

News Release

Contacts:

Integra LifeSciences Holdings Corporation

John B. Henneman, III

Senior Vice President

Chief Administrative Officer

(609) 936-2481

jhenneman@integra-ls.com

John Bostjancic

Senior Director of Finance

(609) 936-2239

jbostjancic@integra-ls.com

Integra LifeSciences Reports Record Earnings and Revenues for the Fourth Quarter and Full Year 2002

Cash Flows from Operations Totaled

\$11.5 Million for the Fourth Quarter of 2002 and \$32.0 Million for the Full Year 2002

Plainsboro, NJ / February 27, 2003 / -- Integra LifeSciences Holdings Corporation (Nasdaq: [IART](#)) today reported record revenues and net income for the fourth quarter and full year 2002. Total revenues in the fourth quarter of 2002 increased \$10.2 million, or 41%, over the fourth quarter of 2001 to \$35.3 million. Total revenues in the full year 2002 increased \$24.4 million, or 26%, over the prior year to \$117.8 million.

The Company reported net income of \$25.4 million, or \$0.83 per share, for the fourth quarter of 2002, as compared to net income of \$17.6 million, or \$0.56 per share, in the fourth quarter of 2001. For the full year 2002, the Company reported net income of \$35.3 million, or \$1.14 per share, as compared to net income of \$26.2 million, or \$0.94 per share, reported for the full year 2001. The Company's reported net income for 2002 and 2001 reflects the recognition of deferred tax benefits of \$20.5 million in the fourth quarter of 2002 and \$11.5 million in the fourth quarter of 2001.

For comparative purposes, the following discussion presents reported 2002 and 2001 financial results on a "fully taxed" basis to reflect a 35% effective tax rate in all periods. Fully taxed net income for the fourth quarter of 2002 would have been \$4.9 million, or \$0.16 per share, as compared to fully taxed net income of \$3.7 million, or \$0.12 per share, for the fourth quarter of 2001. For the full year 2002, fully taxed net income would have been \$14.8 million, or \$0.48 per share, as compared to fully taxed net income of \$9.9 million, or \$0.34 per share, in 2001. A reconciliation of reported net income and earnings per share to fully taxed net income and earnings per share for all periods is provided in a table at the end of this news release.

"I am very pleased with Integra's performance in 2002," said Stuart M. Essig, Integra's President and Chief Executive Officer. "We attained record revenues and net income while continuing to develop the product offerings and global infrastructure necessary to sustain growth. During the past year, we completed the expansion of our domestic sales force and added significantly to our European sales and marketing team in the NeuroSciences segment. We expanded our product offerings through acquisitions, the introduction of new, internally developed products, and the attainment of new indications for existing products, such as the clearance to promote the Selector Ultrasonic Aspirator for new surgical procedures."

The Company generated \$11.5 million in cash flows from operations in the fourth quarter of 2002, as compared to \$6.7 million in the prior year quarter. For the full year 2002, the Company generated \$32.0 million in cash flows from operations, as compared to \$15.7 million in 2001. Operating cash flows improved in 2002 as a result of higher net income and improved working capital management. The Company used \$25.0 million in cash for acquisitions in 2002, \$3.6 million to pay down outstanding debt, and \$1.8 million to repurchase 100,000 shares of its common stock. In 2003, the Company received authorization from its Board of Directors to repurchase up to an additional \$15.0 million or 1.0 million shares of its common stock.

The Company's cash and investments totaled \$132.3 million at December 31, 2002.

INTEGRA NEUROSCIENCES SEGMENT

The Integra NeuroSciences segment comprises our businesses that primarily sell directly to healthcare providers. Through our Integra NeuroSciences segment, we are a leading provider of implants, devices, and systems used in neurosurgery, neurotrauma, and related critical care, a marketer of instruments and other devices used in surgeries, and a distributor of disposables and supplies used in the diagnosis and monitoring of neurological disorders.

	Quarter Ended December 31,		Year Ended December 31,	
	2002	2001	2002	2001
	-----	-----	-----	-----
Neuro intensive care unit	\$ 9,049	\$ 7,381	\$ 31,697	\$ 27,830
Neuro operating room	15,053	9,628	47,934	36,213
Other products	3,609	1,271	10,978	4,289
Product revenue	27,711	18,280	90,609	68,332
Total revenues	27,738	18,507	90,720	69,393
Total operating expenses	20,934	13,674	71,896	51,599
Operating income	6,804	4,833	18,824	17,794

Product revenue in the Integra NeuroSciences segment increased \$9.4 million, or 52%, over the fourth quarter of 2001. Neuro operating room product sales increased \$5.4 million to \$15.1 million in the fourth quarter of 2002. Neuro operating room product sales were led by strong growth in sales of the DuraGen® Dural Graft Matrix, the NeuraGen® Nerve Guide, and the Selector® and Dissectron® ultrasonic surgical aspirators, and included \$2.3 million in sales of acquired products. Sales of neuro intensive care unit products increased \$1.7 million to \$9.0 million and included \$1.0 million in sales of acquired products. Gross margin on Integra NeuroSciences product revenues increased to 63% in the fourth quarter of 2002 from 60% in the fourth quarter of 2001, primarily as a result of an improved sales mix of higher margin products. Total other operating expenses increased \$4.2 million to \$10.6 million in the fourth quarter of 2002. Sales and marketing expenses increased by \$1.8 million to \$6.6 million, consistent with the expansion of the direct sales and marketing capacity in the United States and Europe. General and administrative costs increased by \$1.8 million to \$2.6 million and included \$0.7 million in operating costs associated with businesses acquired in 2002. Research and development spending increased by \$0.6 million to \$1.4 million. Operating income for the segment increased by \$2.0 million, or 41%, over the fourth quarter of 2001.

Acquisitions and new product launches have accounted for a significant portion of the Integra NeuroSciences segment's recent growth in product revenues. Product revenues for the Integra NeuroSciences segment in 2002 and 2001 included the following amounts in sales of acquired product lines.

	Quarter Ended December 31,		Year Ended December 31,	
	2002	2001	2002	2001
	-----	-----	-----	-----
Products acquired in 2002	\$ 4,393	\$ --	\$ 6,196	\$ --
Products acquired in 2001	2,358	971	8,381	2,044
Subtotal	6,751	971	14,577	2,044
All other product revenues	20,960	17,309	76,032	66,288
Total product revenues	27,711	18,280	90,609	68,332

During the fourth quarter, Integra closed the acquisitions of Padgett Instruments, Inc. and the epilepsy monitoring and neuro shunting business of the Radionics division of Tyco Healthcare Group. Financial results for both businesses are included in the Integra NeuroSciences segment. Integra paid \$9.6 million in cash for Padgett Instruments and \$3.6 million for the Radionics product lines. Integra is now transferring the manufacture of the acquired epilepsy monitoring and neuro shunting products to its facility in Biot, France and will soon consolidate the distribution operations of the recently acquired Padgett Instruments business into its national distribution center in Cranbury, New Jersey.

INTEGRA LIFESCIENCES SEGMENT

The Integra LifeSciences segment comprises our businesses that primarily sell through intermediaries such as strategic partners or original equipment manufacturer customers. Through our Integra LifeSciences segment we develop and manufacture a variety of medical products and devices, including products based on our proprietary tissue regeneration technology that are used to treat soft tissue and orthopedic conditions. We have partnered with market leaders for the development and marketing of most of our Integra LifeSciences products.

	Quarter Ended December 31,		Year Ended December 31,	
	2002	2001	2002	2001
	-----	-----	-----	-----
Tissue repair	\$ 3,295	\$ 2,575	\$ 10,365	\$ 8,698
Other medical products	3,096	2,930	11,651	10,878
Product revenues	6,391	5,505	22,016	19,576
Total revenues	7,523	6,581	27,102	24,049
Total operating expenses	5,309	4,434	17,324	17,834
Operating income	2,214	2,147	9,778	6,215

For the fourth quarter of 2002, the Integra LifeSciences segment's product revenues increased \$0.9 million to \$6.4 million, a 16% increase over the fourth quarter of 2001. Led by strong sales of the Absorbable Collagen Sponge component of Medtronic's recently approved InFUSE™ Bone Graft product and an increase in related product royalties, tissue repair product revenues increased \$0.7 million to \$3.3 million, a 28% increase over the fourth quarter of 2001. Sales of other medical devices increased \$0.2 million, or 6%, over the previous year period to \$3.1 million. Sales of products acquired in 2002 of \$0.7 million offset a decline of \$0.5 million in sales of other products. Gross margin on product revenues declined to 41% in the fourth quarter of 2002 compared to 51% in the fourth quarter of 2001, primarily as a result of unfavorable production yields. Total other operating expenses decreased \$0.2 million to \$1.5 million, with the segment reporting a \$2.2 million operating profit.

Acquisitions and new product launches have contributed to the growth in the Integra LifeSciences product revenues. Product revenues for the Integra LifeSciences segment in 2002 and 2001 included the following amounts in sales of acquired product lines.

	Quarter Ended December 31,		Year Ended December 31,	
	2002	2001	2002	2001
	-----	-----	-----	-----
Products acquired in 2002	\$ 687	\$ --	\$ 1,419	\$ --
Products acquired in 2001	--	--	--	--
Subtotal	687	--	1,419	--
All other product revenues	5,704	5,505	20,597	19,576
Total product revenues	6,391	5,505	22,016	19,576

The Company recorded an \$11.5 income tax benefit in the fourth quarter of 2001, which reflected the Company's estimate of the benefit it expected to realize through the future use of a portion of its net operating loss carryforwards. The Company reduced its 2001 consolidated tax liability by \$2.9 million from the utilization of these net operating loss carryforwards and expects to reduce its 2002 consolidated tax liability by \$6.4 million. In the fourth quarter of 2002, the Company recorded an additional \$20.5 million income tax benefit, which primarily reflected the Company's estimate of additional tax benefits it expected to realize through the future use of its remaining net operating loss carryforwards. Because the Company has already recognized their value, the actual use of these tax benefits will not affect the Company's current and future tax rate for financial reporting purposes. Excluding the deferred tax benefits recognized in 2002, the Company's effective tax rate would have been 35% for the full year 2002. In 2003, the Company expects to report an effective tax rate of 35% to 36%.

Corporate general and administrative expenses increased \$0.1 million to \$1.7 million in the fourth quarter of 2002. Net interest income for the fourth quarter of 2002 decreased to \$0.7 million, as compared to net interest income of \$1.0 million in the fourth quarter of 2001, as a result of declining interest rates in 2002.

In the fourth quarter of 2002, the Company began to report product revenues, which include both product sales and royalties earned on sales by strategic alliance partners of the Company's products or of products incorporating one or more of the Company's products. Royalties earned from the licensing of technology or that are otherwise unrelated to the sale of covered products continue to be reported as other revenue. For comparative purposes, all prior period results have been revised to reflect this change.

The Company is also revising its expectations for revenues, product revenues, gross margin and earnings for 2003 and 2004. The Company expects total revenues to increase to between \$142 and \$147 million in 2003 and \$160 and \$170 million in 2004. Consolidated gross margin is expected to increase to 62% and 64% of product revenues in 2003 and 2004, respectively. Excluding a potential in-process research and development charge related to a \$1.5 million milestone payment that may become due under the terms of a product development agreement, earnings are expected to be within a range of \$0.73 to \$0.77 per share in 2003 and \$0.93 to \$0.97 per share in 2004. The Company's guidance for the first quarter of 2003 is for total revenues in the range of \$35.0 to \$35.5 million and earnings per share of \$0.16. In accordance with the Company's usual practices, management's expectations for 2003 and 2004 financial performance do not include the impact of acquisitions or other strategic corporate transactions that have not yet closed.

The Company has scheduled a conference call for 9:00 am EST today, February 27, 2003, to discuss the financial results for the fourth quarter and full year 2002 and to provide forward-looking earnings guidance. The call is open to all listeners and will be followed by a question and answer session. Access to the live call is available by dialing (973) 935-2100 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 March 13, 2003 by dialing (973) 341-3080 (access code 3609010) or through the webcast accessible on our home page.

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. The Company has its corporate headquarters in Plainsboro, New Jersey, with manufacturing and research facilities located throughout the world. The Company has approximately 790 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 future growth in revenues, sales force expansion and new product approvals. Such forward-looking statements involve 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 relationships with customers of acquired entities, physicians' willingness to adopt the Company's recently launched and planned products and the Company's ability to secure regulatory approval for products in development may adversely affect the Company's future product revenues; the Company's ability to increase sales and product volumes may adversely affect its future gross margins; the geographic mix of the Company's taxable income may adversely affect the Company's income tax rates; and the Company's ability to integrate acquired businesses, increase product sales and gross margins, and control its nonproduct cost will affect its 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 December 31		For the Year Ended December 31	
	2002	2001	2002	2001
Product revenue	\$34,102	\$23,785	\$112,625	\$87,908
Other revenue	<u>1,159</u>	<u>1,303</u>	<u>5,197</u>	<u>5,534</u>
Total revenue	35,261	25,088	117,822	93,442
Cost of product sales	14,168	9,957	45,772	36,014
Research and development	2,255	1,910	10,632	7,992
Selling and marketing	6,798	5,154	25,118	20,322
General and administrative	4,755	2,764	15,469	12,044
Amortization	<u>505</u>	<u>591</u>	<u>1,644</u>	<u>2,784</u>
Total costs and expenses	28,481	20,376	98,635	79,156
Operating income	6,780	4,712	19,187	14,286
Interest income, net	727	1,029	3,535	1,393
Other income (expense), net	<u>(18)</u>	<u>(19)</u>	<u>3</u>	<u>(136)</u>
Income before income taxes	7,489	5,722	22,725	15,543
Income tax benefit	<u>17,885</u>	<u>11,903</u>	<u>12,552</u>	<u>10,863</u>
Income before extraordinary loss	25,374	17,625	35,277	26,406
Extraordinary loss, net of tax	<u>--</u>	<u>--</u>	<u>--</u>	<u>(243)</u>
Net income	\$25,374	\$17,625	\$35,277	\$26,163
Diluted earnings per share	\$ 0.83	\$ 0.56	\$ 1.14	\$ 0.94
Diluted weighted average common shares outstanding	30,659	31,398	30,895	27,796

Balance Sheet Data:

	31-DEC 2002	31-DEC 2001
Cash, cash equivalents & investments	\$132,311	\$131,036
Total assets	274,668	227,588
Total debt	--	3,576
Total stockholders' equity	247,597	204,056

Segment Operating Results:

	Three Month Period Ended December 31		For the Year Ended December 31	
	2002	2001	2002	2001
INTEGRA NEUROSCIENCES SEGMENT				
Product revenue	\$27,711	\$18,280	\$90,609	\$68,332
Other revenue	<u>27</u>	<u>227</u>	<u>111</u>	<u>1,061</u>
Total revenue	27,738	18,507	90,720	69,393
Cost of product sales	10,377	7,283	34,263	25,973
Research and development	1,410	810	6,834	3,027
Selling and marketing	6,597	4,820	24,340	18,750
General and administrative	<u>2,550</u>	<u>761</u>	<u>6,459</u>	<u>3,849</u>
Total costs and expenses	20,934	13,674	71,896	51,599
Operating income	\$ 6,804	\$ 4,833	\$18,824	\$17,794
INTEGRA LIFESCIENCES SEGMENT				
Product revenue	\$ 6,391	\$ 5,505	\$22,016	\$19,576
Other revenue	<u>1,132</u>	<u>1,076</u>	<u>5,086</u>	<u>4,473</u>
Total revenue	7,523	6,581	27,102	24,049
Cost of product sales	3,791	2,674	11,509	10,041
Research and development	845	1,100	3,798	4,965
Selling and marketing	201	334	778	1,572
General and administrative	<u>472</u>	<u>326</u>	<u>1,239</u>	<u>1,256</u>
Total costs and expenses	5,309	4,434	17,324	17,834
Operating income	\$ 2,214	\$ 2,147	\$ 9,778	\$ 6,215

Reconciliation of "Fully taxed" Results to Reported Results:

Integra management believes that in order to compare properly the Company's historical financial results with each other and with projected financial results for future periods, investors must consider the impact that the deferred tax benefits recorded in the fourth quarter of 2002 and 2001 had on those results. In light of the 35% effective tax rate that would have been recorded in 2002 excluding these deferred tax benefits and the expected 35% to 36% effective rate projected for 2003, management believes that the presentation of historical financial results for 2002 and 2001 taxed at a constant 35% effective rate promotes such comparability. The following table reconciles these "fully taxed" results to consolidated earnings as reported under accounting principles generally accepted in the United States of America.

	Three Month Period Ended December 31		For the Year Ended December 31	
	2002	2001	2002	2001
Income before income taxes	7,489	5,722	22,725	15,543
Less: Pre-tax extraordinary loss	--	--	--	(256)
Adjusted income before income taxes	7,489	5,722	22,725	15,287
Provision for income taxes at a constant 35% effective rate	<u>2,621</u>	<u>2,003</u>	<u>7,954</u>	<u>5,350</u>
Fully taxed net income	4,868	3,719	14,771	9,937
Preferred stock dividends used to compute fully taxed diluted earnings per share	--	(135)	(159)	(1,026)
Fully taxed net income applicable to common stockholders used to compute fully taxed diluted earnings per share	\$ 4,868	\$ 3,584	\$ 14,612	\$ 8,911
Fully taxed diluted earnings per share	\$ 0.16	\$ 0.12	\$ 0.48	\$ 0.34
Weighted average common shares outstanding for calculation of fully taxed earnings per share	30,659	30,798	30,720	25,924

Source: Integra LifeSciences Holdings Corporation