

News Release

Contact:

Integra LifeSciences Holdings Corporation
John B. Henneman, III
Senior Vice President
Chief Administrative Officer
(609) 936-2481
jhenneman@integra-ls.com

Integra LifeSciences Reports Record Revenues of \$30.2 Million

Plainsboro, NJ / November 4, 2002 / -- Integra LifeSciences Holdings Corporation (Nasdaq: [IART](#)) today reported record revenues of \$30.2 million for the third quarter ended September 30, 2002, a 27% increase over the prior year quarter, and net income of \$1.6 million, or \$0.05 per share, compared to net income of \$3.8 million, or \$0.13 per share, for the prior year quarter. Product sales increased \$6.8 million in the third quarter of 2002 to \$29.2 million, a 31% improvement over the prior year quarter, and included \$3.8 million in sales of products acquired since the end of the third quarter of 2001. The DuraGen® product line and products used in the neuro intensive care unit led sales growth among products owned for more than one year.

Net income for the third quarter of 2002 included the following items relating to merger and acquisition activities, distribution agreement terminations and workforce reductions undertaken in the quarter:

- \$2.3 million of in-process research and development charges related to the acquisition of Signature Technologies and certain assets from Novus Monitoring Ltd.;
- \$0.2 million of inventory fair value purchase accounting adjustments and \$0.3 million of employee severance and other acquisition activity related costs; and
- \$0.6 million of costs associated with the termination of distribution agreements and the write-off of related inventory.

After eliminating the after-tax effect of the above items, adjusted net income for the third quarter of 2002 increased to \$3.8 million, or \$0.13 per share, as compared to adjusted fully-taxed net income of \$2.9 million, or \$0.10 per share, for the prior year quarter. Adjusted net income for the third-quarter of 2001 excluded a \$0.2 million extraordinary loss from the early retirement of debt and was calculated by applying an assumed effective tax rate of 35% to actual results in lieu of the 8% effective tax rate reported under GAAP. This lower tax rate reflected the Company's utilization of its net operating loss carryforwards during the period.

"The third quarter of 2002 was a success both financially and operationally," said Stuart M. Essig, Integra's President and Chief Executive Officer. "We completed three strategic acquisitions, successfully moved distribution operations from a facility acquired during the quarter to our own national distribution center, and completed the expansion of our domestic sales force to 63 neurospecialists. We did this while sustaining significant growth in our existing business."

The consolidated gross margin was 57% of product sales in the third quarter of 2002. Reported gross margins were negatively affected by the \$0.2 million of inventory fair value purchase accounting adjustments and a \$0.4 million charge related to the write-off of inventory in

connection with the termination of a distribution agreement. Without these items, the gross margin would have been 59% of product sales.

INTEGRA NEUROSCIENCES DIVISION:

	Quarter Ended September 30,		Nine Months Ended September 30	
	2002	2001	2002	2001
	-----	-----	-----	-----
Product sales	\$ 23,040	\$ 17,234	\$ 62,897	\$ 50,052
Total revenues	23,068	17,512	62,981	50,886
Total operating expenses	21,364	13,101	50,788	37,758
Operating income	1,704	4,411	12,193	13,128

Sales of Integra NeuroSciences division products increased \$5.8 million, or 34%, over the third quarter of 2001 and included \$3.1 million in sales of products acquired since the end of the prior year period. Sales growth excluding acquired products was led by the DuraGen® and NeuraGen™ product lines and products used in the neuro intensive care unit, such as the Camino Multi-Parameter Monitor and Licox. The reported gross margin was 59% of product sales in the third quarter of 2002, as compared to a gross margin of 62% of product sales in the prior year quarter. Without the \$0.2 million of inventory fair value purchase accounting adjustments and the \$0.4 million inventory charge, the gross margin in the third quarter of 2002 would have been 61% of product sales. Total other operating expenses (excluding cost of product sales) totaled \$11.9 million in the third quarter of 2002, an increase of \$5.4 million over the prior year quarter. This increase included the following:

- a \$2.8 million increase in research and development expenses, including \$2.3 million of in-process research and development charges and \$0.1 million of ongoing research and development activities related to acquired operations;
- a \$1.4 million increase in sales and marketing expenses related primarily to the expansion of the domestic and European direct sales and marketing infrastructure;
- a \$0.8 million increase in general and administrative expenses, including \$0.6 million of ongoing general and administrative expenses related to acquired operations; and
- \$0.4 million of employee severance and redundant operating costs associated with an acquired distribution facility that was shut down during the third quarter.

In connection with the acquisition of certain intellectual property from Novus Monitoring Ltd. in the third quarter of 2002, the Company is obligated to pay an additional \$1.5 million to the seller if certain product development milestones are achieved in 2003. The Company expects to record a substantial portion of any such payment as an additional in-process research and development charge in the period the milestones are achieved.

INTEGRA LIFESCIENCES DIVISION:

	Quarter Ended September 30,		Nine Months Ended September 30	
	2002	2001	2002	2001
	-----	-----	-----	-----
Product sales	\$ 6,126	\$ 5,085	\$ 15,402	\$ 13,936
Total revenues	7,136	6,238	19,580	17,468
Total operating expenses	4,527	4,707	11,946	13,567
Operating income	2,609	1,531	7,634	3,901

Sales of Integra LifeSciences division products increased \$1.0 million, or 20%, over the third quarter of 2001 to \$6.1 million and included \$0.7 million in sales of acquired products. Gross margin on product sales was 49% consistent with the prior year quarter. Total other operating expenses (excluding cost of product sales) totaled \$1.4 million in the third quarter of 2002, a decrease of \$0.7 million from the prior year quarter. This change was primarily related to the higher research and development program costs associated with a strategic alliance partnership program experienced during the third quarter of 2001.

Divisional financial results exclude corporate general and administrative expenses and intangible asset amortization. Corporate general and administrative expenses increased \$0.9 million to \$2.3 million in the third quarter of 2002 primarily as a result of increased headcount, higher legal and insurance costs, and charges associated with the termination of certain distribution agreements. Amortization expense decreased \$0.4 million in the second quarter of 2002 to \$0.4 million as a result of the full implementation of Statement of Financial Accounting Standard No 142 in January 2002, offset by a slight increase related to recent acquisitions. The reduction in goodwill amortization related to the implementation of Statement 142 had a favorable impact on earnings of approximately \$0.01 per share in the third quarter of 2002.

Before the effects of the charges excluded from the calculation of adjusted net income, the Company reported adjusted operating earnings before interest, taxes, depreciation and amortization (EBITDA) of \$6.4 million for the third quarter of 2002, as compared to \$5.4 million in the prior year quarter. The Company's cash and investments totaled \$136.0 million at September 30, 2002.

The Company's guidance for the fourth quarter of 2002 is for total revenues in the range of \$32.5 to \$33.5 million and earnings per share of \$0.15. This guidance includes the sales and costs of recently acquired product lines and the acquisition of Padgett Instruments in October 2002. The Company expects total revenues in 2003 to increase to between \$140 and \$145 million. Consolidated gross margin is expected to increase from a projected 60% of product sales in the fourth quarter of 2002 to 62% of product sales for the year 2003. Earnings per share for year 2003, excluding the potential for an additional in-process research and development charge related to the Novus Monitoring Ltd. acquisition, are expected to be within a range of \$0.73 to \$0.76 per share.

The Company has scheduled a conference call for 9:00 am ET today, November 4, 2002, to discuss financial results for the third quarter ended September 30, 2002 and to provide additional forward looking guidance for the remainder of 2002 and the year 2003, including the expected impact of the recent Padgett acquisition.

The upcoming conference call, which will be hosted by Stuart Essig, is open to all listeners and will be followed by a question and answer session. Additional forward-looking information may be discussed in the question and answer session following the call.

Access to the live call is available by dialing 973-582-2729 or through a listen-only webcast via a link provided on the home page of Integra's website at www.Integra-LS.com. A replay of the conference call will be accessible starting one hour following the live event. Access to the replay is available through November 18, 2002 by dialing 973-341-3080 (PIN code 3462254) or through the webcast accessible on our home page.

Integra will also be presenting at the CIBC World Markets 13th Annual Healthcare Conference at The Plaza Hotel in New York City at 4:00 PM ET later today. The presentation will be delivered by Stuart Essig. Access to the live presentation is available to the general public through a webcast that can be accessed through the Calendar Events link in the Investor Relations section of Integra's website at www.Integra-LS.com. Additionally, a replay of this webcast presentation will be available through November 18, 2002.

Mr. Essig's presentation will provide an overview of the Company's operating divisions, a review of recent financial history, and further discussion of the forward looking guidance to be provided on the Company's earnings conference call later this morning.

Integra LifeSciences Holdings Corporation develops, manufactures and markets medical devices, implants and biomaterials primarily used in the treatment of cranial and spinal disorders, soft tissue repair and orthopedics. Integra is a leader in applying the principles of biotechnology to

medical devices that improve patients' quality of life. Integra has its corporate headquarters in Plainsboro, New Jersey, with manufacturing and research facilities located throughout the world. Integra has approximately 775 permanent employees.

This news release contains forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995. Forward-looking statements include, but are not limited to, statements concerning the future financial performance, including projections for revenues, gross margins, income tax rates, and earnings per share. The accuracy of such forward-looking statements is necessarily subject to risks and uncertainties that could cause actual results to differ materially from predicted or expected results. Among other things, the Company's ability to maintain existing customer relationships related to acquired product lines, the willingness of physicians to adopt the Company's recently launched products, and the Company's ability to obtain regulatory approval for products in the development stage may affect growth in product sales, the Company's ability to increase sales and product manufacturing volumes may affect future gross margins, the geographic mix of taxable income may affect income tax rates, and the Company's ability to integrate acquired businesses, increase product sales and gross margins, and the Company's actual tax rate for 2002 may affect earnings per share. In addition, the economic, competitive, governmental, technological and other factors identified under the heading "Risk Factors" included in the Business section of Integra's Annual Report on Form 10-K for the year ended December 31, 2001 and information contained in subsequent filings with the Securities and Exchange Commission could affect actual results.

INTEGRA LIFESCIENCES HOLDINGS CORPORATION
CONSOLIDATED FINANCIAL RESULTS
(In thousands, except per share data)
(UNAUDITED)

Statement of Operations Data:

	Three Month Period Ended September 30		Nine Month Period Ended September 30	
	2002	2001	2002	2001
Product sales	\$29,166	\$22,319	\$78,299	\$63,988
Other revenue	<u>1,038</u>	<u>1,431</u>	<u>4,262</u>	<u>4,366</u>
Total revenue	30,204	23,750	82,561	68,354
Cost of product sales	12,611	9,153	31,604	26,057
Research and development	4,482	2,172	8,377	6,082
Selling and marketing	6,720	5,148	18,320	15,168
General and administrative	4,374	2,757	10,714	9,280
Amortization	425	784	<u>1,139</u>	<u>2,193</u>
Total costs and expenses	28,612	20,014	70,154	58,780
Operating income	1,592	3,736	12,407	9,574
Interest income, net	822	556	2,808	364
Other income (expense), net	<u>(11)</u>	<u>96</u>	<u>21</u>	<u>(117)</u>
Income before income taxes	2,403	4,388	15,236	9,821
Provision for income taxes	840	<u>365</u>	<u>5,333</u>	<u>1,040</u>
Income before extraordinary loss	1,563	4,023	9,903	8,781
Extraordinary loss, net of tax	<u>--</u>	<u>(243)</u>	<u>--</u>	<u>(243)</u>
Net income	\$ 1,563	\$ 3,780	\$ 9,903	\$ 8,538
Preferred stock dividends	<u>--</u>	<u>(135)</u>	<u>(159)</u>	<u>(405)</u>
Net income available to common stockholders	\$ 1,563	\$ 3,645	\$ 9,744	\$ 8,133
Diluted net income per share	\$ 0.05	\$ 0.13	\$ 0.32	\$ 0.31
Weighted average common shares	30,654	28,472	30,740	25,996

Reconciliation of Actual to Adjusted Results:

	Three Month Period Ended September 30	
	2002	2001
Income before income taxes	\$ 2,403	\$ 4,388
Add back:		
In-process research and development charge	2,322	--
Inventory fair value purchase accounting adjustments	225	--
Costs associated with the termination of distribution agreements and related inventory	599	--
Employee severance and acquisition related costs	<u>347</u>	<u>--</u>
Adjusted income before income taxes	5,896	4,388
Income tax provision at 35% effective rate (1)	<u>2,064</u>	<u>1,536</u>
Adjusted fully-taxed net income (1)	3,832	2,852
Preferred stock dividends	<u>--</u>	<u>(135)</u>
Adjusted fully-taxed net income applicable to common stockholders (1)	\$ 3,832	\$ 2,717
Diluted adjusted fully-taxed net income per share	\$0.13	\$0.10

(1) For the three month period ended September 30, 2002, the actual GAAP effective tax rate was 35%. For the three month period ended September 30, 2001, an adjusted effective tax rate of 35% was used in lieu of the actual GAAP effective tax rate of 8% for comparative purposes.

Balance Sheet Data:

	30-SEPT 2002	31-DEC 2001
Cash, cash equivalents & investments	\$135,974	\$131,036
Total assets	242,573	227,588
Total debt	--	3,576
Total stockholders' equity	217,606	204,056

Source: Integra LifeSciences Holdings Corporation