



Integer™

4Q17 Earnings Conference Call

February 22, 2018

Presentation of Financial Information & Forward-Looking Statements

Historical financial and operating data in this presentation reflect the consolidated results of Integer for the periods indicated.

This presentation includes financial information prepared in accordance with accounting principles generally accepted in the United States, or GAAP, as well as other financial measures referred to as non-GAAP. The non-GAAP financial measures in this presentation, which include Adjusted Net Income, Adjusted Diluted EPS, Earnings Before Interest Taxes Depreciation and Amortization (EBITDA), Adjusted EBITDA, and organic growth rates should be considered in addition to, but not as substitutes for, the information prepared in accordance with GAAP. For reconciliations of these non-GAAP financial measures to the most comparable GAAP measures, please refer to the appendix to this presentation and the earnings release associated with this quarterly period which can be found in the investor relations section of our corporate website (investor.integer.net).

Statements made in this presentation whether written or oral may be “forward-looking statements” within the meaning of Section 27A of the Securities Act of 1933, as amended, and Section 21E of Securities Exchange Act of 1934, as amended, and involve a number of risks and uncertainties. These statements can be identified by terminology such as “may,” “will,” “should,” “could,” “expects,” “intends,” “plans,” “anticipates,” “believes,” “estimates,” “predicts,” “potential” or “continue” or “variations” or the negative of these terms or other comparable terminology. These statements are based on the company’s current expectations and speak only as of **February 22, 2018**. The Company’s actual results could differ materially from those stated or implied by such forward-looking statements. The Company assumes no obligation to update forward-looking information, including information in this presentation, to reflect changed assumptions, the occurrence of unanticipated events or changes in future operating results, financial conditions or prospects.

Agenda

- Opening Comments
- Financial Results
- Product Line Review
- Strategy Update
- Question & Answer Period

Opening Comments

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“Integer had record sales in the fourth quarter ... we are now executing on a clear and focused strategy to accelerate sales and profit growth”

Fourth Quarter Highlights

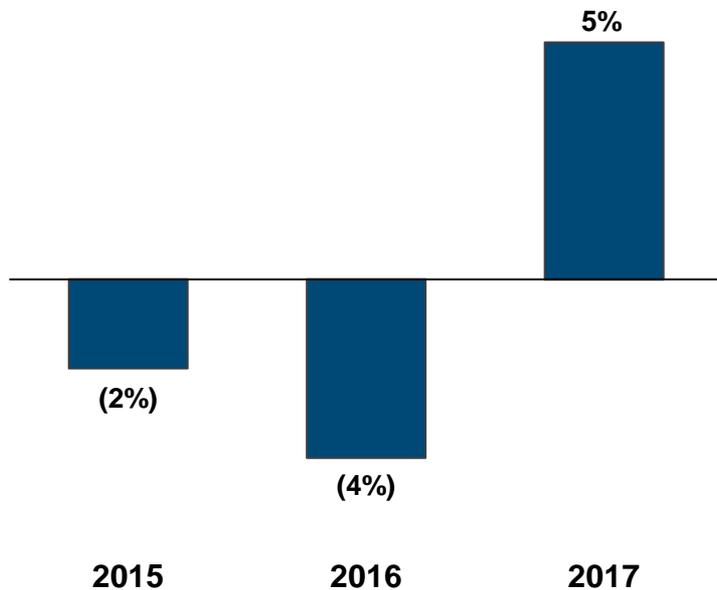
- Organic sales up 8% ... Year-to-date up 5%
 - YOY sales growth across all product-lines
- Adjusted Results
 - EBITDA increased 17% organically ... up 7% year-to-date
 - Net Income increased 28% organically ... up 23% year-to-date
- Strong and Consistent Cash Flow ... accelerated debt repayment

New Strategy to Drive Accelerated Growth

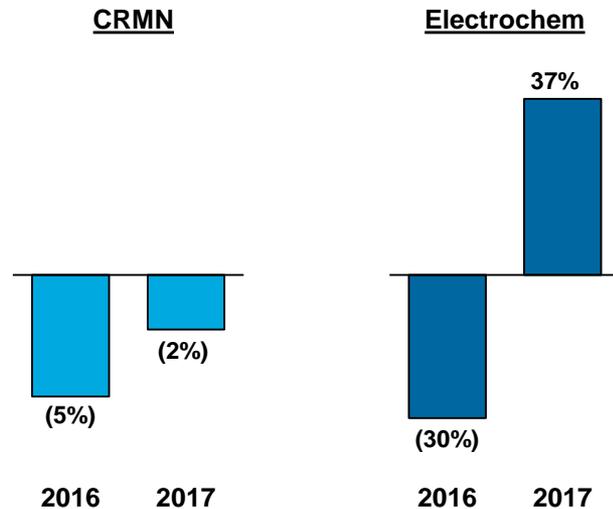
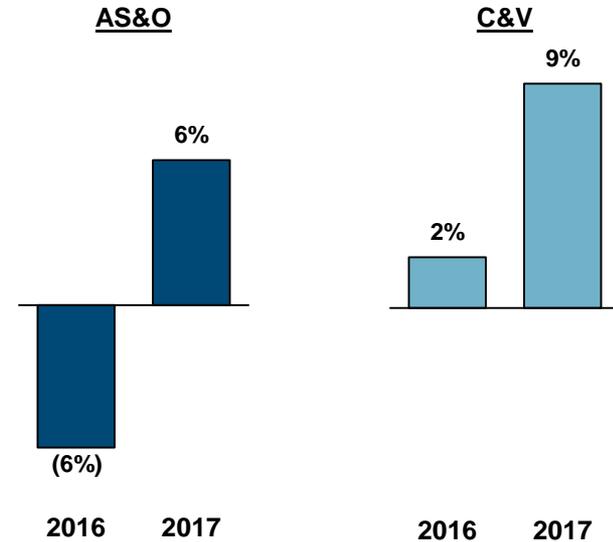
- Focused on portfolio management and operational excellence
- Management team strengthened and aligned to execute strategy

2017 Growth Driven by Improving Sales Trends Across All Product Lines

Integer YOY Sales Growth



Product Line YOY Sales Growth

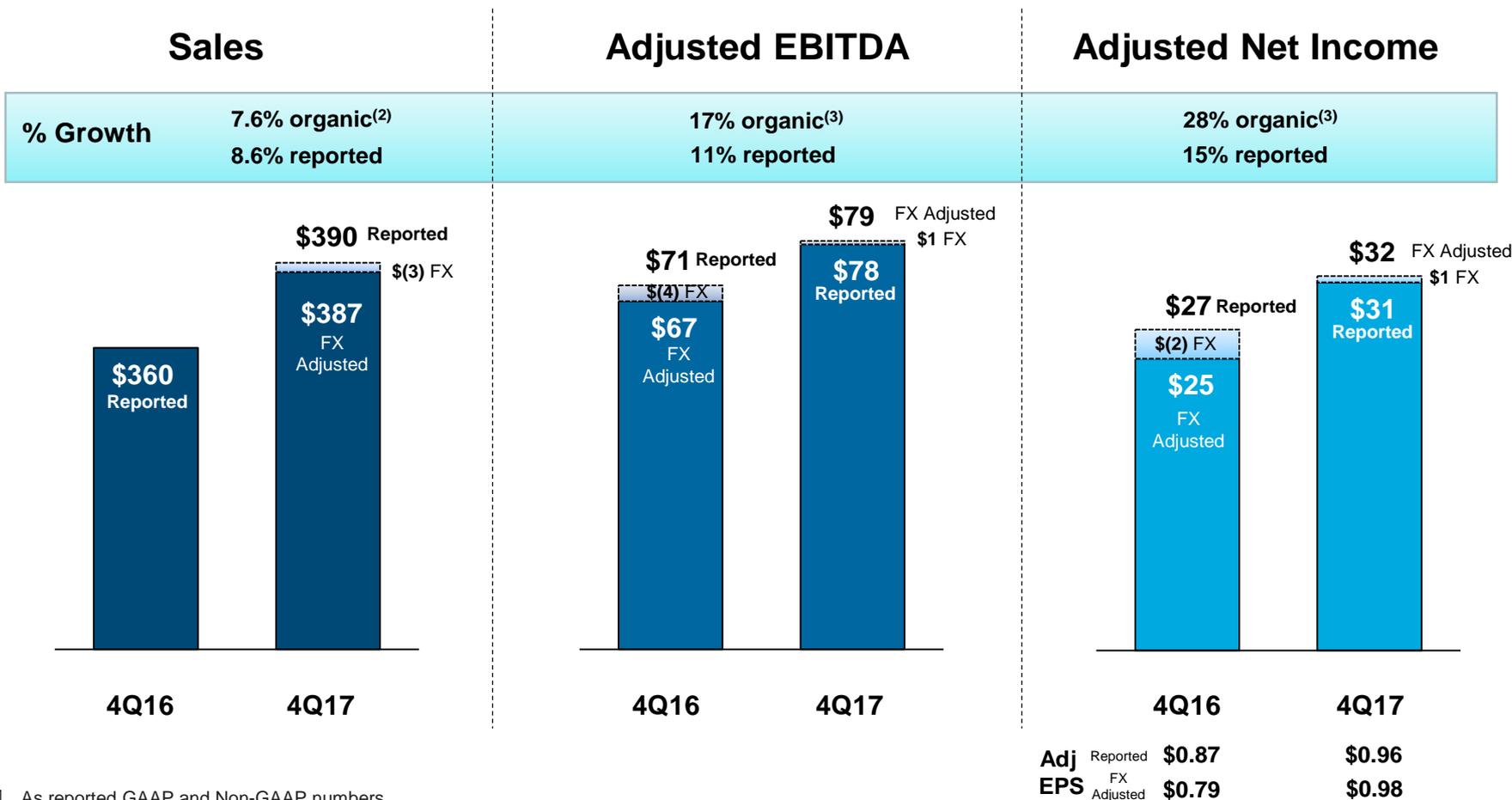


Financial Results

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4Q17 Adjusted Financial Results⁽¹⁾

(\$ in millions, except per share amounts)



□ As reported GAAP and Non-GAAP numbers

▤ Foreign currency impact on reported GAAP and Non-GAAP numbers

(1) Refer to the appendix of this presentation for a reconciliation of Adjusted EBITDA, Adjusted Net Income, Adjusted EPS, and organic growth rates to the most directly comparable GAAP measure

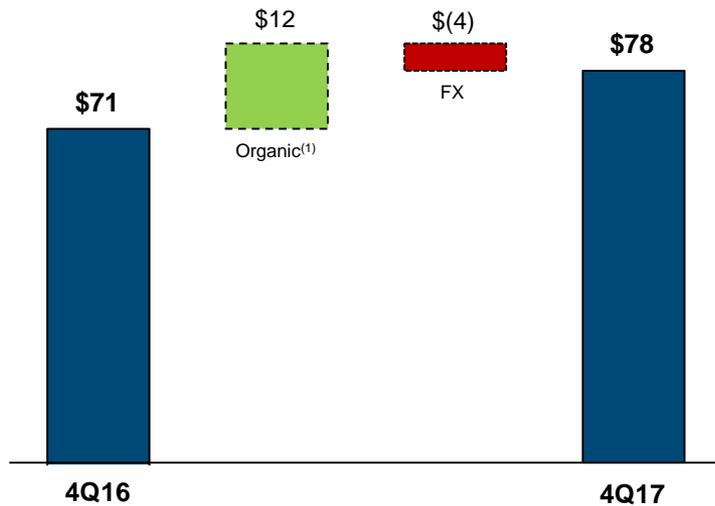
(2) Organic growth for Sales excludes the impact of foreign exchange

(3) Organic growth for Adjusted EBITDA, Adjusted Net Income, and Adjusted EPS exclude the impact of foreign currency reported in other (income) loss, net

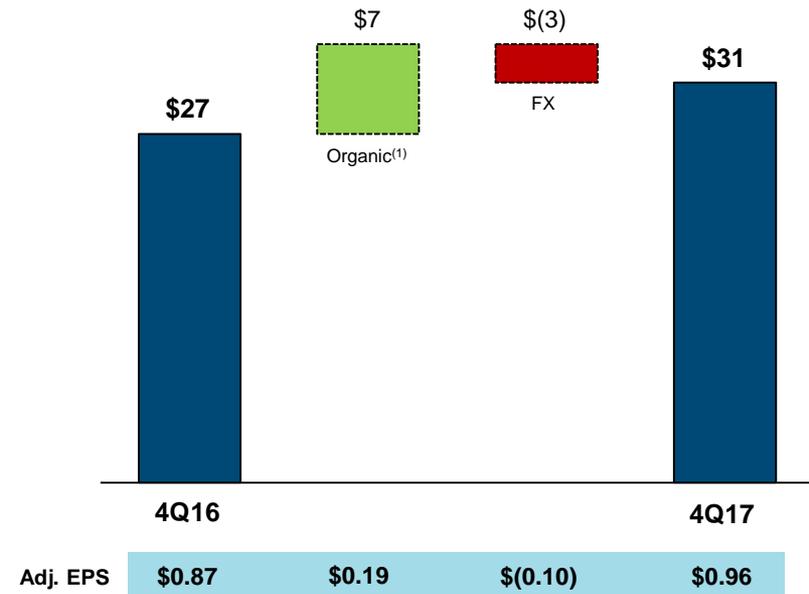
Adjusted EBITDA & Adjusted Net Income

(\$ in millions except per share amounts)

Adjusted EBITDA



Adjusted Net Income

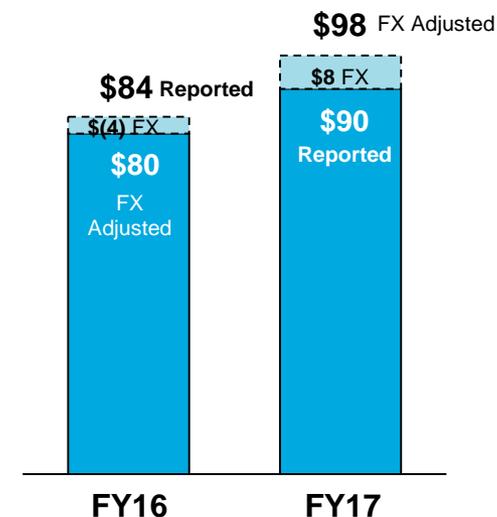
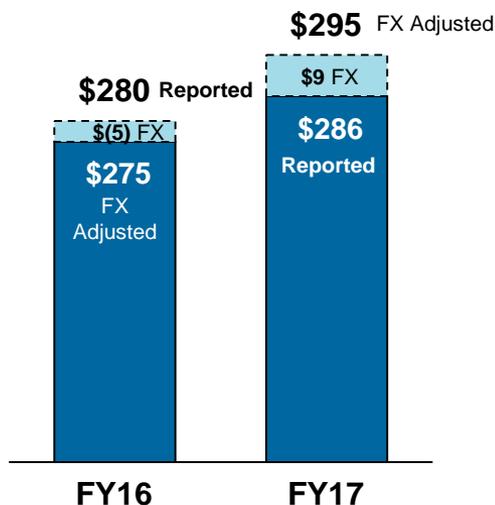
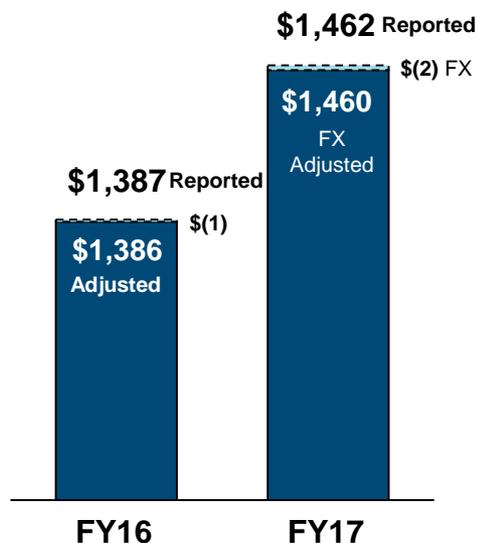


(1) Organic amounts exclude the YOY impact of foreign currency gain (loss) reported in other (income) loss, net note: Amounts may not sum across due to rounding

FY17 Adjusted Financial Results⁽¹⁾

(\$ in millions, except per share amounts)

	Sales	Adjusted EBITDA	Adjusted Net Income
% Growth	5.3% organic ⁽²⁾ 5.4% reported	7% organic ⁽³⁾ 2% reported	23% organic ⁽³⁾ 8% reported



Adj	Reported	\$2.68	\$2.81
EPS	FX Adjusted	\$2.55	\$3.05

□ As reported GAAP and Non-GAAP numbers

▤ Foreign currency impact on reported GAAP and Non-GAAP numbers

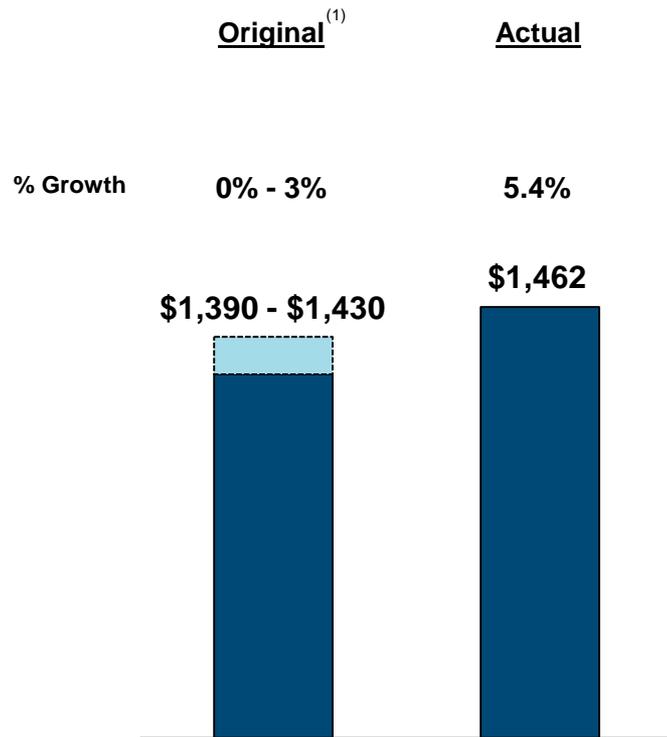
(1) Refer to the appendix of this presentation for a reconciliation of Adjusted EBITDA, Adjusted Net Income, Adjusted EPS, and organic growth rates to the most directly comparable GAAP measure

(2) Organic growth for Sales excludes the impact of foreign exchange and excludes the results of Nuvecra prior to its spin-off in March 14, 2016

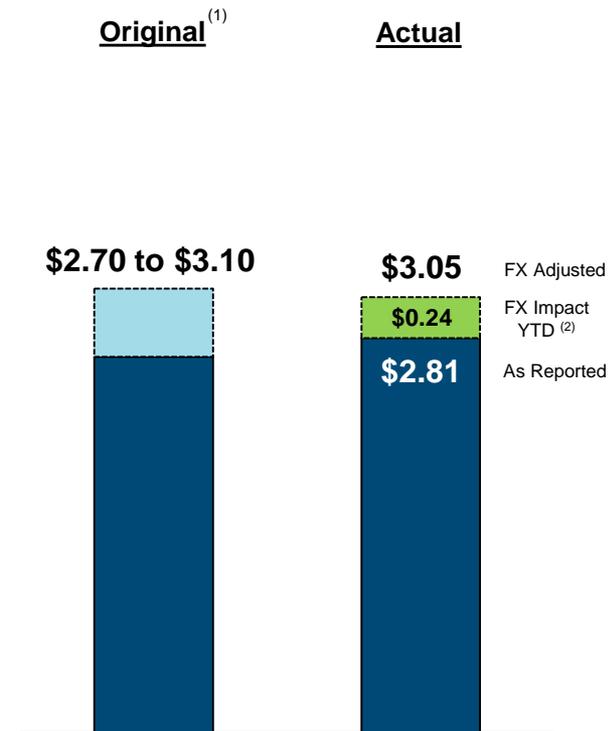
(3) Organic growth for Adjusted EBITDA, Adjusted Net Income, and Adjusted EPS exclude the impact of foreign currency reported in other (income) loss, net

FY17 Actual Results compared to Original Guidance

Sales



Adjusted EPS



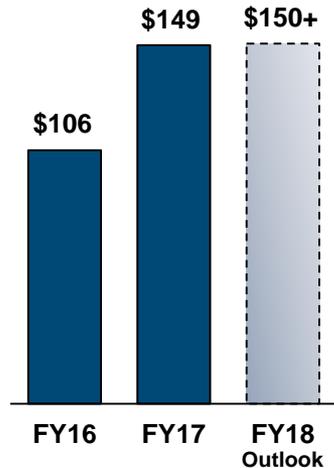
Sales above original guidance range ... Adj. EPS within range

(1) Original FY2017 Outlook as provided on February 27, 2017

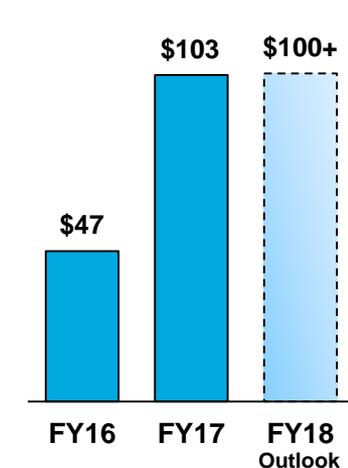
(2) Impact of foreign currency on Adjusted EPS reported in other (income) loss, net

Continued Strong & Steady Cash Flow Generation

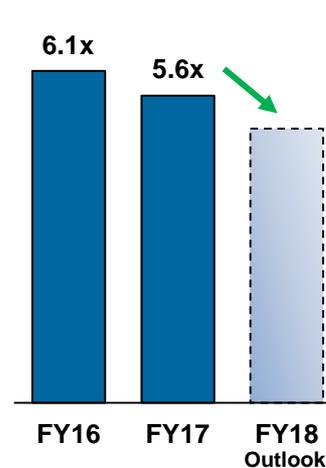
Cash Flow From Ops
(\$ in millions)



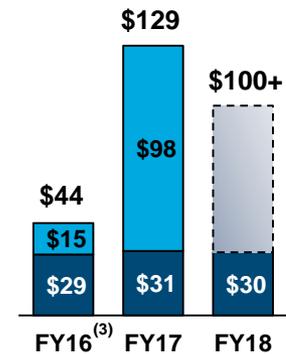
Free Cash Flow (1)
(\$ in millions)



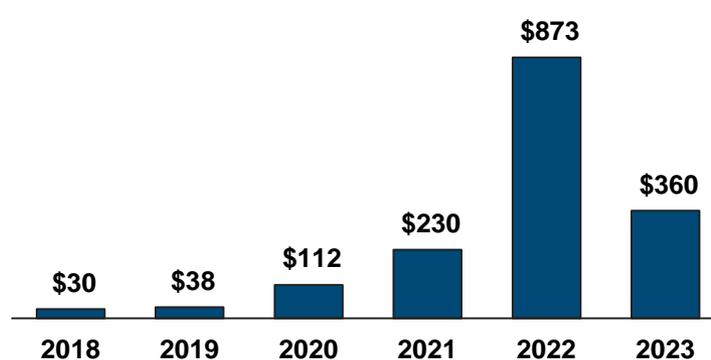
Leverage (2)



Debt Payments
(\$ in millions)



Future Mandatory Debt Repayment Schedule
(\$ in millions)



- Continued strong cash flow and debt reduction
- Reduced leverage ratio from 6.1x to 5.6x in FY17
 - Repaid \$129M of debt in FY17
 - Total payments of \$173M since acquisition
- No significant maturities until 2020; well within covenants
- 34% of debt at fixed rate
- Expect continued strong cash flow and accelerated debt repayment in 2018

(1) Free Cash Flow defined as Cash Flow from Operations less Capital Expenditures

(2) Leverage calculated as Total Debt less Cash and Cash Equivalents divided by Adjusted EBITDA

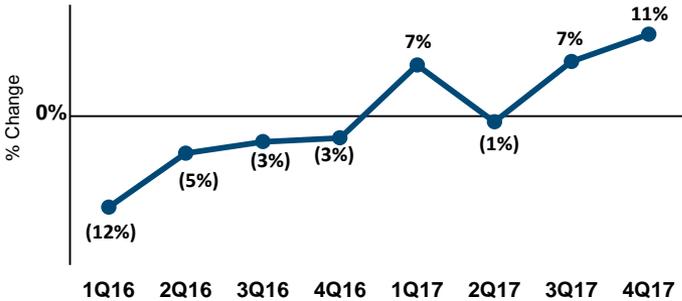
(3) Reflects debt payments excluding \$55M of borrowings used to fund \$76M of cash provided to Nuvecra as part of the spin-off on March 14, 2016.

Product Line Review

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Providing a wide range of technologies and solutions to the Advanced Surgical and Orthopedic markets

Quarterly YOY Growth



Orthopedic Implants & Instruments



Laparoscopy & General Surgery



Arthroscopy Products



Biopsy & Drug Delivery



Portable Medical (Power Solutions)

- 4Q17 sales increase driven by continued tailwind from customer inventory management, new product ramps and increased development work
- Trailing 4-quarter improvement primarily driven by completion of plant transfers and short-term customer inventory management actions
- Expect growth to stabilize during 2018 due to completion of customer inventory management actions

(\$ in millions)

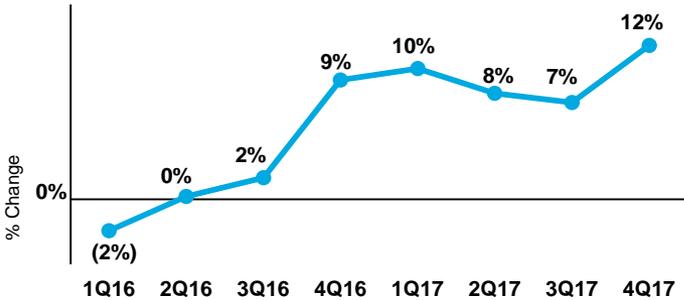
Trailing 4-Quarter Sales



Trailing 4-Qtr Sales YoY % (6)% (1)% (0)% 2% 6%

Offering a full-range of services for the design, development, and manufacturing of diagnostic and interventional cardiac and endovascular delivery and retrieval devices, along with comprehensive supply-chain solutions

Quarterly YOY Growth



(\$ in millions)

Trailing 4-Quarter Sales



Steerable Sheaths



Catheters & Sheaths



Guidewires, Stylets & Accessories



Introducers

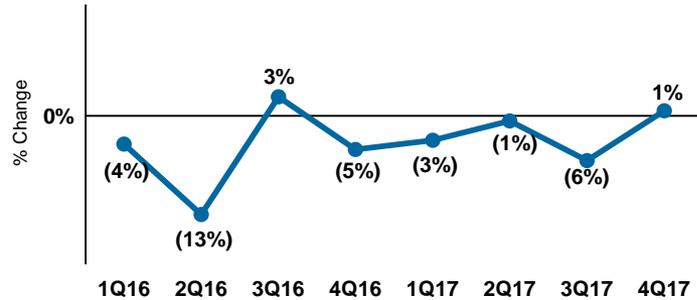
- 4Q17 sales growth driven by strong demand for Integer-owned product lines and increasing demand for contract manufactured products
- Trailing 4-quarter Sales demonstrating further growth driven by continued strength of Integer product offering in most markets and market growth.
- Expect continued growth in 2018 as momentum in market continues and as we innovate to support our customers and their speed to market.

Cardiac & Neuromodulation



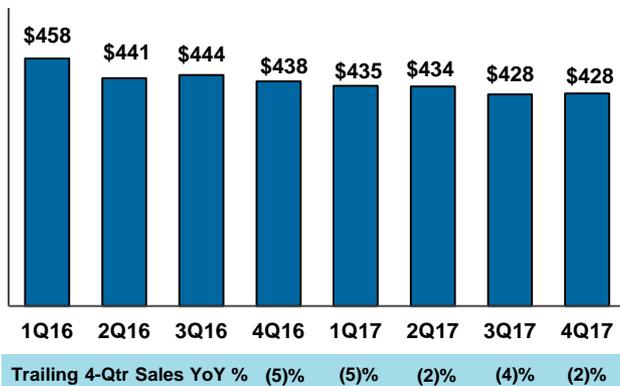
Providing technology solutions for the active implantable medical device industry by partnering with customers to bring high-quality products to established and emerging markets – from initial concept through to high-volume manufacturing

Quarterly YOY Growth⁽¹⁾



(\$ in millions)

Trailing 4-Quarter Sales



Advanced technology and manufacturing capabilities to support the full breadth of active implantable device components and assembly



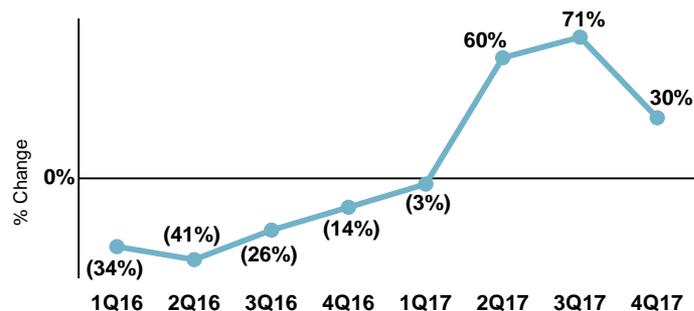
Fully customizable platforms to accelerate time to market

- 4Q17 sales reflect Integer customer growth in CRM and continued strength in Neuromodulation
- Trailing 4-quarter sales reflect stabilization in CRM and continued strength in Neuromodulation
- Expect a return to growth in 1H18 with stabilization in CRM and mid-year 2017 supply constraint resolution in Neuromodulation

(1) Excludes the results of Nuvectra Corporation prior to its spin-off on March 14, 2016

Enhancing lives worldwide by providing superior power solutions that enable the success and advancement of our customers' critical applications

Quarterly YOY Growth



Battery Cells



Battery Packs

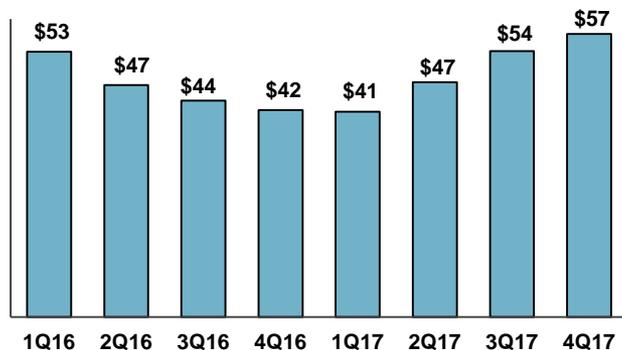


Battery Chargers

- Continued YOY Sales growth in 4Q17, down sequentially due to tougher comps driven by energy market recovery beginning in 4Q16
- Trailing 4-quarter Sales demonstrates continued growth due to energy market recovery, new business wins, and market share gains
- Positive outlook for 2018 as team executes on new business wins and continues to execute on growth initiatives

(\$ in millions)

Trailing 4-Quarter Sales



Trailing 4-Qtr Sales YoY % (30%) (23)% 1% 23% 37%

Strategy Update

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Focused Strategy to Drive Long-Term Growth

Portfolio Strategy

Invest to Grow
Cardio & Vascular Neuromodulation Electrochem
Protect & Preserve
Cardiac Rhythm Management
Improve Profitability
Orthopedics Advanced Surgical Power Solutions

Operational Strategy – Strategic Imperatives



Organization Alignment to Drive Strategic Imperatives

Organization Updates



Jeremy Friedman
COO

- 2018 Focus
 - Improve AS&O profitability
 - Customer strategic imperatives
- Anticipated retirement YE18



Payman Khales
President, C&V

- Strong commercial and general management background
- 20 yrs at Ingersoll Rand
- Mechanical Engineer, MBA



Kirk Thor
CHRO

- 25+ yrs talent management & leadership development expertise
- Multi-industry background
- PhD Industrial/Organizational Psychology

Strategic Imperatives



Jeremy Friedman
COO



Manufacturing Excellence



Jen Bolt
President, Electrochem



Business Process Excellence



Mary Holler
VP, CIO



Joe Flanagan
EVP, Quality



Kirk Thor
CHRO

“I am confident we have the right strategy and the right team in place to deliver for our customers and to realize our vision of enhancing patient lives worldwide”

Strategy to Accelerate Growth

- Portfolio Management
- Operational Excellence – Strategic Imperatives

Management Team in Place

- Appointed since 2Q17
 - CEO, CFO, CHRO, President C&V
- Aligned to execute Strategic Imperatives

Clear Objectives

- Accelerate Sales Growth to “Above Market”
- Profit Growth – at least 2x Sales Growth
- Earn a Valuation Premium

Question & Answer Period

APPENDIX

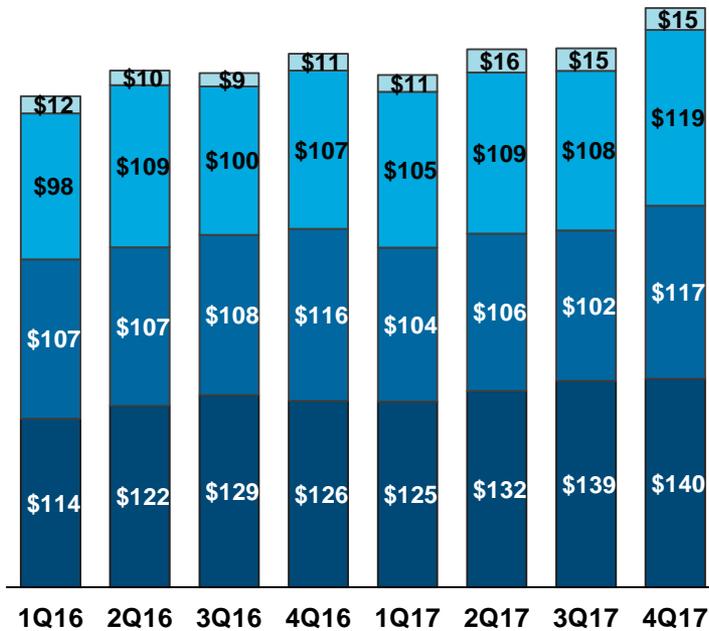
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Historical Financial Results

(\$ in millions, except per share amounts)

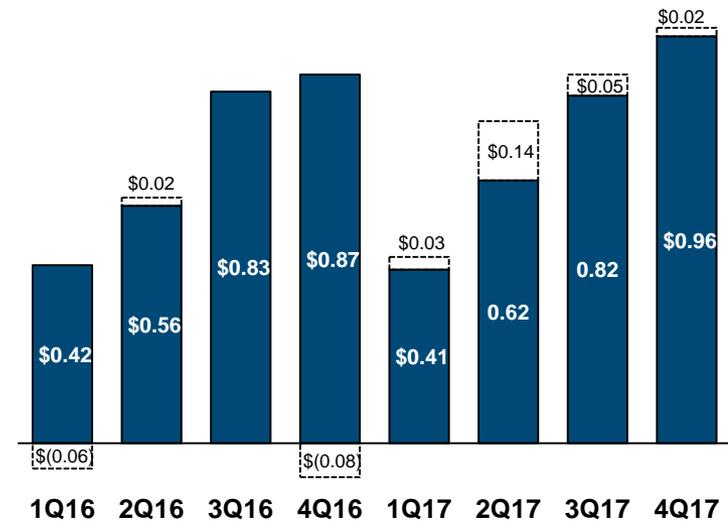
Sales⁽¹⁾

\$331 \$348 \$347 \$360 \$345 \$363 \$363 \$390



Adjusted EPS⁽¹⁾⁽²⁾⁽³⁾

Organic Adjusted EPS⁽⁴⁾ \$0.36 \$0.58 \$0.83 \$0.79 \$0.44 \$0.76 \$0.87 \$0.98

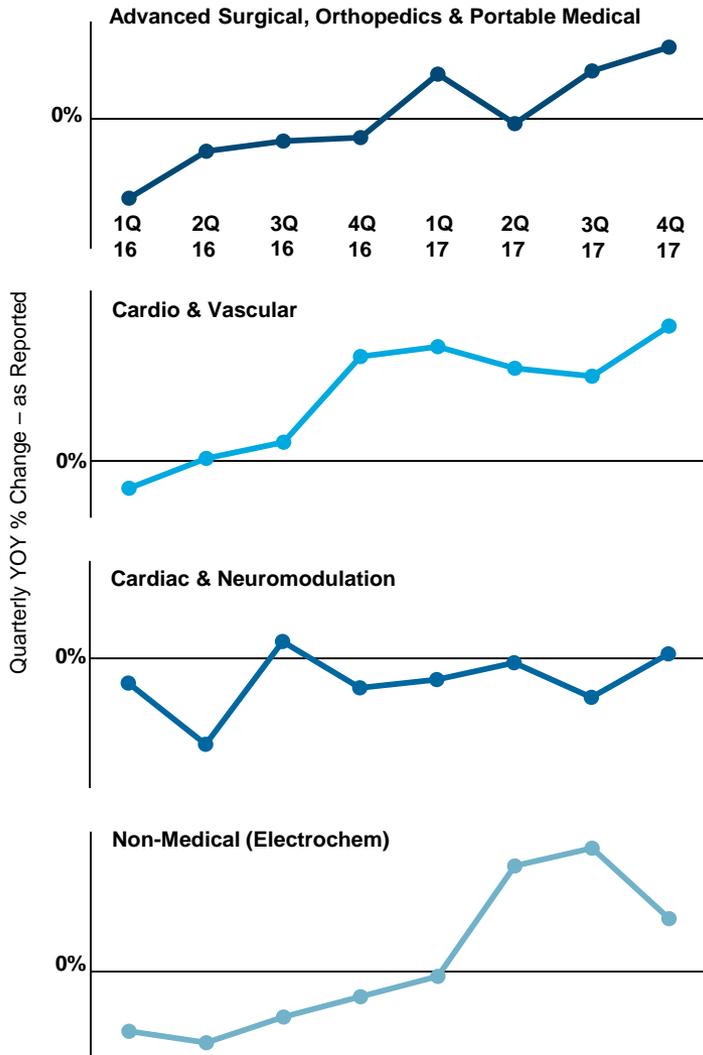


- Non-Medical
- Adv. Surgical, Ortho & Portable Medical
- Cardiac & Neuro
- Cardio & Vascular

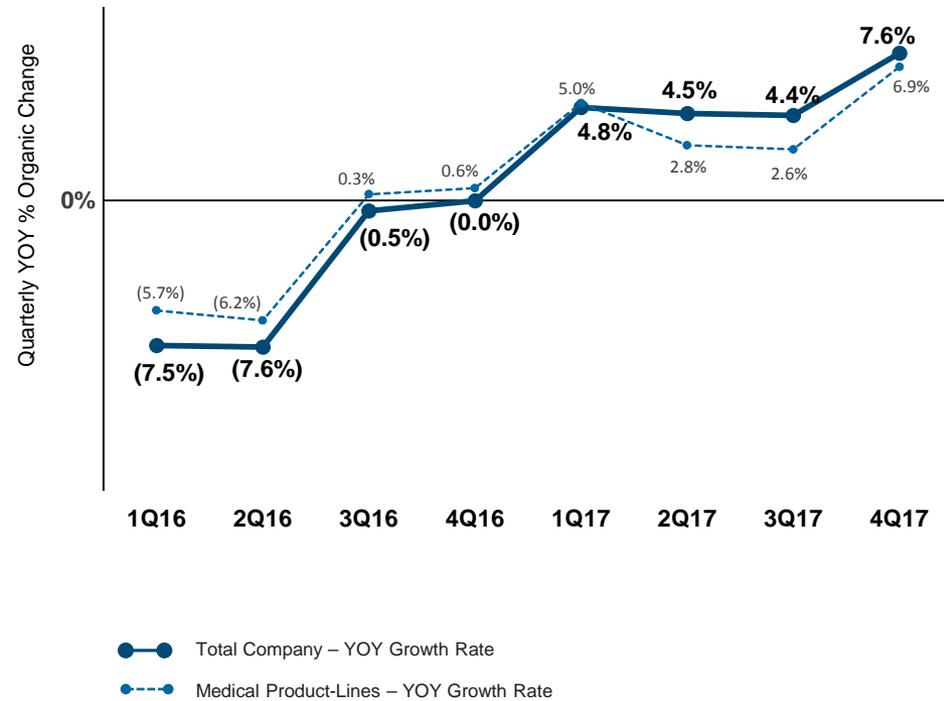
- Impact of foreign currency reported in other (income) loss, net
- Adjusted EPS, as reported

- (1) Sales and Adjusted EPS information provided on a comparable basis. Comparable basis amounts for 2016 exclude the results of Nuvectra Corporation ("Nuvectra") prior to its spin-off on March 14, 2016.
- (2) Refer to the appendix of this presentation for a reconciliation of Adjusted EPS to the most directly comparable GAAP measure
- (3) The quarterly and annual EPS numbers are calculated independently and may not sum to the total
- (4) Excludes impact of foreign currency reported in other (income) loss, net

YOY Sales Improvement Continues in 4Q17



Integer⁽¹⁾



(1) Excludes impact from changes in foreign currency exchange rates

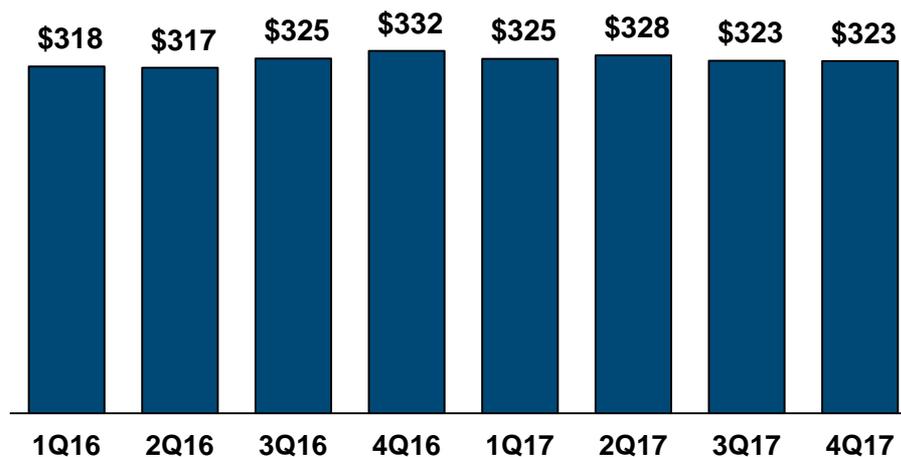
Working Capital

(\$ in millions)

	<u>1Q16</u>	<u>2Q16</u>	<u>3Q16</u>	<u>4Q16</u>	<u>1Q17</u>	<u>2Q17</u>	<u>3Q17</u>	<u>4Q17</u>
Inventory	\$267	\$276	\$262	\$225	\$231	\$236	\$247	\$228
Inventory Turns ⁽¹⁾	3.7	3.7	3.7	4.4	4.5	4.5	4.4	4.8
Capital Expenditures	\$19	\$12	\$17	\$11	\$12	\$10	\$12	\$13

Working Capital

(\$ in millions)



(1) Inventory Turns calculated as "COGS divided by quarterly Average Inventory multiplied by "4" to reach an annualized number

Impact of U.S. Tax Reform Act

- Full impact of changes to U.S. Tax Policy still under evaluation
- 2017 adjusted effective tax rate of 20.0% excludes an approximately \$40 million net positive impact due to:
 - \$57 million benefit resulting from re-measured deferred tax liabilities
 - \$15 million of one-time toll charges on foreign earnings
 - \$2 million in expense from the change in assertion related to the reinstatement of foreign earnings
- 2018 adjusted effective tax rate expected to be in the range of 20% to 25%
 - No immediate cash tax impact due to U.S. Tax Reform
 - No impact to effective tax rate from interest rate expense limitation

Other Operating Expenses – Historical

(\$ in millions)

	YTD	Three Months Ended				YTD
	FY16	1Q17	2Q17	3Q17	4Q17	FY17
2014 Investments in Capacity and Capabilities	\$17.2	\$1.6	\$1.3	\$1.5	\$2.3	\$6.7
Legacy Lake Region Medical Consolidation and Optimization	\$8.6	\$0.7	\$1.5	\$1.5	\$2.1	\$5.7
Acquisition and Integration Costs	\$28.3	\$4.8	\$3.0	\$2.2	\$0.8	\$10.8
Asset Dispositions, Severance, and Other	\$6.9	\$4.6	\$1.1	\$0.8	\$0.7	\$7.2
Other consolidation and disposition initiatives	\$0.7	\$0.1	\$0.1	\$0.2	\$0.5	\$0.9
Strategic reorganization and realignment	--	--	--	--	\$5.9	\$5.9
TOTAL OOE	\$61.7	\$11.8	\$6.9	\$6.2	\$12.3	\$37.2

Non-GAAP Reconciliation

Net Income and Diluted EPS Reconciliation – QTD

(\$ in thousands, except per share amounts)

	Three Months Ended					
	December 29, 2017			December 30, 2016		
	Pre-Tax	Net Income	Per Diluted Share	Pre-Tax	Net Income	Per Diluted Share
As reported (GAAP)	\$ 9,916	\$ 54,338	\$ 1.68	\$ 4,543	\$ 7,933	\$ 0.25
Adjustments:						
Amortization of intangibles (excluding OOE) ^(a)	11,099	7,854	0.24	9,411	6,646	0.21
IP related litigation (SG&A) ^{(a)(b)}	1,348	876	0.03	349	227	0.01
Consolidation and optimization expenses (OOE) ^{(a)(c)}	5,111	3,886	0.12	4,686	3,884	0.12
Acquisition and integration expenses (OOE) ^{(a)(d)}	813	926	0.03	5,173	3,406	0.11
Asset dispositions, severance and other (OOE) ^{(a)(e)}	522	475	0.01	1,874	1,301	0.04
Strategic reorganization and alignment (OOE) ^{(a)(f)}	5,891	3,829	0.12	—	—	—
(Gain) loss on cost and equity method investments, net ^(a)	(1,354)	(880)	(0.03)	1,765	1,147	0.04
Loss on extinguishment of debt ^{(a)(g)}	253	164	0.01	—	—	—
Tax adjustments ^(h)	—	(40,281)	(1.24)	—	2,630	0.08
Adjusted (Non-GAAP)	<u>\$ 33,599</u>	<u>\$ 31,187</u>	<u>\$ 0.96</u>	<u>\$ 27,801</u>	<u>\$ 27,174</u>	<u>\$ 0.87</u>
Diluted weighted average shares for adjusted EPS		32,383			31,254	

See the Footnotes to this table on Slide 34 of this presentation

Non-GAAP Reconciliation

4Q17 QTD Net Income and Diluted EPS Reconciliation – Detailed View

(\$ in thousands, except per share amounts)

THREE MONTHS ENDED	GAAP	Non-GAAP Adj. ^(a)							Non-GAAP
			<u>Litigation Related Charges^(b)</u>	<u>Consolidation & Optimization^{(c)(e)}</u>	<u>Acquisition & Integration^(d)</u>	<u>Strategic Reorganization & Alignment^(f)</u>	<u>Tax Adjustment^(h)</u>	<u>Debt / Investment Related Charges^(g)</u>	
Income Statement	4Q17 Actual	Amortization							4Q17 Adjusted
Sales	\$ 390,481								\$ 390,481
Cost of sales	285,663	(4,253)							281,410
Gross profit	\$ 104,818	\$ 4,253	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 109,071
Gross margin	26.8%								27.9%
Operating expenses:									
SG&A	42,617	(6,710)	(1,348)						34,559
SG&A as a % of revenues	10.9%								8.9%
Research, development & engineering	15,340	(136)							15,204
RD&E as a % of revenues	3.9%								3.9%
Other operating expense	12,337			(5,633)	(813)	(5,891)			-
Operating income	\$ 34,524	\$ 11,099	\$ 1,348	\$ 5,633	\$ 813	\$ 5,891	\$ -	\$ -	\$ 59,308
Operating margin	8.8%								15.2%
Other (income) & expenses:									
Interest expense	25,435							(253)	25,182
Interest income	-								-
Other (income) loss, net	(827)							1,354	527
Income before taxes	\$ 9,916	\$ 11,099	\$ 1,348	\$ 5,633	\$ 813	\$ 5,891	\$ -	\$ (1,101)	\$ 33,599
Provision for income taxes	(44,422)	3,245	472	1,272	(113)	2,062	40,281	(385)	2,412
Effective tax rate	-447.98%								7.18%
Net income (loss)	\$ 54,338	\$ 7,854	\$ 876	\$ 4,361	\$ 926	\$ 3,829	\$ (40,281)	\$ (716)	\$ 31,187
Net margin	13.9%								8.0%
Weighted Average Shares O/S ^(h)	32,383	32,383	32,383	32,383	32,383	32,383	32,383	32,383	32,383
EPS	\$ 1.68	\$ 0.24	\$ 0.03	\$ 0.13	\$ 0.03	\$ 0.12	\$ (1.24)	\$ (0.02)	\$ 0.96

See the Footnotes to this table on Slide 34 of this presentation

Non-GAAP Reconciliation

Net Income and Diluted EPS Reconciliation – YTD

(\$ in thousands, except per share amounts)

	Year Ended					
	December 29, 2017			December 30, 2016		
	Pre-Tax	Net Income	Per Diluted Share	Pre-Tax	Net Income	Per Diluted Share
As reported (GAAP)	\$ 21,827	\$ 66,679	\$ 2.09	\$ 1,185	\$ 5,961	\$ 0.19
Adjustments:						
Amortization of intangibles (excluding OOE) ^(a)	44,174	31,255	0.98	37,862	26,771	0.86
IP related litigation (SG&A) ^{(a)(b)}	4,375	2,844	0.09	3,040	1,976	0.06
Consolidation and optimization expenses (OOE) ^{(a)(c)}	13,349	10,529	0.33	26,490	21,582	0.69
Acquisition and integration expenses (OOE) ^{(a)(d)}	10,870	7,202	0.22	28,316	18,554	0.59
Asset dispositions, severance and other (OOE) ^{(a)(e)}	7,182	4,808	0.15	6,931	5,760	0.18
Strategic reorganization and alignment (OOE) ^{(a)(f)}	5,891	3,829	0.12	—	—	—
Loss on cost and equity method investments, net ^(a)	1,565	1,017	0.03	833	541	0.02
Loss on extinguishment of debt ^{(a)(g)}	3,525	2,291	0.07	—	—	—
Nuvectra results prior to spin-off ^{(a)(i)}	—	—	—	4,037	2,624	0.08
Tax adjustments ^(h)	—	(40,281)	(1.26)	—	(154)	—
Adjusted (Non-GAAP)	<u>\$ 112,758</u>	<u>\$ 90,173</u>	<u>\$ 2.81</u>	<u>\$ 108,694</u>	<u>\$ 83,615</u>	<u>\$ 2.68</u>
Diluted weighted average shares for adjusted EPS ⁽ⁱ⁾		32,056			31,222	

See the Footnotes to this table on Slide 34 of this presentation

Non-GAAP Reconciliation

FY17 Net Income and Diluted EPS Reconciliation – Detailed View

(\$ in thousands, except per share amounts)

TWELVE MONTHS ENDED	GAAP	Non-GAAP Adj.							Non-GAAP
			<u>Litigation Related Charges^(b)</u>	<u>Consolidation & Optimization^{(c)(e)}</u>	<u>Acquisition & Integration^(d)</u>	<u>Strategic Reorganization & Alignment^(f)</u>	<u>Tax Adjustment^(h)</u>	<u>Debt / Investment Related Charges^(g)</u>	
Income Statement	FY17 Actual	Amortization							FY17 Adjusted
Sales	\$ 1,461,921								\$ 1,461,921
Cost of sales	1,068,370	(16,586)							1,051,784
Gross profit	\$ 393,551	\$ 16,586	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 410,137
Gross margin	26.9%								28.1%
Operating expenses:									
SG&A	161,573	(27,043)	(4,375)						130,155
SG&A as a % of revenues	11.1%								8.9%
Research, development & engineering	55,247	(545)							54,702
RD&E as a % of revenues	3.8%								3.7%
Other operating expense	37,292			(20,531)	(10,870)	(5,891)			-
Operating income	\$ 139,439	\$ 44,174	\$ 4,375	\$ 20,531	\$ 10,870	\$ 5,891	\$ -	\$ -	\$ 225,280
Operating margin	9.5%								15.4%
Other (income) & expenses:									
Interest expense	106,460							(3,525)	102,935
Interest income	-								-
Other (income) loss, net	11,152							(1,565)	9,587
Income before taxes	\$ 21,827	\$ 44,174	\$ 4,375	\$ 20,531	\$ 10,870	\$ 5,891	\$ -	\$ 5,090	\$ 112,758
Provision for income taxes	(44,852)	12,919	1,531	5,194	3,668	2,062	40,281	1,782	22,585
Effective tax rate	-205.5%								20.0%
Net income (loss)	\$ 66,679	\$ 31,255	\$ 2,844	\$ 15,337	\$ 7,202	\$ 3,829	\$ (40,281)	\$ 3,308	\$ 90,173
Net margin	4.6%								6.2%
Weighted Average Shares O/S	31,888	32,056	32,056	32,056	32,056	32,056	32,056	32,056	32,056
EPS	\$ 2.09	\$ 0.98	\$ 0.09	\$ 0.48	\$ 0.22	\$ 0.12	\$ (1.26)	\$ 0.10	\$ 2.81

See the Footnotes to this table on Slide 34 of this presentation

Non-GAAP Reconciliations

Footnotes to “Net Income and Diluted EPS Reconciliations”

- (a) The difference between pre-tax and net income amounts is the estimated tax impact related to the respective adjustment. Net income amounts are computed using a 35% U.S. tax rate, and the statutory tax rates in Mexico, Germany, France, Netherlands, Uruguay, Ireland and Switzerland, as adjusted for the existence of net operating losses. Expenses that are not deductible for tax purposes (i.e. permanent tax differences) are added back at 100%.
- (b) In 2013, we filed suit against AVX Corporation alleging they were infringing our intellectual property. Given the complexity and significant costs incurred pursuing this litigation, we are excluding these litigation expenses from adjusted amounts. This matter proceeded to trial during the first quarter of 2016 and a federal jury awarded the Company \$37.5 million in damages. To date, no gains have been recognized in connection with this litigation.
- (c) During 2017 and 2016, we incurred costs primarily related to the transfer of our Beaverton, OR portable medical and Plymouth, MN vascular manufacturing operations to Tijuana, Mexico, the closure of our Arvada, CO site and the consolidation of our two Galway, Ireland sites. In addition, 2017 costs also include expenses related to the closure of our Clarence, NY facility.
- (d) Reflects acquisition and integration costs related to the acquisition of Lake Region Medical, which was acquired in October 2015.
- (e) Amounts for 2017 primarily include expenses related to our CEO, CFO and Chief Human Resources Officer transitions. Amounts for 2016 primarily include legal and professional fees incurred in connection with the spin-off of Nuvectra, which was completed in March 2016.
- (f) As a result of the strategic review of our customers, competitors and markets we undertook during the fourth quarter of 2017, we began to take steps to better align our resources in order to invest to grow, protect, preserve and to enhance the profitability of our portfolio of products. This will include focusing our investment in RD&E and manufacturing, improving our business processes and redirecting investments away from projects where the market does not justify the investment. As a result, during the fourth quarter we incurred charges related to the initial steps of this initiative which included lease termination charges and accelerated amortization of certain intangible assets.
- (g) Represents debt extinguishment charges in connection with pre-payments made on our Term B Loan Facility during 2017, which are included in interest expense.
- (h) Tax adjustments for the 2017 periods represent the net tax benefit resulting from the Tax Reform Act, which was signed into law on December 22, 2017. Tax adjustments include a discrete tax benefit related to certain transaction costs of the Lake Region Medical acquisition and the spin-off of Nuvectra in 2016 and a tax charge in the fourth quarter of 2016 and 2017 in connection with the enactment of regulations under §987 of the Internal Revenue Code, which resulted in an adjustment to our deferred tax assets.
- (i) The diluted weighted average shares for adjusted EPS for the years ended December 29, 2017 and December 30, 2016 include 168,000 and 249,000, respectively, of potentially dilutive shares not included in the computation of diluted weighted average common shares for GAAP diluted EPS purposes because their effect would have been anti-dilutive in that period.
- (j) Represents the results of Nuvectra prior to its spin-off on March 14, 2016.

Non-GAAP Reconciliations

EBITDA and Adjusted EBITDA Reconciliation

(\$ in thousands)

	Three Months Ended		Year Ended	
	December 29, 2017	December 30, 2016	December 29, 2017	December 30, 2016
Net Income (GAAP)	\$ 54,338	\$ 7,933	\$ 66,679	\$ 5,961
Interest expense	25,435	27,875	106,460	111,270
Benefit for income taxes	(44,422)	(3,390)	(44,852)	(4,776)
Depreciation	14,575	13,699	56,084	52,662
Amortization (excluding OOE)	11,099	9,411	44,174	37,862
EBITDA (Non-GAAP)	61,025	55,528	228,545	202,979
IP related litigation	1,348	349	4,375	3,040
Stock-based compensation (excluding OOE)	4,618	1,160	12,424	6,933
Consolidation and optimization expenses	5,111	4,686	13,349	26,490
Acquisition and integration expenses	813	5,173	10,870	28,316
Asset dispositions, severance and other	522	1,874	7,182	6,931
Strategic reorganization and alignment	5,891	—	5,891	—
Noncash (gain) loss on cost and equity method investments	(868)	1,765	2,965	1,495
Nuvectra results prior to spin-off ^(a)	—	—	—	3,665
Adjusted EBITDA (Non-GAAP)	\$ 78,460	\$ 70,535	\$ 285,601	\$ 279,849

a) Represents the results of Nuvectra prior to its spin-off in March 2016

Non-GAAP Reconciliations

Organic Sales Growth Rate Reconciliation (% Change)

	GAAP Reported Growth	Impact of Nuvectra prior to Spin-off ^(a)	Impact of Foreign Currency ^(b)	Non-GAAP Organic Growth
QTD Change (4Q 2017 vs. 4Q 2016)				
Medical Sales				
Cardio & Vascular	11.9%	—	(0.8)%	11.1%
Cardiac & Neuromodulation	0.7%	—	—	0.7%
Advanced Surgical, Orthopedics & Portable Medical	11.0%	—	(2.2)%	8.8%
Total Medical Sales	7.9%	—	(1.0)%	6.9%
Non-Medical Sales	30.3%	—	—	30.3%
Total Sales	8.6%	—	(1.0)%	7.6%
YTD Change (2017 vs. 2016)				
Medical Sales				
Cardio & Vascular	9.4%	—	(0.2)%	9.2%
Cardiac & Neuromodulation	(2.5)%	0.2%	—	(2.3)%
Advanced Surgical, Orthopedics & Portable Medical	6.1%	—	(0.4)%	5.7%
Total Medical Sales	4.4%	—	—	4.4%
Non-Medical Sales	36.7%	—	—	36.7%
Total Sales	5.4%	—	(0.1)%	5.3%

(a) Cardiac & Neuromodulation sales for 2016 includes \$1.2 million relating to Nuvectra prior to its spin-off on March 14, 2016. This amount is excluded from prior year amounts when calculating organic percentage change.

(b) Fourth quarter and year-to-date 2017 sales were negatively impacted by approximately \$3.4 million and \$2.4 million, respectively, due to foreign currency exchange rate fluctuations, primarily in our Cardio & Vascular and our Advanced Surgical, Orthopedics & Portable Medical product lines.

Non-GAAP Reconciliations

Non-GAAP Organic Growth Rate Reconciliation (% Change)

	GAAP Reported Growth	Impact of Non-GAAP Adjustment ^(a)	Impact of Foreign Currency ^(b)	Non-GAAP Organic Growth
QTD Change (4Q 2017 vs. 4Q 2016)				
EBITDA	9.9%	1.3%	6.1%	17.3%
Net Income	NM	14.8%	13.5%	28.3%
Diluted EPS	NM	10.3%	13.8%	24.1%
YTD Change (2017 vs. 2016)				
EBITDA	12.6%	(10.5)%	5.3%	7.4%
Net Income	NM	7.8%	15.1%	22.9%
Diluted EPS	NM	4.9%	14.7%	19.6%

NM % change not meaningful

(a) Represents the impact to our growth rate from our Non-GAAP adjustments. See slides 30-34 for further detail on these items.

(b) Represents the impact to our growth rate of the \$3.7 million foreign currency exchange loss increase (\$3.0 million net of tax, \$0.09 per diluted share) for the fourth quarter of 2017 compared to the fourth quarter of 2016 and \$14.6 million foreign currency exchange loss increase (\$11.7 million net of tax, \$0.37 per diluted share) for the year ended December 29, 2017 compared to the year ended December 30, 2016. These amounts are reported in other (income) loss, net in the condensed consolidated statement of operations.

Non-GAAP Reconciliations

2018 Full-Year Outlook

(\$ in millions, except per share amounts)

2018 Outlook	GAAP		Non-GAAP	
	As Reported	Growth	Adjusted	Growth
Revenue	\$1,490 - \$1,530	2% - 5%	\$1,490 - \$1,530	2% - 5%
Net Income	\$50 - \$60	(25)% - (10)%	\$102 - \$112	13% - 24%
EBITDA	N/A	N/A	\$305 - \$315	7% - 10%
Earnings per Diluted Share	\$1.55 - \$1.85	(26)% - (11)%	\$3.15 - \$3.45	12% - 23%

Except as described below, further reconciliations by line item to the closest corresponding GAAP financial measure for Adjusted Net Income, Adjusted Earnings per Diluted Share and Adjusted EBITDA, included in our "2018 Outlook" above, are not available without unreasonable efforts on a forward-looking basis due to the high variability, complexity and visibility of the charges excluded from this non-GAAP financial measure.

Adjusted Net Income and EPS for 2018 is expected to consist of GAAP Net Income and EPS, excluding items such as intangible amortization, IP-related litigation costs, consolidation and realignment costs, asset disposition and write-down charges, and loss on extinguishment of debt totaling approximately \$58 million. The after-tax impact of these items is estimated to be approximately \$46 million, or approximately \$1.42 per diluted share. Additionally, Adjusted Net Income and Adjusted Earnings per Diluted Share is expected to exclude the estimated impact relating to our disallowed deduction of the GILTI tax, as mandated by the Tax Reform Act. This disallowed deduction of the GILTI tax (approximately 50% of the total GILTI Tax) is due to the Company making use of its U.S. net operating losses ("NOLs"), and will be eliminated once the Company's U.S. NOLs are fully utilized in approximately three to five years. This adjustment makes our Adjusted Diluted EPS more comparable with other global companies that are not subject to this disallowed GILTI tax deduction and more comparable to the Company's results following the full utilization of its U.S. NOLs.

Adjusted EBITDA is expected to consist of Adjusted Net Income, excluding items such as depreciation, interest, stock-based compensation and taxes of approximately \$203 million.

Supplemental Financial Items Affecting Cash Flow:

(in millions, except effective tax rate)

	2018 Outlook	2017 Actual
Capital Expenditures	\$50 - \$55	\$47
Depreciation and amortization	\$106 - \$108	\$103
Stock-based compensation	\$10 - \$12	\$15
Other operating expense	\$10 - \$15	\$37
Adjusted effective tax rate	20% - 25%	20%
Cash taxes, excluding any refunds	\$13 - \$15	\$9

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