



2014 Third Quarter Earnings Call

October 30, 2014

FORWARD-LOOKING STATEMENTS

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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

- 2014 Highlights
- Strategic Update

Michael Dinkins

- Third Quarter and YTD 2014 Financial Results
- 2014 Guidance Update

Question & Answer

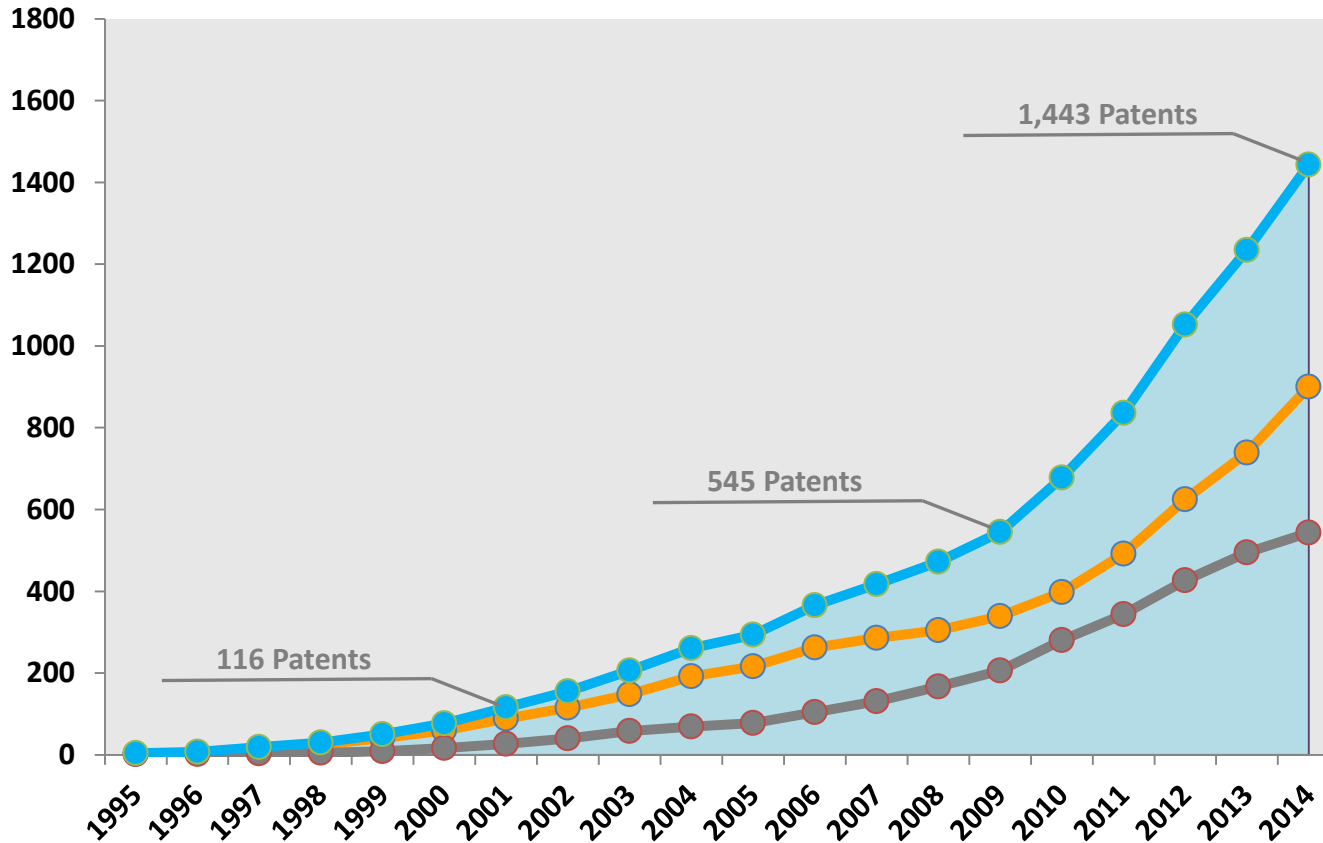
STRATEGIC UPDATE

Disciplined investment driving Adjusted ROIC of 8.4% in 2014...130 Bps improvement over the last two years.

- Discrete customer projects, independent development and investment in start-ups
- Employing 300 engineers working on approximately 100 projects
- FDA approval for Algovita is on track for first quarter 2015
- Achieving our commitment of 5% or better organic growth and 2X to the bottom line (Adj EPS)
- Healthy pipeline of acquisitions and other investments to utilize our cash

EXPANDING INTELLECTUAL PROPERTY

Issued Patents 1995 to 2014 YTD



Med Device Patents
 Issued 197
 Pending 267

465 (255 US)
 Patents Pending

US Total

OUS Total

WW Total

LONG-TERM AGREEMENTS

70%

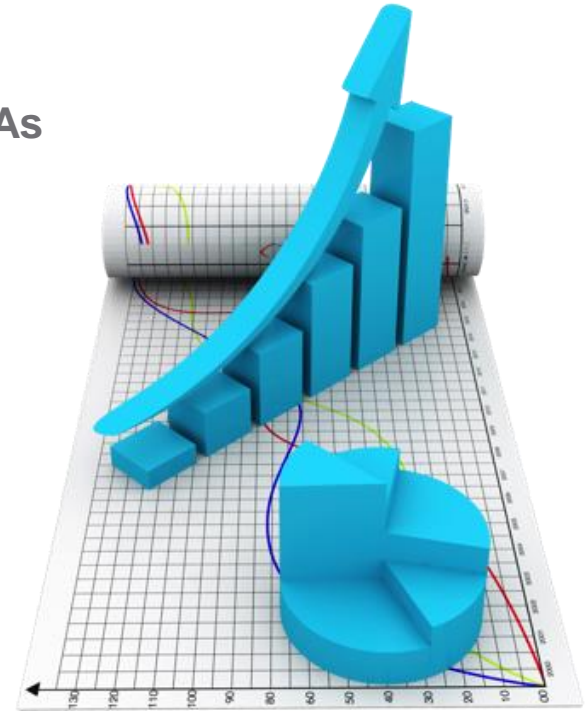
Greatbatch Medical revenue under LTAs
Current (*through 2014*)

50% - 54%

Through 2015

40% - 48%

Beyond



... in addition, product lifecycle / replacements drive core growth and protection

Consistent with 2013 Investor Day

NEUROMODULATION MARKETS

FDA APPROVED

Deep Brain Stim:

Parkinson's Disease, Dystonia, Essential Tremor, Epilepsy, Obsessive Compulsive Disorder

Vagus Nerve Stim:

Depression, Epilepsy

Spinal Cord Stim:

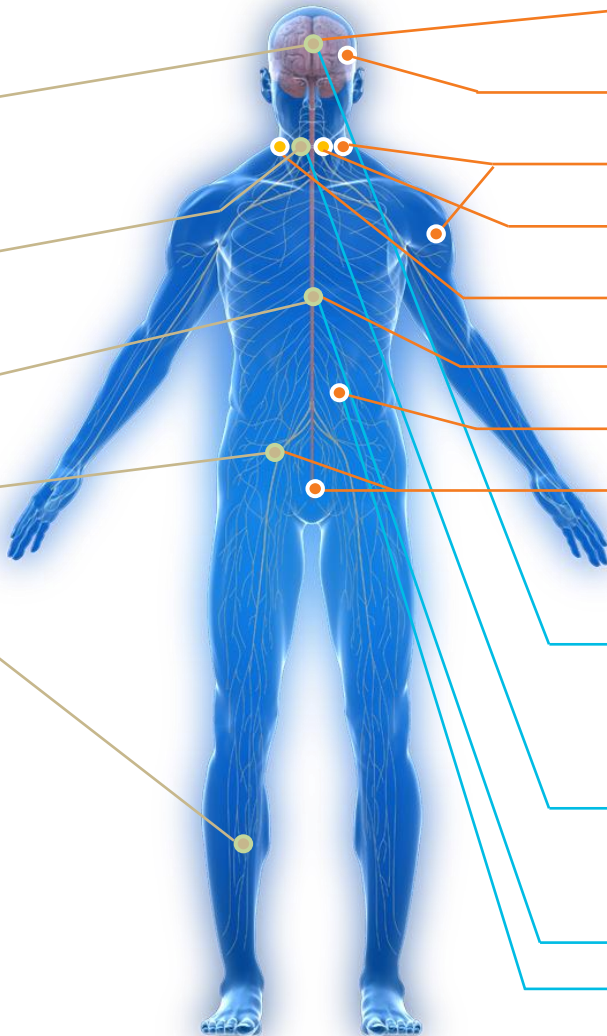
Pain

Sacral Nerve Stim:

Urinary Incontinence, Fecal Incontinence

Percutaneous Tibial Nerve Stim:

Urinary Incontinence



EMERGING

Deep Brain Stim: Obesity, Stroke Recovery, Depression

Cortical Stim: Epilepsy

Peripheral Nerve Stim: Migraines, Extremity Pain

Carotid Artery, Sinus Stim: Hypertension

Hypoglossal & Phrenic Nerve Stim: Sleep Apnea

Spinal Cord Stim: Angina

Gastric Stim: Obesity

Sacral & Pudendal Nerve Stim: Interstitial Cystitis, Sexual Function, Pelvic Pain

FUTURE

Deep Brain Stim:

Alzheimer's, Anxiety, Bulimia, Tinnitus, Traumatic Brain Injury, Tourette's, Sleep Disorders, Autism, Bipolar

Vagus Nerve Stim:

Alzheimer's, Anxiety, Obesity, Bulimia, Tinnitus, Obsessive Compulsive Disorder, Heart Failure

Spinal Cord Stim: Asthma

Gastric Stim: Bulimia, Interstitial Cystitis

NEUROMODULATION

Completed CCC Medical Devices acquisition...Strong strategic fit...accretive year 1

Technology

- Allows Greatbatch to partner broadly with existing customers and emerging companies developing new therapies
- Leverages QiG and Greatbatch core capabilities and technology
- Drives next generation device and lead wire development
- Expands rapid-prototyping capabilities for downstream integration
- Expands global footprint and provides access to emerging markets
- Partners broadly with emerging companies developing new therapies

Manufacturing

- Synergistic customer base with potential strategic partners
- Drives GB Medical component technology sales by designing-in/converting products
- Ability to secure long term manufacturing agreements

Algovita

Regulatory path continues as expected including plant audits

Q3 YEAR TO DATE

(\$ in millions except for EPS)	2014	2013	Variance
*Sales	\$518.1	\$487.3	6%
Adjusted:			
Operating Income	\$68.6	\$63.5	8%
Operating Margin	13.2%	13.0%	20 Bps
NI	\$45.9	\$39.1	17%
Diluted EPS	\$1.77	\$1.56	13%
EBITDA	\$96.4	\$90.2	7%
EBITDA Margin	18.6%	18.5%	10 Bps
ROIC	8.4%	8.3%	10 Bps
**GAAP NI	\$41.3	\$26.5	56%
**GAAP EPS	\$1.60	\$1.06	51%
Operating Cash flow	\$54.7	\$16.1	FAV

* Greatbatch organic growth rate: 5%; Orthopaedics organic growth rate:13%

** See appendix for GAAP reconciliation

ORGANIC SALES GROWTH

(\$ in thousands)

Product Lines	QTD Organic Growth	YTD Organic Growth	R4Q Organic Growth
Greatbatch Medical			
Cardiac/Neuromodulation	-1%	5%	8%
*Orthopaedics	8%	13%	18%
Portable Medical	-11%	-12%	-14%
Vascular	21%	23%	14%
Energy & Other	0%	2%	5%
*Total Greatbatch Medical	1%	5%	7%
Total QiG	35%	14%	FAV
*Total Sales	1%	5%	7%

* Constant Currency and acquisition

CARDIAC/NEUROMODULATION

	Q3	YTD	R4Q
Revenue	\$85,618	\$252,403	\$337,811
% of Total Revenue	50%	49%	49%
Organic Growth	-1%	5%	8%

- Batteries and shield assemblies continue to deliver double digit growth
- Current quarter customer launches partially offset by customer order patterns
- Continue to secure the business over the long term
 - 15 new technology wins, including neurostim

ORTHOPAEDICS

	Q3	YTD	R4Q
Revenue	\$32,489	\$106,785	\$144,990
% of Total Revenue	19%	21%	21%
*Organic Growth	8%	13%	18%

Growth continues to outpace the market

- Strong implant franchise ... ~9% YTD growth partially offset by FX headwinds
- Double digit growth continues in instruments...winning with our cutting and bone preparation technology
- Expanding customer base in delivery systems with speed and service ... although strong prior year launches tempered current quarter results

* Constant Currency

PORTABLE MEDICAL

	Q3	YTD	R4Q
Revenue	\$17,199	\$53,139	\$71,506
% of Total Revenue	10%	10%	10%
Organic Growth	-11%	-12%	-14%

Expected headwind continues ... should taper in Q4

- Executing the shift to higher value technologies
- Pipeline building with nine new technology development programs

Investing in power solutions

- Charging power
- Battery management solutions

VASCULAR

	Q3	YTD	R4Q
Revenue	\$14,903	\$43,210	\$56,415
% of Total Revenue	9%	8%	8%
Organic Growth	21%	23%	14%

Focused on high growth sectors

- Winning with steerable catheter technology

Delivering value to customers ... product moves on track

EME

	Q3	YTD	R4Q
Revenue	\$19,016	\$58,499	\$79,050
% of Total Revenue	11%	11%	11%
Organic Growth	0%	2%	5%

Customer order patterns in line with expectations and market growth

Winning with battery technology ... rechargeable battery packs

FINANCIAL UPDATE

SELECTED 2014 HIGHLIGHTS

Winning with technology...YTD organic growth of 5%*

- Growth in line with or above market across all product lines except portable medical

Productivity... Adjusted Operating Margin up 20 bps YTD

Lower taxes because of higher income in low tax jurisdictions

Earnings growth continues

- Q3 adjusted EPS up 12% to \$0.64
- YTD adjusted EPS up 13% to \$1.77

Executing Neuromodulation strategy

- Algovita remains on track
- Acquired CCC Medical Devices
 - Positions us to win additional Neuromodulation customers
 - Accretive to earnings

Raising guidance for 2014

* Constant currency

THIRD QUARTER

(\$ in millions except for EPS)	2014	2013	Variance
*Sales	\$171.7	\$167.7	2%
Adjusted:			
Operating Income	\$22.4	\$22.0	2%
Operating Margin	13.1%	13.1%	0 Bps
NI	\$16.5	\$14.5	14%
Diluted EPS	\$0.64	\$0.57	12%
EBITDA	\$31.7	\$30.8	3%
EBITDA Margin	18.5%	18.4%	10 Bps
ROIC	8.4%	8.6%	-20 Bps
**GAAP NI	\$14.0	\$11.1	26%
**GAAP EPS	\$0.54	\$0.44	23%
Operating Cash flow	\$28.2	\$24.7	14%

* Greatbatch organic growth rate: 1%; Orthopaedics organic growth rate: 8%

** See appendix for GAAP reconciliation

THIRD QUARTER VARIANCE ANALYSIS

	<u>Adj. EPS</u>	Comments
2013 Adjusted EPS	\$ 0.57	
Gross margin	0.06	
Operating expenses	(0.03)	Favorable performance based compensation \$0.04 and lower RD&E \$0.02; partially offset by DVT initiatives and lower NRE (\$0.05), higher sales and marketing (\$0.03) and G&A (\$0.01)
Other	<u>0.04</u>	Lower interest expense \$0.02 and adjusted tax rate \$0.04; partially offset by share count change (\$0.02)
2014 Adjusted EPS	\$0.64	

Q3 YEAR TO DATE

(\$ in millions except for EPS)	2014	2013	Variance
*Sales	\$518.1	\$487.3	6%
Adjusted:			
Operating Income	\$68.6	\$63.5	8%
Operating Margin	13.2%	13.0%	20 Bps
NI	\$45.9	\$39.1	17%
Diluted EPS	\$1.77	\$1.56	13%
EBITDA	\$96.4	\$90.2	7%
EBITDA Margin	18.6%	18.5%	10 Bps
ROIC	8.4%	8.3%	10 Bps
**GAAP NI	\$41.3	\$26.5	56%
**GAAP EPS	\$1.60	\$1.06	51%
Operating Cash flow	\$54.7	\$16.1	FAV

* Greatbatch organic growth rate: 5%; Orthopaedics organic growth rate:13%

** See appendix for GAAP reconciliation

Q3 YTD VARIANCE ANALYSIS

	Adj. EPS	Comments
2013 Adjusted EPS	\$ 1.56	
Gross margin	0.32	
Operating expenses	(0.17)	Favorable performance based compensation \$0.04, lower G&A \$0.03 and RD&E \$0.02; partially offset by DVT initiatives and lower NRE (\$0.15) and higher sales and marketing (\$0.11)
Other	<u>0.06</u>	Lower interest expense \$0.06 and adjusted tax rate \$0.06; partially offset by share count change (\$0.06)
2014 Adjusted EPS	\$1.77	

2014 GUIDANCE

RAISING 2014 GUIDANCE

(\$ in millions except for EPS)

	2013	2014 Guidance	Change	Revised Guidance
Sales	\$663.9	\$685 - \$705	3 - 6%	\$695 - \$705
Adjusted Operating Margin ⁽¹⁾	12.5%	13.0 - 13.3%	50 - 80bps	~13%
Adjusted Diluted EPS ⁽¹⁾	\$2.10	\$2.25 - \$2.35	7 - 12%	\$2.32 - \$2.38
Adj. Operating Cash Flows ⁽²⁾	\$85.5	\$90 - \$100	5 - 17%	\$90 - \$100
Capex	\$18.6	\$25 - \$35	34 - 88%	\$20 - \$25
ROIC	7.9%	9%	110 bps	9%

(1) Refer to Table D in the appendix for a reconciliation of GAAP to adjusted amounts

(2) Excludes \$28.8 million of tax payments on convertible notes in 2013.

APPENDIX

Q3 AND YTD FINANCIAL RESULTS

(\$ in thousands except for EPS)

	Three Months Ended		Nine Months Ended	
	October 3,	September 27,	October 3,	September 27,
	2014	2013	2014	2013
Sales	\$ 171,699	\$ 167,730	\$ 518,061	\$ 487,326
Cost of sales	113,581	111,853	343,877	325,398
Gross profit	58,118	55,877	174,184	161,928
Operating expenses:				
Selling, general and administrative expenses	22,121	21,569	65,753	63,909
Research, development and engineering costs, net	13,638	13,806	39,962	38,983
Other operating expenses, net	6,176	3,500	10,223	10,560
Total operating expenses	41,935	38,875	115,938	113,452
Operating income	16,183	17,002	58,246	48,476
Interest expense	1,051	1,515	3,208	9,948
Other (income) expense, net	(3,768)	(57)	(4,055)	907
Income before provision for income taxes	18,900	15,544	59,093	37,621
Provision for income taxes	4,888	4,473	17,811	11,135
Net income	\$ 14,012	\$ 11,071	\$ 41,282	\$ 26,486
Earnings per share:				
Basic	\$ 0.56	\$ 0.46	\$ 1.67	\$ 1.11
Diluted	\$ 0.54	\$ 0.44	\$ 1.60	\$ 1.06
Weighted average shares outstanding:				
Basic	24,899	24,047	24,784	23,904
Diluted	25,923	25,188	25,850	25,017

QTD OPERATING CASH FLOW

(\$ in millions)

Net income	\$14.0
Adjustments to reconcile net income to net cash provided by (used in) operating activities:	
Depreciation and amortization	9.4
Debt related amortization included in interest expense	0.2
Stock-based compensation	3.8
Other non-cash gains	(3.3)
Deferred income taxes	(1.3)
Changes in operating assets and liabilities:	
Accounts receivable	2.4
Inventories	(5.1)
Prepaid expenses and other current assets	0.0
Accounts payable	0.8
Accrued expenses	5.3
Income taxes payable	2.0
Net cash provided by operating activities	\$28.2

YTD OPERATING CASH FLOW

(\$ in millions)

Net income	\$41.3
Adjustments to reconcile net income to net cash provided by (used in) operating activities:	
Depreciation and amortization	27.9
Debt related amortization included in interest expense	0.6
Stock-based compensation	10.5
Other non-cash gains	(7.2)
Deferred income taxes	(3.0)
Changes in operating assets and liabilities:	
Accounts receivable	(8.5)
Inventories	(7.1)
Prepaid expenses and other current assets	(0.0)
Accounts payable	(1.3)
Accrued expenses	(3.6)
Income taxes payable	5.1
Net cash provided by operating activities	\$54.7

GAAP RECONCILIATION

Operating Income Reconciliation – 3 Months

	Three Months Ended							
	Greatbatch Medical		QiG		Unallocated		Total	
	Oct. 3, 2014	Sept. 27, 2013	Oct. 3, 2014	Sept. 27, 2013	Oct. 3, 2014	Sept. 27, 2013	Oct. 3, 2014	Sept. 27, 2013
(dollars in thousands)								
Sales	\$ 169,225	\$ 167,052	\$ 2,474	\$ 678	\$ —	\$ —	\$ 171,699	\$ 167,730
Operating income (loss) as reported	\$ 31,121	\$ 28,236	\$ (6,796)	\$ (6,946)	\$ (8,142)	\$ (4,288)	\$ 16,183	\$ 17,002
Adjustments:								
Inventory step-up amortization (COS)	—	—	87	—	—	—	87	—
Medical device DVT expenses (RD&E) ^(a)	—	—	—	1,510	—	—	—	1,510
Consolidation and optimization costs	3,116	3,286	613	80	23	199	3,752	3,565
Acquisition and integration (income) expenses	49	18	(128)	(540)	212	—	133	(522)
Asset dispositions, severance and other	276	31	606	426	1,409	—	2,291	457
Adjusted operating income (loss)	\$ 34,562	\$ 31,571	\$ (5,618)	\$ (5,470)	\$ (6,498)	\$ (4,089)	\$ 22,446	\$ 22,012
Adjusted operating margin	20.4 %	18.9 %	N/A	N/A	N/A	N/A	13.1 %	13.1 %

(a) As a result of the Company's PMA submission to the FDA for Algovita in December 2013, the Company no longer is excluding DVT costs associated with this system from adjusted operating income and adjusted diluted EPS. DVT costs incurred in connection with the development of Algovita during the three and nine month periods ending October 3, 2014 were \$284 thousand and \$1.4 million, respectively.

GAAP RECONCILIATION

Operating Income Reconciliation – 9 Months

	Nine Months Ended							
	Greatbatch Medical		QiG		Unallocated		Total	
	Oct. 3, 2014	Sept. 27, 2013	Oct. 3, 2014	Sept. 27, 2013	Oct. 3, 2014	Sept. 27, 2013	Oct. 3, 2014	Sept. 27, 2013
(dollars in thousands)								
Sales	\$ 514,036	\$ 485,168	\$ 4,025	\$ 2,158	\$ —	\$ —	\$ 518,061	\$ 487,326
Operating income (loss) as reported	\$ 98,688	\$ 84,596	\$ (18,882)	\$ (21,679)	\$ (21,560)	\$ (14,441)	\$ 58,246	\$ 48,476
Adjustments:								
Inventory step-up amortization (COS)	—	—	87	—	—	—	87	—
Medical device DVT expenses (RD&E) ^(a)		—		4,479		—	—	4,479
Consolidation and optimization costs	6,036	9,237	679	80	255	1,018	6,970	10,335
Acquisition and integration (income) expenses	79	89	(731)	(430)	404	1	(248)	(340)
Asset dispositions, severance and other	269	139	606	426	2,626	—	3,501	565
Adjusted operating income (loss)	\$ 105,072	\$ 94,061	\$ (18,241)	\$ (17,124)	\$ (18,275)	\$ (13,422)	\$ 68,556	\$ 63,515
Adjusted operating margin	20.4 %	19.4 %	N/A	N/A	N/A	N/A	13.2 %	13.0 %

(a) As a result of the Company's PMA submission to the FDA for Algovita in December 2013, the Company no longer is excluding DVT costs associated with this system from adjusted operating income and adjusted diluted EPS. DVT costs incurred in connection with the development of Algovita during the three and nine month periods ending October 3, 2014 were \$284 thousand and \$1.4 million, respectively.

GAAP RECONCILIATION

Net Income (loss) and Diluted EPS Reconciliation

	Three Months Ended				Nine Months Ended			
	October 3, 2014		September 27, 2013		October 3, 2014		September 27, 2013	
	Net Income	Per Diluted Share	Net Income	Per Diluted Share	Net Income	Per Diluted Share	Net Income	Per Diluted Share
(in thousands except per share amounts)								
Net income as reported	\$ 14,012	\$ 0.54	\$ 11,071	\$ 0.44	\$ 41,282	\$ 1.60	\$ 26,486	\$ 1.06
Adjustments:								
Inventory step-up amortization (COS) ^(a)	57	—	—	—	57	—	—	—
Medical device DVT expenses (RD&E) ^(a)	—	—	981	0.04	—	—	2,911	0.12
Consolidation and optimization costs ^(a)	2,508	0.10	2,453	0.10	3,763	0.15	7,749	0.31
Acquisition and integration (income) expenses ^(a)	87	—	(339)	(0.01)	(161)	(0.01)	(221)	(0.01)
Asset dispositions, severance and other ^(a)	1,489	0.06	298	0.01	2,276	0.09	389	0.02
Gain on cost and equity method investments, net ^{(a)(b)}	(2,044)	(0.08)	10	—	(2,551)	(0.10)	408	0.02
CSN conversion option discount and deferred fee accelerated amortization ^{(a)(c)}	—	—	101	—	—	—	3,007	0.12
R&D Tax Credit ^(d)	400	0.02	(100)	—	1,200	0.05	(1,600)	(0.06)
Adjusted net income and diluted EPS ^(e)	\$ 16,509	\$ 0.64	\$ 14,475	\$ 0.57	\$ 45,866	\$ 1.77	\$ 39,129	\$ 1.56
Adjusted diluted weighted average shares	25,923		25,188		25,850		25,017	

(a) Net of tax amounts computed using a 35% tax rate for all non-Swiss items and a 0% tax rate for Swiss items for both the 2014 and 2013 periods.

(b) Pre-tax amount is a gain of \$3.1 million and \$3.9 million for the 2014 quarter and year-to-date periods, respectively, and a loss of \$16 thousand and \$628 thousand for the 2013 quarter and year-to-date periods, respectively.

(c) Pre-tax amount is \$156 thousand and \$4.6 million for the 2013 quarter and year-to-date periods, respectively.

(d) The Federal R&D tax credit has not yet been extended for 2014. The 2014 amount assumes that the tax credit will be enacted for the full year 2014. The 2013 amount relates to the 2012 portion of the R&D tax credit which was reinstated in the first quarter of 2013 retroactive to the beginning of 2012. As required, the impact of the R&D tax credit relating to 2012 was recognized in the first quarter of 2013.

(e) The per share data in this table has been rounded to the nearest \$0.01 and therefore may not sum to the total.

GAAP RECONCILIATION

Adjusted EBITDA reconciliation

	Three Months Ended		Nine Months Ended	
	October 3, 2014	September 27, 2013	October 3, 2014	September 27, 2013
(dollars in thousands)				
Sales	\$ 171,699	\$ 167,730	\$ 518,061	\$ 487,326
Adjusted operating income*	\$ 22,446	\$ 22,012	\$ 68,556	\$ 63,515
Add: Depreciation and amortization	9,382	8,805	27,943	26,658
Less adjustments included in depreciation and amortization				
Inventory Step up Amortization	(87)		(87)	
Adjusted EBITDA	\$ 31,741	\$ 30,817	\$ 96,412	\$ 90,173
Adjusted EBITDA as a % of sales	18.5 %	18.4 %	18.6 %	18.5 %

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