



Greatbatch[®]

**Total Year 2013
Earnings Call**

February 25, 2014

FORWARD-LOOKING STATEMENTS

Some of the 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 the 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. The company’s actual results could differ materially from those stated or implied in such forward-looking statements. The company assumes no obligations 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, prospects or otherwise.

EARNINGS CALL PARTICIPANTS

- Thomas J. Hook
 - President & CEO
- Michael Dinkins
 - Executive Vice President & CFO
- Betsy Cowell
 - Vice President Finance & Treasurer

AGENDA

- Thomas J. Hook
 - 2013 Highlights
- Michael Dinkins
 - 2013 Financial Results
 - 2014 Guidance
- Question & Answer

SELECTED 2013 HIGHLIGHTS

(\$ in millions except for EPS)

| | 2013 Actual | 2012 Actual | Variance |
|---|----------------|----------------|----------|
| Sales (organic constant currency growth 5%) | \$663.9 | \$646.2 | 3% |
| Adjusted Operating Income* | \$82.9 | \$73.9 | 12% |
| Adjusted Operating Margin* | 12.5% | 11.4% | 110 bps |
| Adjusted EBITDA* | \$118.9 | \$112.3 | 6% |
| Adjusted EBITDA Margin* | 17.9% | 17.4% | 50 bps |
| Adjusted Diluted EPS* | \$2.10 | \$1.77 | 19% |
| Adjusted ROIC | 7.9% | 7.2% | 70 bps |
| Adjusted Operating Cash Flow** | \$85.5 | \$64.8 | 32% |

* See appendix for GAAP reconciliation

** Cash Flow from operating activities; excluding convertible note tax payment totaling \$28.8M for 2013

Algostim progressing as expected

- PMA, CE Mark filed
- PMA, Quality Check, ISO audits, and Design Dossier in process

Progress on core R&D projects and medical technologies

- 55 new patents issued and 108 patent applications filed
- Medical device patent portfolio now represents 36% of total portfolio while continuing to enhance IP designed for customer FDA approved products

Implemented organizational change

- Enabling the organization to be scalable
- Upgraded leadership and driving accountability throughout the new business structure

Investment in sales and marketing

- Enhanced marketing capabilities with intensive market research, product launch standardization, and improved pricing and contract management
- Driving sales force productivity by expanding/upgrading the sales team and locating account executives closer to major customers, implementing new compensation plans and instituting governance over deals

Delivering results consistent with our strategy

- 5% organic constant currency revenue growth
- 19% adjusted EPS increase
- \$86 million adjusted cash flow generation
- ~8% adjusted ROIC ... 70 basis point improvement

2013 ORGANIC GROWTH

(\$ in thousands)

| <u>Product Line</u> | <u>2013 Year</u> | <u>2012 Year</u> | <u>% Chg.</u> |
|---|----------------------|----------------------|-------------------|
| Greatbatch Medical | | | |
| Cardiac/Neuromodulation | \$ 325,412 | \$ 306,669 | 6 % |
| Orthopaedic | 130,247 | 122,061 | 7 % |
| Portable Medical | 78,743 | 81,659 | (4) % |
| Vascular | 48,357 | 51,980 | (7) % |
| Energy | 52,488 | 54,066 | (3) % |
| Other | 25,655 | 27,287 | (6) % |
| Total Greatbatch Medical | 660,902 | 643,722 | 3 % |
| QiG | \$ 3,043 | \$ 2,455 | 24 % |
| Total Sales | \$ 663,945 | \$ 646,177 | 3 % |
| Organic Constant Currency Sales Growth* | 5 % | 0% | |
| Orthopaedic Organic Constant Currency Sales Growth* | 20 % | (8)% | |

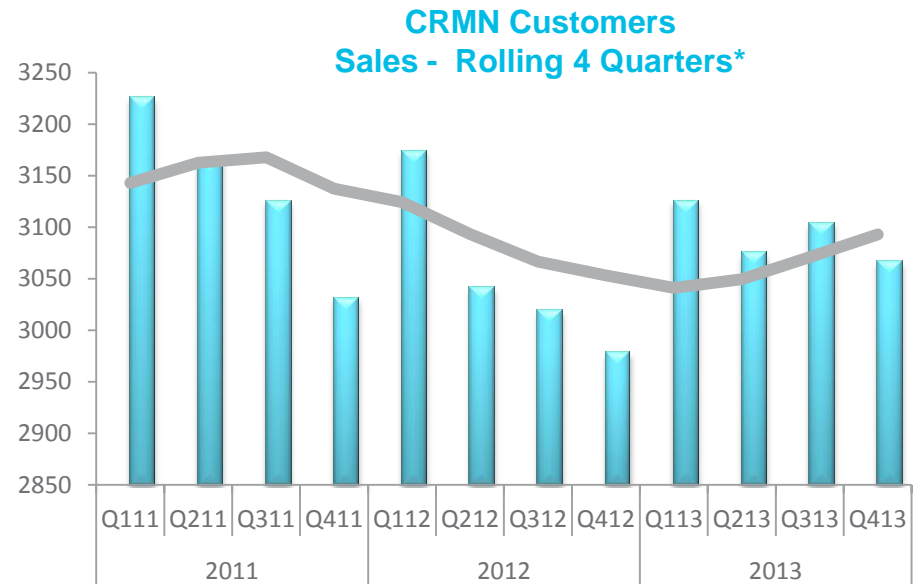
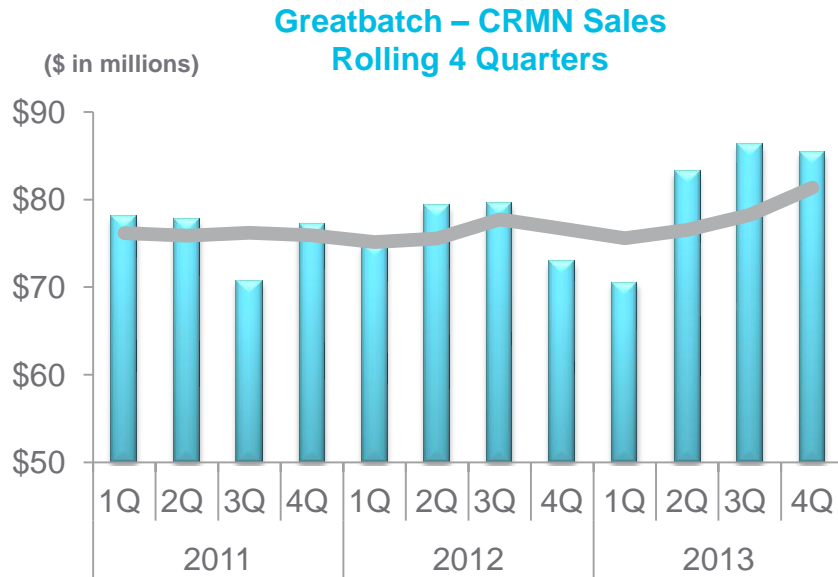
* Net of divestiture of non-core products - \$15M and \$2M favorable FX in 2013 and acquisitions (\$85M) and \$6M unfavorable FX in 2012

TOTAL YEAR PERFORMANCE

Cardiac/Neuromodulation: (49% total revenues; 6% organic growth)

Outperformed the market through

- Sales force execution
- Leveraging IP and manufacturing excellence to expand IPG business

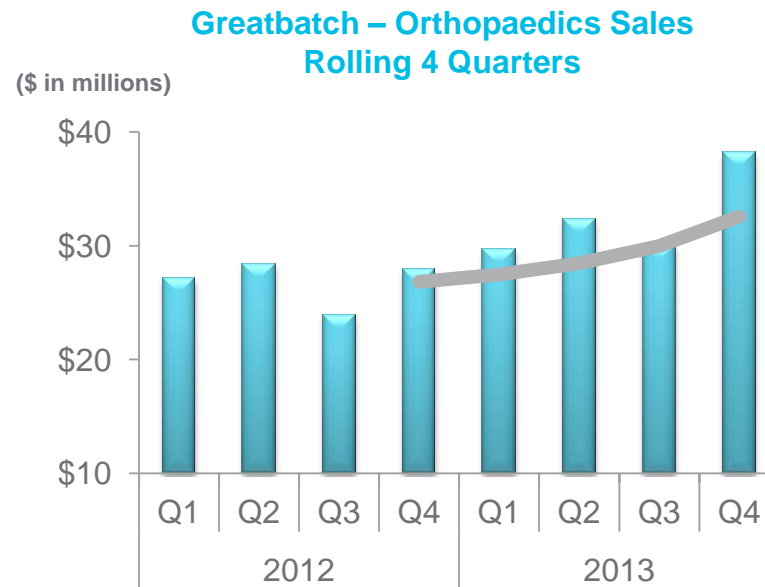


*Public data through Q3 2013 and Q4 2013 for reportable companies

TOTAL YEAR PERFORMANCE

Orthopaedics: (20% of total revenues; 20% organic growth)

- Expanded and better managed sales force
- New wins in MIS hip arthroplasty
- Enhanced ability to expand customer base in cases and trays



TOTAL YEAR PERFORMANCE

Portable Medical: (12% total revenues; -4% organic growth)

- Driving improved product line profitability/ROIC ... Loss of low margin book of business impacting organic growth currently and into 2014

Vascular: (7% total revenues; -7% organic growth)

- Voluntary 2012 product recalls

Energy: (8% total revenues; -3% organic growth)

- 2nd half growth ~4% vs 1st half (9)%

Other – Environmental/Military: (4% total revenues; -6% organic growth)

- 2nd half growth +5% vs 1st half (14)%



FINANCIAL RESULTS

2013 FINANCIAL RESULTS

(\$ in thousands except for EPS)

| | Year Ended | | |
|-------------------------------------|--------------------|------------------|-------------|
| | January 3, 2014 | December 2012 | % Change |
| Sales | \$ 663,945 | \$ 646,177 | 3% |
| Organic Constant Currency Sales | 5% | 0% | |
| GAAP Operating Income | \$ 61,339 | \$ 25,821 | 138% |
| GAAP Operating Income as % of Sales | 9.2% | 4.0% | |
| Adjusted Operating Income* | \$ 82,922 | \$ 73,889 | 12% |
| Adjusted Operating Income as % of | 12.5% | 11.4% | |
| GAAP Diluted EPS | \$ 1.43 | \$ (0.20) | N/A |
| Adjusted Diluted EPS* | \$ 2.10 | \$ 1.77 | 19% |
| Adjusted EBITDA* | \$ 118,888 | \$ 112,345 | 6% |
| Adjusted EBITDA as a % Sales | 17.9% | 17.4% | |

* Refer to Tables A, B and C in the appendix for a reconciliation of GAAP to adjusted amounts

2013 VARIANCE ANALYSIS

| | <u>Adj. EPS</u> | Comments |
|---------------------------------------|---------------------|---|
| 2012 Adjusted EPS | \$ 1.77 | |
| Productivity | 0.55 | Volume/efficiencies \$0.48 and Swiss orthopaedic consolidations \$0.07 |
| Performance based compensation | (0.20) | |
| SG&A/RD&E | (0.10) | Lower spend on medical device initiatives (QiG) \$0.06; offset by planned investment in sales and marketing (\$0.10); lower NRE (\$0.05); and higher G&A (\$0.01) |
| Other | <u>0.08</u> | Interest expense \$0.05, taxes \$0.15; offset by share count change (\$0.12) |
| | \$0.33 | |
| 2013 Adjusted EPS | \$2.10 | |

OPERATING CASH FLOW

(\$ in millions)

| | | |
|--|-----------|-------------|
| Net income | \$ | 36.3 |
| Adjustments to reconcile net income to net cash provided by (used in) operating activities: | | |
| Depreciation & Amortization | | 36.0 |
| Debt related amortization included in Interest Expense | | 6.4 |
| Stock Based Compensation/Discount Amort | | 15.1 |
| Change in Deferred Taxes | | (29.9) |
| Changes in operating assets and liabilities: | | |
| Accounts receivable | | 7.4 |
| Inventories | | (11.5) |
| Prepaid expenses and other current assets | | (0.4) |
| Accounts payable | | 1.3 |
| Accrued expenses | | (1.2) |
| Income taxes payable | | (2.8) |
| Net cash provided by operating activities | \$ | 56.7 |
| Convertible note tax payments | | 28.8 |
| Adjusted Net cash provided by operating activities | \$ | 85.5 |



2014

THE PLAN: STAY THE COURSE OF EXECUTING OUR STRATEGY

- **Sales and marketing team expansion to leverage IP to drive sustainable organic top line growth**
- **Operational excellence to drive cost reductions and margin expansion**
- **Commercialization and continued development of full medical device systems**
- **Inorganic growth opportunities**

2014 GUIDANCE

(\$ in millions except for EPS)

| | 2013 | 2014 Guidance | Change |
|--|---------|-----------------|-------------|
| Sales | \$663.9 | \$685 – \$705 | 3 – 6% |
| Adjusted Operating Margin ⁽¹⁾ | 12.5% | 13.0 – 13.3% | 50 - 80 bps |
| Adjusted Diluted EPS ⁽¹⁾ | \$2.10 | \$2.25 – \$2.35 | 7 – 12% |
| Adj. Operating Cash Flows | \$85.5 | \$90 - \$100 | 5 - 17% |
| Capex | \$18.6 | \$25 – \$35 | 34 - 88% |
| ROIC | 7.9% | 9% | 110 bps |

(1) Refer to Tables A and B in the appendix for a reconciliation of GAAP to adjusted amounts

APPENDIX

SELECTED 4Q 2013 HIGHLIGHTS

(\$ in millions except for EPS)

| | Q4 2013 Actual | Q4 2012 Actual | Variance |
|--|-------------------|-------------------|-----------|
| Sales (organic constant currency growth 13%) | \$176.6 | \$159.2 | 11% |
| Adjusted Operating Income* | \$19.4 | \$21.1 | (8)% |
| Adjusted Operating Margin* | 11.0% | 13.3% | (230) bps |
| Adjusted EBITDA* | \$28.7 | \$30.5 | (6)% |
| Adjusted EBITDA Margin* | 16.3% | 19.2% | (290) bps |
| Adjusted Diluted EPS* | \$0.55 | \$0.53 | 4% |
| Adjusted ROIC | 7.0% | 7.8% | (80) bps |
| Adjusted Operating Cash Flow** | \$48.9 | \$25.3 | 93% |

* See appendix for GAAP reconciliation

** Cash Flow from operating activities; excluding convertible note tax payment totaling \$8.2M for Q4 2013

Q4 2013 ORGANIC GROWTH

(\$ in thousands)

| <u>Product Line</u> | <u>2013 4th Qtr.</u> | <u>2012 4th Qtr.</u> | <u>% Chg.</u> |
|--|--------------------------|--------------------------|-------------------|
| Greatbatch Medical | | | |
| Cardiac/Neuromodulation | \$ 85,408 | \$ 72,930 | 17 % |
| Orthopaedic | 38,204 | 30,982 | 23 % |
| Portable Medical | 18,367 | 22,313 | (18)% |
| Vascular | 13,205 | 14,189 | (7)% |
| Energy | 13,463 | 13,042 | 3 % |
| Other | 7,086 | 4,942 | 43 % |
| Total Greatbatch Medical | 175,733 | 158,398 | 11 % |
| QiG | \$ 886 | \$ 788 | 12 % |
| Total Sales | \$ 176,619 | \$ 159,186 | 11 % |
| Organic Constant Currency Sales Growth* | 13 % | (2)% | |
| Orthopaedic Organic Constant Currency Sales Growth | 33 % | 0% | |

* Net of divestures of non –core products - \$3.1M and \$1.0M favorable FX impact.

2013 VARIANCE ANALYSIS

| | Adj. EPS | Comments |
|-----------------------------|-------------|---|
| Q4 2012 Adjusted EPS | \$ 0.53 | |
| Volume | 0.14 | |
| SG&A/RD&E | (0.18) | Sales and marketing investments (\$0.05), lower NRE (\$0.06); medical device initiatives - QiG (\$0.05); and other (\$0.02) |
| Other | <u>0.06</u> | Interest expense \$0.02, taxes \$0.08; offset by higher share count (\$0.04) |
| | \$0.02 | |
| Q4 2013 Adjusted EPS | \$0.55 | |

GAAP RECONCILIATION

Table A: Operating Income Reconciliation

| | Three Months Ended | | | | | | | |
|--|--------------------|------------------|-----------------|------------------|-----------------|------------------|-----------------|------------------|
| | Greatbatch Medical | | QiG | | Unallocated | | Total | |
| | Jan. 3, 2014 | Dec. 28, 2012 | Jan. 3, 2014 | Dec. 28, 2012 | Jan. 3, 2014 | Dec. 28, 2012 | Jan. 3, 2014 | Dec. 28, 2012 |
| (dollars in thousands) | | | | | | | | |
| Sales | \$ 175,733 | \$ 158,398 | \$ 886 | \$ 788 | \$ — | \$ — | \$ 176,619 | \$ 159,186 |
| Operating income (loss) as reported | \$ 27,210 | \$ 13,123 | \$ (8,806) | \$ (6,856) | \$ (5,541) | \$ (4,862) | \$ 12,863 | \$ 1,405 |
| Adjustments: | | | | | | | | |
| Medical device DVT expenses (RD&E) | — | — | 1,314 | 1,351 | — | — | 1,314 | 1,351 |
| Consolidation and optimization costs | 4,151 | 17,974 | 6 | — | 266 | 274 | 4,423 | 18,248 |
| Acquisition and integration expenses (income) | 98 | 249 | (260) | (77) | — | 1 | (162) | 173 |
| Asset dispositions, severance and other | 1,048 | 101 | 114 | (193) | (193) | 36 | 969 | (56) |
| Adjusted operating income (loss) | \$ 32,507 | \$ 31,447 | \$ (7,632) | \$ (5,775) | \$ (5,468) | \$ (4,551) | \$ 19,407 | \$ 21,121 |
| Adjusted operating margin | 18.5% | 19.9% | N/A | N/A | N/A | N/A | 11.0% | 13.3% |

GAAP RECONCILIATION

Operating Income Reconciliation – Total Year

| | Year Ended | | | | | | | |
|---|--------------------|------------------|-----------------|------------------|-----------------|------------------|-----------------|------------------|
| | Greatbatch Medical | | QiG | | Unallocated | | Total | |
| | Jan. 3, 2014 | Dec. 28, 2012 | Jan. 3, 2014 | Dec. 28, 2012 | Jan. 3, 2014 | Dec. 28, 2012 | Jan. 3, 2014 | Dec. 28, 2012 |
| (dollars in thousands) | | | | | | | | |
| Sales | \$ 660,902 | \$ 643,722 | \$ 3,043 | \$ 2,455 | \$ — | \$ — | \$ 663,945 | \$ 646,177 |
| Operating income (loss) as reported | \$ 111,805 | \$ 79,093 | \$ (30,484) | \$ (32,554) | \$ (19,982) | \$ (20,718) | \$ 61,339 | \$ 25,821 |
| Adjustments: | | | | | | | | |
| Inventory step-up amortization (COS) | — | 532 | — | — | — | — | — | 532 |
| Medical device DVT expenses (RD&E) | — | — | 5,793 | 5,190 | — | — | 5,793 | 5,190 |
| Consolidation and optimization costs | 13,388 | 34,372 | 86 | 6 | 1,284 | 4,670 | 14,758 | 39,048 |
| Acquisition and integration expenses | 187 | 1,287 | (690) | 167 | 1 | 6 | (502) | 1,460 |
| Asset dispositions, severance and other | 1,187 | 1,073 | 540 | 57 | (193) | 708 | 1,534 | 1,838 |
| Adjusted operating income (loss) | \$ 126,567 | \$ 116,357 | \$ (24,755) | \$ (27,134) | \$ (18,890) | \$ (15,334) | \$ 82,922 | \$ 73,889 |
| Adjusted operating margin | 19.2% | 18.1% | N/A | N/A | N/A | N/A | 12.5% | 11.4% |

GAAP RECONCILIATION

Table B: Net Income (loss) and Diluted EPS Reconciliation

| | Three Months Ended | | | | Year ended | | | |
|--|--------------------|--------------------------|-------------------|--------------------------|------------------|--------------------------|-------------------|--------------------------|
| | January 3, 2014 | | December 28, 2012 | | January 3, 2014 | | December 28, 2012 | |
| | Net Income | Impact Per Diluted Share | Net Income (Loss) | Impact Per Diluted Share | Net Income | Impact Per Diluted Share | Net Income (Loss) | Impact Per Diluted Share |
| (in thousands except per share amounts) | | | | | | | | |
| Net income (loss) as reported | \$ 9,781 | \$ 0.38 | \$ (5,556) | \$ (0.23) | \$ 36,267 | \$ 1.43 | \$ (4,799) | \$ (0.20) |
| Adjustments: | | | | | | | | |
| Inventory step-up amortization (COS) | — | — | — | — | — | — | 346 | 0.01 |
| Medical device DVT expenses (RD&E) | 854 | 0.03 | 879 | 0.04 | 3,765 | 0.15 | 3,374 | 0.14 |
| Consolidation and optimization costs ^(a) | 2,853 | 0.11 | 13,900 | 0.58 | 10,602 | 0.42 | 28,934 | 1.21 |
| Acquisition and integration expenses (income) ^(a) | (105) | — | 112 | — | (326) | (0.01) | 949 | 0.04 |
| Asset dispositions, severance and other ^(a) | 608 | 0.02 | (44) | — | 997 | 0.04 | 1,186 | 0.05 |
| Loss on cost and equity method investments, net ^{(a)(b)} | 43 | — | 297 | 0.01 | 451 | 0.02 | 69 | — |
| CSN conversion option discount and deferred fee accelerated amortization ^{(a)(c)} | — | — | 1,821 | 0.08 | 3,007 | 0.12 | 6,234 | 0.26 |
| 2012 R&D Tax Credit ^(d) | — | — | — | — | (1,600) | (0.06) | — | — |
| Swiss tax impact ^(e) | — | — | 1,182 | 0.05 | — | — | 6,190 | 0.26 |
| Adjusted net income and diluted EPS ^(f) | <u>\$ 14,034</u> | <u>\$ 0.55</u> | <u>\$ 12,591</u> | <u>\$ 0.53</u> | <u>\$ 53,163</u> | <u>\$ 2.10</u> | <u>\$ 42,483</u> | <u>\$ 1.77</u> |
| Adjusted diluted weighted average shares ^(g) | 25,510 | | 23,956 | | 25,323 | | 23,947 | |

- (a) Net of tax amounts computed using a 35% U.S. and France statutory tax rates for the 2013 and 2012 periods and a 0% and 22.5% Switzerland tax rate for the 2013 and 2012 periods, respectively.
- (b) Pre-tax amounts are \$66 thousand and \$694 thousand for the 2013 quarter and full-year, respectively, and \$456 thousand and \$106 thousands for the 2012 quarter and full-year periods, respectively.
- (c) Pre-tax amount is \$4.6 million for the 2013 full-year period and \$2.8 million and \$9.6 million for the 2012 quarter and full-year periods, respectively.
- (d) Relates to the 2012 portion of the R&D tax credit which was reinstated in the first quarter of 2013 retroactive back to the beginning of 2012. As required, the impact of the R&D tax credit relating to 2012 was recognized in 2013.
- (e) Relates to the loss of our Swiss tax holiday due to our decision to transfer manufacturing out of Switzerland, as well as the establishment of a valuation allowance on our Swiss deferred tax assets as it is more likely than not that they will not be fully realized.
- (f) The per share data in this table has been rounded to the nearest \$0.01 and therefore may not sum to the total.
- (g) Weighted average diluted shares for the fourth quarter and full-year periods of 2012 includes 295 and 363 thousand shares, respectively, of dilution related to outstanding stock incentive awards that were not dilutive for GAAP EPS purposes.

GAAP RECONCILIATION

Adjusted EBITDA reconciliation

| | Three Months Ended | | Year ended | |
|--|--------------------|----------------------|--------------------|----------------------|
| | January 3, 2014 | December 28, 2012 | January 3, 2014 | December 28, 2012 |
| (dollars in thousands) | | | | |
| Sales | \$ 176,619 | \$ 159,186 | \$ 663,945 | \$ 646,177 |
| Adjusted operating income* | \$ 19,407 | \$ 21,121 | \$ 82,922 | \$ 73,889 |
| Add: Depreciation and amortization | 9,308 | 12,298 | 35,966 | 46,368 |
| Less adjustments included in depreciation and amortization: | | | | |
| Inventory step-up amortization | — | — | — | 532 |
| Consolidation and optimization accelerated depreciation | — | 2,911 | — | 7,380 |
| Adjusted EBITDA | \$ 28,715 | \$ 30,508 | \$ 118,888 | \$ 112,345 |
| Adjusted EBITDA as a % of sales | 16.3% | 19.2% | 17.9% | 17.4% |

CONTACT INFORMATION

Betsy Cowell

Vice President Finance & Treasurer

Greatbatch

2595 Dallas Parkway

Suite 310

Frisco, Texas 75034

214 618 4982

ecowell@greatbatch.com

www.greatbatch.com