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): July 26, 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))

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

Emerging growth company ☐

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

ITEM 2.02 RESULTS OF OPERATIONS AND FINANCIAL CONDITION

On July 26, 2017, Integra LifeSciences Holdings Corporation (the “Company”) issued a press release announcing financial results for the quarter ended June 30, 2017 (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 June 30, 2017 and 2016, GAAP net income to adjusted earnings before interest, taxes, depreciation and amortization (“EBITDA”) for the quarters and years ended June 30, 2017 and 2016, GAAP net income to adjusted net income for the quarters and years ended June 30, 2017 and 2016, GAAP diluted weighted average shares outstanding to adjusted diluted weighted average shares outstanding for the quarters and years ended June 30, 2017 and 2016, GAAP earnings per diluted share to adjusted earnings per diluted share for the quarters and years ended June 30, 2017 and 2016, and GAAP operating cash flow to free cash flow and adjusted free cash flow conversion used by management for the quarters and years ended June 30, 2017 and 2016 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) certain employee severance charges; (iv) acquisition-related charges; (v) convertible debt non-cash interest; (vi) intangible asset amortization expense; (vii) discontinued product lines charges; 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 June 30, 2017 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 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, (iv) costs related to acquisition integration, including systems, operations, retention and severance and (v) legal, accounting and other outside consultants expenses directly related to acquisitions or divestitures. Inventory fair value purchase accounting adjustments consist of the increase to cost of goods sold that occur as a result of expensing the "step up" in the fair value of inventory that we purchased in connection with acquisitions as that inventory is sold during the financial period. Although recurring given the ongoing character of our development and acquisition programs, these acquisition, divestiture and in-licensing related charges are not factored into the evaluation of our performance by management after completion of development programs or acquisitions because they are of a temporary nature, they are not related to our core operating performance and the frequency and amount of such charges vary significantly based on the timing and magnitude of our development, acquisition and divestiture transactions as well as the level of inventory on hand at the time of acquisition.

- Discontinued product lines charges. These charges represent charges taken in connection with product lines that the Company discontinues. Management excludes this item when evaluating the Company's operating performance because discontinued products do not provide useful information regarding the Company's prospects for future performance.

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

- 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 June 30, 2017 and 2016 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 June 30, 2017 and 2016. Also included are reconciliations for future periods.

Item 9.01 FINANCIAL STATEMENTS AND EXHIBITS

(d) Exhibits

99.1	Press Release with attachments, dated July 26, 2017, issued by Integra LifeSciences Holdings Corporation

SIGNATURES

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

	INTEGRA LIFESCIENCES HOLDINGS CORPORATION	
Date: July 26, 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 July 26, 2017, issued by Integra LifeSciences Holdings Corporation

News Release

Contact:

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Michael Beaulieu
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Integra LifeSciences Reports Second Quarter 2017 Financial Results

Revenue Increased 13.2% *to* $282.2 million*; Organic Revenue Increased 4.6%*

Reported EPS of $0.14*; Adjusted EPS of* $0.45, up 12.5%

Plainsboro, New Jersey / July 26, 2017 / -- Integra LifeSciences Holdings Corporation (NASDAQ: IART), a leading global medical technology company, today reported its financial results for the second quarter ending June 30, 2017.

Highlights:

- The company is tightening full-year 2017 revenue guidance to a new range of $1.125 billion to $1.140 billion, reflecting changes in foreign currency expectations and overperformance in Derma Sciences. The company is also revising 2017 full-year organic sales growth to a new range of 6.0% to 7.0% from its previous guidance of 7.0% to 8.5%, which reflects expectations for lower organic sales growth from Dural Repair;
- The company is maintaining previously issued 2017 full-year GAAP and adjusted earnings per share guidance;
- Second quarter revenue increased 13.2% over the prior year quarter to $282.2 million, and organic revenue increased 4.6%. Derma Sciences contributed $23.8 million of revenue to second quarter results;
- Second quarter GAAP gross margin increased 80 basis points over the prior year's quarter to 64.9% due to lower purchase accounting adjustments from the TEI acquisition. Adjusted gross margin decreased 80 basis points to 68.4%, primarily due to dilution from Derma Sciences;

- Second quarter GAAP net income decreased by $1.9 million to $10.8 million compared to the prior year's second quarter, largely because of acquisition and integration expenses. Adjusted net income increased 17.0% to $35.4 million based on higher revenues, G&A expense leverage and a lower tax rate; and

- Second quarter Operating cash flow was $28.9 million, a decrease from $38.1 million in the prior year's quarter largely resulting from higher cash outlays for acquisition and integration expenses. Trailing twelve month free cash flow conversion was 72.4%, compared to 59.8% in the prior-year period.

Total revenues for the second quarter were $282.2 million, reflecting an increase of $32.9 million, or 13.2%, over the second quarter of 2016. Sales in Orthopedics and Tissue Technologies increased by 34.2%, which includes the acquired sales from Derma Sciences and strength in our regenerative product portfolio. Sales in Specialty Surgical Solutions increased 1.1% compared to the prior-year period.

Excluding the revenue contribution from acquisitions and the effect of currency exchange rates and discontinued products, revenues increased 4.6% over the second quarter of 2016.

"Profitability and cash flows were strong in the second quarter, while revenues came in at the low end of our guidance range," said Peter Arduini, Integra's president and chief executive officer. "While Dural Repair underperformed, new product introductions and acquisitions performed well, giving us confidence that revenue growth will accelerate in the second half of this year. We also made significant progress on the planned acquisition of Codman Neurosurgery, and look forward to closing the transaction in the fourth quarter."

The company reported GAAP net income of $10.8 million, or $0.14 per diluted share, for the second quarter of 2017, compared to a GAAP net income of $12.8 million, or $0.16 per diluted share, in the prior year's quarter. The year-over-year declines largely resulted from acquisition and integration expenses associated with the Derma Sciences and Codman Neurosurgery transactions.

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

Adjusted EBITDA for the second quarter of 2017 was $62.7 million, or 22.2% of revenue, compared to $54.6 million, or 21.9% of revenue, in the second quarter of 2016. The adjusted EBITDA margin in the second quarter of 2017 includes over 100 basis points of dilution from Derma Sciences.

Adjusted net income for the second quarter of 2017 was $35.4 million, an increase of 17.0% over the prior year, and compares to adjusted net income of $30.3 million in the second quarter of 2016. Adjusted earnings per share for the second quarter of 2017 was $0.45, an increase of 12.5% over the prior year quarter.

2017 Full-Year Outlook

The company is tightening full-year 2017 revenue guidance to a new range of $1.125 billion to $1.140 billion, from $1.120 billion to $1.140 billion, reflecting changes in foreign currency expectations and overperformance in Derma Sciences. The company is maintaining its full-year GAAP and adjusted earnings per share guidance ranges of $0.49 to $0.55 and $1.88 to $1.94, respectively.

Based on second quarter results and the outlook for the remainder of the year, the company is lowering its full-year 2017 organic revenue growth range to 6.0% to 7.0%, down from its previous range of 7.0% to 8.5%, which reflects slower growth in Dural Repair.

"Despite the temporary slowdown in Specialty Surgical organic growth, we were pleased with the strong profitability generated in the quarter, which led to adjusted net income growth of 17.0% versus the prior year's quarter and a double-digit increase in adjusted earnings per share," said Glenn Coleman, Integra's chief financial officer. "New product introductions including several regenerative products, the Cadence (R) Total Ankle System and the CUSA(R) Clarity are expected to drive organic growth acceleration in the second half of the year."

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

Conference Call and Presentation Available Online

Integra has scheduled a conference call for 8:30 AM ET today, Wednesday, July 26, 2017, to discuss financial results for the second quarter and forward-looking financial guidance. The conference call will be hosted by Integra's senior management team and will be open to all listeners. Additional forward-looking information may be discussed in a question and answer session following the call.

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

Access to the live call is available by dialing (323) 794-2093 and using the passcode 1833148. The call can also be accessed via a webcast link provided on investor.integralife.com. A replay of the call will be available through July 31, 2017, by dialing (719) 457-0820 and using the passcode 1833148. The webcast will also be archived on the website.

About Integra

Integra LifeSciences 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 and 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 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' demands; the ability of third-party suppliers to supply us with raw materials and finished products; global macroeconomic and political conditions; the Company's ability to manage its direct sales channels effectively; the Company's ability to maintain relationships with customers of acquired entities and businesses; physicians' willingness to adopt and third-party payors' willingness to provide or maintain reimbursement for the Company's recently launched, planned and existing products; initiatives launched by the Company's competitors; downward pricing pressures 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 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, the following: successful closing of the proposed acquisition; 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, 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. Adjusted EBITDA consists of GAAP net income from continuing operations, excluding: (i) depreciation and amortization; (ii) other income (expense); (iii) interest income and expense; (iv) income taxes; and (v) those operating expenses also excluded from adjusted net income. The measure of adjusted net income consists of GAAP net income from continuing operations, excluding: (i) global enterprise resource planning ("ERP") implementation charges; (ii) structural optimization charges; (iii) certain employee severance charges; (iv) acquisition-related charges; (v) convertible debt non-cash interest; (vi) intangible asset amortization expense; and (vii) discontinued product lines charges; 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 continuing operating activities from continuing operations less purchases of property and equipment. The adjusted free cash flow conversion measure is calculated by dividing free cash flow by adjusted net income.

Reconciliations of GAAP revenues to adjusted revenues and GAAP Adjusted Net Income from continuing operations to adjusted EBITDA, and adjusted net income, and GAAP earnings per diluted share to adjusted earnings per diluted share all for the Three Months Ended June 30, 2017 and 2016, and the free cash flow and free cash flow conversion for the Three Months Ended June 30, 2017 and 2016 and the twelve months ended June 30, 2017 and 2016, 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 free cash flow conversion measures provide important supplemental information to management and investors regarding financial and business trends relating to the Company's financial condition and results of operations. For further information regarding why Integra believes that these non-GAAP financial measures provide useful information to investors, the specific manner in which management uses these measures, and some of the limitations associated with the use of these measures, please refer to the Company's Current Report on Form 8-K regarding this earnings press release filed today with the Securities and Exchange Commission. This Current Report on Form 8-K is available on the SEC's website at www.sec.gov or on our website at www.integralife.com.

INTEGRA LIFESCIENCES HOLDINGS CORPORATION

CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS

(UNAUDITED)

(In thousands, except per share amounts)

	Three Months Ended June 30,	
	2017	2016
Total revenues, net	$ 282,164	$ 249,309
Costs and expenses:		
Cost of goods sold	98,998	89,565
Research and development	15,747	14,679
Selling, general and administrative	145,015	119,217
Intangible asset amortization	5,419	3,471
Total costs and expenses	265,179	226,932
Operating income	16,985	22,377
Interest income	64	6
Interest expense	(6,181)	(6,588)
Other income (expense), net	(2,866)	(852)
Income from continuing operations before taxes	8,002	14,943
Income tax expense (benefit)	(2,833)	2,188
Net income	$ 10,835	$ 12,755
Net income per share:		
Income from continuing operations	$ 0.14	$ 0.16
Diluted net income per share	$ 0.14	$ 0.16
Weighted average common shares outstanding for diluted net income per share	78,963	78,710

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 June 30,		
	2017	2016	Change
Specialty Surgical Solutions	$159,857	$158,163	1.1%
Orthopedics and Tissue Technologies	122,307	91,146	34.2%
Total revenues	$282,164	$249,309	13.2%
Impact of changes in currency exchange rates	$1,160	$—	
Less contribution of revenues from acquisitions*	(24,028)	—	
Less contribution of revenues from discontinued products	(514)	(1,805)	
Total organic revenues	$258,782	$247,504	4.6%

* Acquisitions include Derma Sciences and TGX Medical

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

(In thousands)

Three Months Ended June 30, 2017

Item	Total Amount	COGS(a)	SG&A(b)	Amort.(c)	OI&E(d)	Tax(e)
Global ERP implementation charges	$834	$—	$834	$—	$—	$—
Structural optimization charges	1,806	974	832	—	—	—
Acquisition-related charges*	23,698	1,887	19,548	—	2,263	—
Intangible asset amortization expense	12,497	7,078	—	5,419	—	—
Estimated income tax impact from above adjustments and other items	(14,276)	—	—	—	—	(14,276)
Total adjustments	$24,559	$9,939	$21,214	$5,419	$2,263	$(14,276)
Depreciation expense	9,097	—	—	—	—	—

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

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

three months ended June 30, 2016

(In thousands)

Item	Total Amount	COGS (a)	SG&A (b)	Amort. (c)	OI&E (d)	Tax (e)
Global ERP implementation charges	$5,696	$—	$5,696	$—	$—	$—
Structural optimization charges	1,838	1,008	830	—	—	—
Acquisition-related charges	6,020	4,644	1,376	—	—	—
Certain employee severance charges	617	317	300	—	—	—
Intangible asset amortization expense	10,351	6,880	—	3,471	—	—
Convertible debt noncash interest	2,104	—	—	—	2,104	—
Estimated income tax impact from above adjustments and other items	(9,120)	—	—	—	—	(9,120)
Total adjustments	$17,506	$12,849	$8,202	$3,471	$2,104	$(9,120)
Depreciation expense	7,663	—	—	—	—	—

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

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

(In thousands, except per share amounts)

	Three Months Ended June 30,	
	2017	2016
GAAP net income from continuing operations	$ 10,835	$ 12,755
Non-GAAP adjustments:		
Depreciation and intangible asset amortization expense	21,594	18,014
Other (income) expense, net	603	852
Interest expense, net	6,117	6,582
Income tax expense (benefit)	(2,833)	2,188
Global ERP implementation charges	834	5,696
Structural optimization charges	1,806	1,838
Acquisition-related charges	23,698	6,020
Certain employee severance charges	—	617
Total of non-GAAP adjustments	51,819	41,807
Adjusted EBITDA	$ 62,654	$ 54,562

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 June 30,	
	2017	2016
GAAP net income from continuing operations	$ 10,835	$ 12,755
Non-GAAP adjustments:		
Global ERP implementation charges	834	5,696
Structural optimization charges	1,806	1,838
Acquisition-related charges	23,698	6,020
Certain employee severance charges	—	617
Intangible asset amortization expense	12,497	10,351
Convertible debt noncash interest	—	2,104
Estimated income tax impact from adjustments and other items	(14,276)	(9,120)
Total of non-GAAP adjustments	24,559	17,506
Adjusted net income	$ 35,394	$ 30,261
Adjusted diluted net income per share	$0.45	$0.40
Weighted average common shares outstanding for diluted net income per share	78,963	78,710
Weighted average common shares outstanding adjustment for economic benefit of convertible bond hedge transactions	—	(2,284)
Weighted average common shares outstanding for adjusted diluted net income per share	78,963	76,426

CONDENSED BALANCE SHEET DATA
(UNAUDITED)

(In thousands)

	June 30, 2017	December 31, 2016
Cash and cash equivalents	$ 154,600	$ 102,055
Accounts receivable, net	171,323	148,186
Inventories, net	234,680	217,263
Bank line of credit	880,000	665,000
Stockholders' equity	$ 894,555	$ 839,667

CONDENSED STATEMENT OF CASH FLOWS
(UNAUDITED)

(In thousands)

	Six Months Ended June 30,	
	June 30, 2017	June 30, 2016
Net cash provided by operating activities	$ 57,753	$ 63,109
Net cash used in investing activities	(230,660)	(14,773)
Net cash provided by (used in) financing activities	218,363	(9,082)
Effect of exchange rate changes on cash and cash equivalents	7,089	(583)
Net increase in cash and cash equivalents	$ 52,545	$ 38,671

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

(In thousands)

	Three Months Ended June 30,	
	2017	2016
GAAP net cash provided by continuing operating activities	$ 28,871	$ 38,079
Purchases of property and equipment from continuing operations	(12,819)	(8,267)
Free cash flow	16,052	29,812
Adjusted net income *	$ 35,394	$ 30,261
Adjusted free cash flow conversion	45.4%	98.5%

	Twelve Months Ended June 30,	
	2017	2016
GAAP net cash provided by continuing operating activities**	$ 111,046	$ 108,362
Accreted interest payment associated with the 2016 convertible note	42,786	
Purchases of property and equipment from continuing operations	(50,174)	(37,622)
Adjusted free cash flow	103,658	70,740
Adjusted net income *	$ 143,122	$ 118,243
Adjusted free cash flow conversion	72.4%	59.8%

* Adjusted net income for quarters ended June 30, 2017 and 2016 are reconciled above. Adjusted net income for remaining quarters in the trailing twelve months calculation have been previously reconciled and are publicly available in the Quarterly Earnings Call Presentations and the Historical Financial Results: Continuing Operations presentation on our website at investor.integralife.com under Events & Presentations.
** Operating cash flow excludes $42.8M of accreted interest payment associated with the 2016 Convertible Notes.

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

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

(In thousands, except per share amounts)	Recorded Year to Date June 30, 2017	Projected Year Ended December 31, 2017	
		Low	High
GAAP net income	$ 17,230	$ 39,250	$ 43,750
Non-GAAP adjustments:			
Global ERP implementation charges	3,261	3,261	3,261
Structural optimization charges	3,392	11,392	11,392
Acquisition-related charges	44,015	90,247	90,247
Certain employee severance charges	125	125	125
Discontinued product lines charges	1,025	1,025	1,025
Intangible asset amortization expense	23,464	47,800	47,800
Estimated income tax impact from adjustments and other items	(26,226)	(44,000)	(44,000)
Total of non-GAAP adjustments	49,056	109,850	109,850
Adjusted net income	$ 66,286	$ 149,100	$ 153,600
GAAP diluted net income per share	$0.22	$0.49	$0.55
Non-GAAP adjustments detailed above (per share)	$0.62	$1.39	$1.39
Adjusted diluted net income per share	$0.84	$1.88	$1.94
Weighted average common shares outstanding for diluted net income per share	78,703	79,500	79,000

GUIDANCE - SPECIAL CHARGES

Item	**YTD Amount**	**FY Guidance**	**COGS**	**SG&A**	**R&D**	**Amort.**	**Interest (Inc)Exp**	**Tax**
Global ERP implementation charges	$ 3,261	$ 3,261	$ —	$ 3,261	$ —	$ —	$ —	$ —
Structural optimization charges	3,392	11,392	10,500	892	—	—		
Acquisition-related charges	44,015	90,247	9,000	81,247		—	—	—
Certain employee severance charges	125	125	—	125	—	—	—	—
Discontinued product lines charges	1,025	1,025	1,025	—	—	—	—	—
Intangible asset amortization expense	23,464	47,800	31,000	—	—	16,800	—	—
Convertible debt non-cash interest	—	—	—	—	—	—	—	—
Estimated income tax impact from adjustments and other items	(26,226)	(44,000)	—	—	—	—	—	(44,000)
Total	49,056	109,850	51,525	85,525	—	16,800	—	(44,000)

Source: Integra LifeSciences Holdings Corporation