the website at investor.integralife.com.

Access to the live call is available by dialing 785-830-1923 and using the passcode 3819268. 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 February 28, 2017 by dialing 719-457-0820 and using the passcode 3819268**.** The webcast will also be archived on the website.

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Integra LifeSciences, a world leader in medical technology, is dedicated to limiting uncertainty for clinicians, so they can concentrate on providing the best patient care. Integra offers innovative solutions, including leading plastic and regenerative technologies, in specialty surgical solutions, orthopedics and tissue technologies. 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, 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. 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 manufacture and ship sufficient quantities of its products to meet its customers' demand; 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; 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 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 hospitals 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 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 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, 2016 and information contained in subsequent filings with the Securities and Exchange Commission. In addition, with respect to the Codman Neurosurgery acquisition, forward-looking statements in this document may include without limitation any statements regarding the planned completion of the proposed acquisition, the costs and benefits of the proposed acquisition, including future financial and operating results, Integra’s or the Codman Neurosurgery business’s plans, objectives, expectations and intentions and the expected timing of completion of the proposed acquisition. It is important to note that Integra’s goals and expectations are not predictions of actual performance. Actual results may differ materially from Integra’s current expectations depending upon a number of factors affecting the Codman Neurosurgery business and Integra’s business and risks and uncertainties associated with acquisition transactions. These factors include, among other things: successful closing of the proposed acquisition; the risk that competing offers will be made for the Codman Neurosurgery business before the binding offer is accepted; the risk that the binding offer may not accepted on a timely basis or at all; the ability to obtain required regulatory approvals for the proposed acquisition (including the approval of antitrust authorities necessary to complete the proposed acquisition), the timing of obtaining such approvals and the risk that such approvals may result in the imposition of conditions, including with respect to divestitures, that could materially adversely affect Integra, the Codman Neurosurgery business and the expected benefits of the proposed acquisition; the risk that a condition to closing of the proposed acquisition may not be satisfied on a timely basis or at all, the failure of the proposed acquisition to close for any other reason and the risk liability to Integra in connection therewith; access to available financing (including financing for the acquisition) on a timely basis and on reasonable terms; the effects of disruption caused by the proposed acquisition making it more difficult for Integra to execute its operating plan effectively or to maintain relationships with employees, vendors and other business partners; stockholder litigation in connection with the proposed acquisition; and Integra's ability to successfully integrate the Codman Neurosurgery business and other acquired businesses. 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 and adjusted earnings per diluted share, adjusted diluted weighted average shares outstanding, free cash flow and adjusted free cash flow conversion.
Organic revenues consist of growth in total revenues excluding the contribution of acquired products, and effects of currency exchange rates on the current period's revenues, and the contribution of revenues from discontinued products in both the current and prior periods' revenues. Adjusted EBITDA consist of GAAP net (loss)/income from continuing operations, excluding: (i) depreciation and amortization, (ii) other income (expense), net, (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 (loss)/income from continuing operations, excluding: (i) global ERP implementation charges; (ii) structural optimization charges; (iii) post-spin SeaSpine separation-related charges (iv) certain employee severance charges; (v) acquisition-related charges; (vi) intangible asset amortization expense; (vii) convertible debt non-cash interest; and (viii) 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 and warrant 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 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 adjusted free cash flow conversion measure is calculated by dividing free cash flow by adjusted net income.

Reconciliations of GAAP revenues to organic revenues for the quarter and year ended December 31, 2016 and GAAP net (loss)/income to adjusted EBITDA and adjusted net income, GAAP (losses)/earnings per diluted share to adjusted earnings per diluted share, and GAAP cash provided by operating activities to free cash flow and adjusted free cash flow conversion for the quarters and years ended December 31, 2016 and 2015 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, 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. 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,	
	2016	2015	2016	2015
Total revenues	$ 255,663	$ 241,160	$ 992,075	$ 882,734
Costs and expenses:				
Cost of goods sold	85,422	90,001	349,089	326,542
Research and development	13,901	13,866	58,155	50,895
Selling, general and administrative	112,119	109,750	455,629	415,757
Intangible asset amortization	3,452	3,535	13,862	9,953
Goodwill impairment charge	—	—		
Total costs and expenses	214,894	217,152	876,735	803,147
Operating income	40,769	24,008	115,340	79,587
Interest income	10	12	24	30
Interest expense	(6,548)	(6,113)	(25,803)	(23,534)
Other income (expense), net	1,243	1,604	845	4,588
Income from continuing operations before income taxes	35,474	19,511	90,406	60,671
Income tax expense	7,228	4,531	15,842	53,820
Income from continuing operations	28,246	14,980	74,564	6,851
Income (loss) from discontinued operations, net of tax expense (benefit)	—		—	(10,370)
Net income (loss)	$ 28,246	$ 14,980	$ 74,564	$ (3,519)
Net income (loss) per share:				
Income from continuing operations	$ 0.35	$ 0.20	$ 0.94	$ 0.10
Income (loss) from discontinued operations	$ —	$ —	$ —	$ (0.15)
Net income (loss) per share	$ 0.35	$ 0.20	$ 0.94	$ (0.05)
Weighted average common shares outstanding for diluted net income per share	80,286	76,370	79,194	71,354

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 December 31,			Twelve Months Ended December 31,		
	2016	2015	Change	2016	2015	Change
Specialty Surgical Solutions	$163,777	$153,082	7.0%	$632,524	$586,918	7.8%
Orthopedics and Tissue Technologies	91,886	88,079	4.3%	359,551	295,816	21.5%
Total Revenues	$255,663	$241,160	6.0%	$992,075	$882,734	12.4%
Impact of changes in currency exchange rates	$ 1,226	$—		$ 2,659	$—	
Less contribution of revenues from acquisitions **	$(449)	$—		$(41,203)	$—	
Less contribution of revenues from discontinued products	$(770)	$(2,199)		$(6,282)	$(13,338)	
Total organic revenues	$255,670	$238,961	7.0%	$947,249	$869,396	9.0%

** Acquisitions include TEI, Salto Talaris(R) / Futura(TM) and Tekmed.

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

(In thousands)

Three Months Ended December 31, 2016

Item	Total Amount	COGS(a)	SG&A(b)	R&D(c)	Amort.(d)	Other, Interest Exp(Inc)(e)	Tax(f)
Global ERP implementation charges	$3,199	$—	$3,199	$—	$—	$—	$—
Structural optimization charges	2,254	1,354	900		—	—	—
Certain employee severance charges	26	12	14	—	—	—	—
Acquisition-related charges	1,902	1,025	877	—	—		—
Intangible asset amortization expense	10,298	6,846	—	—	3,452	—	—
Convertible debt non-cash interest	1,775	—	—	—	—	1,775	—
Estimated income tax impact from adjustments and other items	(6,961)	—	—	—	—	—	(6,961)
Depreciation expense	8,014						

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

Three Months Ended December 31, 2015

(In thousands)

Item	Total Amount	COGS (a)	SG&A (b)	R&D (c)	Amort. (d)	Interest Exp/(Inc) (e)	Tax (f)
Global ERP implementation charges	4,484	—	4,484	—	—	—	—
Structural optimization charges	3,283	1,426	1,277	580	—	—	—
Certain employee severance charges	534	158	376	—	—	—	—
Acquisition-related charges	4,535	4,761	885	—	—	(1,111)	—
Post-spin SeaSpine separation-related charges	445	—	445	—	—	—	—
Intangible asset amortization expense	10,704	7,169	—	—	3,535	—	—
Convertible debt non-cash interest	2,043	—	—	—	—	2,043	—
Estimated income tax impact from adjustments and other items*	(8,249)	—	—	—	—	—	(8,249)
Depreciation expense	7,564						

* Includes a valuation allowance of $1.6 million for certain deferred tax assets associated with the SeaSpine separation.

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

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

(In thousands)

Twelve Months Ended December 31, 2016

Item	Total Amount	COGS(a)	SG&A(b)	R&D (c)	Amort.(d)	Other, Interest Exp(Inc) (e)	Tax(f)
Global ERP implementation charges	$15,585	$—	$15,585	$—	$—	$—	$—
Structural optimization charges	7,794	4,480	3,314	—	—	—	—
Certain employee severance charges	1,446	499	947	—	—	—	—
Acquisition-related charges	18,898	13,890	4,808	200	—		—
Intangible asset amortization expense	41,502	27,640	—	—	13,862	—	—
Convertible debt non-cash interest	8,075	—	—	—	—	8,075	—
Estimated income tax impact from adjustments and other items	(32,520)	—	—	—	—	—	(32,520)
Depreciation expense	31,163	—	—	—	—	—	—

.

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

Twelve Months Ended December 31, 2015

(In thousands)

Item	Total Amount	COGS (a)	SG&A (b)	R&D (c)	Amort. (d)	Interest Exp(Inc) (e)	Tax (f)
Global ERP implementation charges	16,375	—	16,375	—	—	—	—
Structural optimization charges	16,752	6,799	9,751	580	—	(378)	—
Certain employee severance charges	2,642	654	1,988	—	—	—	—
Acquisition-related charges	15,703	9,968	6,846	—	—	(1,111)	—
Post-Spin SeaSpine separation related charges	3,801	—	3,801	—	—	—	—
Intangible asset amortization expense	32,235	22,282	—	—	9,953	—	—
Convertible debt non-cash interest	7,871	—	—	—	—	7,871	—
Estimated income tax impact from adjustments and other items*	6,393	—	—	—	—	—	6,393
Depreciation expense	27,018	—	—	—	—	—	—

* Includes a valuation allowance of $37.2 million for certain deferred tax assets associated with the SeaSpine separation.

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

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

(In thousands)

	Three Months Ended December 31,		Twelve Months Ended December 31,	
	2016	2015	2016	2015
GAAP net income from continuing operations	$ 28,246	$ 14,980	$ 74,564	$ 6,851
Non-GAAP adjustments:				
Depreciation and intangible asset amortization expense	18,312	18,268	72,665	59,253
Other (income) expense, net	(1,243)	(1,604)	(845)	(4,588)
Interest (income) expense, net	6,538	6,101	25,779	23,504
Income tax expense (benefit)	7,228	4,531	15,842	53,820
Global ERP implementation charges	3,199	4,484	15,585	16,375
Structural optimization charges *	2,254	3,283	7,794	17,130
Certain employee severance charges	26	534	1,446	2,642
Acquisition-related charges **	1,902	5,646	18,898	16,814
Post-spin SeaSpine separation-related charges	—	445	—	3,801
Total of non-GAAP adjustments	38,216	41,688	157,164	188,751
Adjusted EBITDA	$ 66,462	$ 56,668	$ 231,728	$ 195,602

* For the twelve months ended December 31, 2015, Structural optimization charges excludes ($378) already added back in the "Other (income) expense, net" line above.

** For the three and twelve months ended December 31, 2015, Acquisition-related charges excludes ($1,111) already added back in the "Other (income) expense, net" line above.

INTEGRA LIFESCIENCES HOLDINGS CORPORATION
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 December 31,		Twelve Months Ended December 31,	
	2016	2015	2016	2015
GAAP net income from continuing operations	$ 28,246	$ 14,980	$ 74,564	$ 6,851
Non-GAAP adjustments:				
Global ERP implementation charges	3,199	4,484	15,585	16,375
Structural optimization charges	2,254	3,283	7,794	16,752
Certain employee severance charges	26	534	1,446	2,642
Acquisition-related charges	1,902	4,535	18,898	15,703
Post-spin SeaSpine separation-related charges	—	445	—	3,801
Intangible asset amortization expense	10,298	10,704	41,502	32,235
Convertible debt non-cash interest	1,775	2,043	8,075	7,871
Estimated income tax impact from adjustments and other items	(6,961)	(8,249)	(32,520)	6,393
Total of non-GAAP adjustments	12,493	17,779	60,780	101,772
Adjusted net income	$ 40,739	$ 32,759	$ 135,344	$ 108,623
Adjusted diluted net income per share	$ 0.52	$ 0.44	$ 1.76	$ 1.54
Weighted average common shares outstanding for diluted net income from continuing operations per share	80,286	76,370	79,194	71,354
Weighted average common shares outstanding adjustment for convertible dilution	(2,412)	(1,332)	(2,296)	(922)
Weighted average common shares outstanding for adjusted diluted net income per share	77,874	75,038	76,898	70,432

INTEGRA LIFESCIENCES HOLDINGS CORPORATION
CONDENSED BALANCE SHEET DATA
(UNAUDITED)

(In thousands)

	December 31, 2016	December 31, 2015
Cash and cash equivalents	$ 102,055	$ 48,132
Accounts receivable, net	148,186	132,241
Inventory, net	217,263	211,429
Bank line of credit	665,000	481,875
Convertible securities	—	218,240
Stockholders' equity	839,667	751,443

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

(In thousands)

	Three Months Ended December 31,	
	2016	2015
GAAP Net cash provided by operating activities	$6,529	$25,640
Accreted interest payment associated with the 2016 Convertible Notes ***	42,786	
Purchases of property and equipment	(21,192)	(13,099)
Adj. Free Cash Flow	28,123	12,541
Adjusted net income *	40,739	32,759
Adjusted Free Cash Flow Conversion	69.0%	38.3%

	Twelve Months Ending December 31,	
	2016	2015
GAAP Net cash provided by operating activities	$116,405	$117,063
Accreted interest payment associated with the 2016 Convertible Notes***	42,786	
Purchases of property and equipment	(47,328)	(33,413)
Adj. Free Cash Flow	111,863	83,650
Adjusted net income *	135,344	108,623
Adjusted Free Cash Flow Conversion	82.7%	77.0%

***Operating Cash Flow for the fourth quarter and full year 2016 excludes $42.8M of accreted interest payment associated with the 2016 Convertible Notes.

* Adjusted net income for quarters and twelve months ended December 31, 2015 and 2016 are reconciled above.

The Company calculates adjusted free cash flow conversion by dividing its free cash flow by adjusted net income. The Company believes this measure is a useful metric 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)

	Projected Year Ended December 31, 2017	
	Low	High
GAAP net income	$ 39.3	$ 43.8
Non-GAAP adjustments:		
Global ERP implementation charges	8.0	8.0
Structural optimization charges	19.5	19.5
Acquisition-related charges	78.5	78.5
Intangible asset amortization expense	47.8	47.8
Convertible debt non-cash interest	—	—
Estimated income tax impact from adjustments and other items	(44.0)	(44.0)
Total of non-GAAP adjustments	109.8	109.8
Adjusted net income	$ 149.1	$ 153.6
GAAP diluted net income per share	$ 0.49	$ 0.55
Non-GAAP adjustments detailed above (per share)	$ 1.39	$ 1.39
Adjusted diluted net income per share	$ 1.88	$ 1.94
Weighted average common shares outstanding for diluted net income per share	79.5	79.0

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

(In millions)

Projected Year Ended December 31, 2017

Item	Total Amount	COGS	SG&A	Amort.	Interest Exp(Inc)	Tax
Global ERP implementation charges	8.0	—	8.0	—	—	—
Structural optimization charges	19.5	10.5	9.0	—	—	—
Acquisition-related charges	78.5	9.0	69.5	—	—	—
Intangible asset amortization expense	47.8	31.0	—	16.8	—	—
Convertible debt non-cash interest	—	—	—	—	—	—
Estimated income tax impact from adjustments and other items	(44.0)	—	—	—	—	(44.0)

Source: Integra LifeSciences Holdings Corporation