



## Integra LifeSciences Reports Fourth Quarter and Full Year 2004 Financial Results

PLAINSBORO, N.J., March 13, 2005 (PRIMEZONE) -- Integra LifeSciences Holdings Corporation (Nasdaq:IART) today reported its fourth quarter and full year 2004 revenues and earnings. Product revenues in the fourth quarter of 2004 were \$61.8 million, reflecting an increase of \$14.9 million, or 32%, over the fourth quarter of 2003. Product revenues for the full year ended December 31, 2004 increased by \$61.8 million to \$228.5 million, a 37% increase over the prior year.

Excluding recently acquired product lines, fourth quarter 2004 product revenues increased by \$9.2 million, or 20%, over the prior year period, and full year 2004 product revenues increased by \$32.7 million, or 23%, over the prior year.

Total revenues for the quarter increased over the prior year period by \$2.8 million to \$61.8 million. Total revenues for the full year ended December 31, 2004 increased by \$44.2 million to \$229.8 million.

We reported net income of \$9.8 million, or \$0.30 per diluted share, for the fourth quarter of 2004, compared to net income of \$9.2 million, or \$0.28 per diluted share in the fourth quarter of 2003. Net income for the year ended December 31, 2004 was \$17.2 million, or \$0.55 per diluted share, compared to \$26.9 million, or \$0.86 per diluted share, for the year ended December 31, 2003.

"We are very pleased with our performance in the fourth quarter and for the year," said Stuart M. Essig, Integra's President and Chief Executive Officer. "Organic revenue growth exceeded our long-term objective of 18%, and our corporate gross margin continued to build in keeping with our expectations. More importantly, we transformed Integra LifeSciences this year in the area of information technology. Our continuing implementation of an enterprise business system will streamline our ability to grow both organically and through acquisitions and strategic partnerships. We have made good on our ambition to accelerate product development, having launched significant new products in dural regeneration, adhesion prevention, nerve repair, neuromonitoring, cranial reconstruction and shunting for normal pressure hydrocephalus. We continued to cut costs and improve margins through plant consolidations. Finally, we have focused our Reconstructive Surgery sales force on the extremities, with exciting new products in the treatment of wounds and the surgical reconstruction of the foot and ankle."

This quarter, as required by the recently adopted Emerging Issues Task Force (EITF) Issue No. 04-08, The Effect of Contingently Convertible Debt on Diluted Earnings per Share, we treated the unissued shares underlying our contingently convertible notes issued in March 2003 as if such shares were issued and outstanding, using the "if-converted" accounting method, for the purposes of calculating earnings per share. As also required by EITF 04-08, we restated diluted earnings per share for all prior periods back to the issuance of this debt to conform to this new accounting standard.

The adoption of EITF 04-08 reduced earnings per share by \$0.01 for the fourth quarter ended December 31, 2004, and by \$0.02 for both the fourth quarter and year ended December 31, 2003. It had no impact on earnings per share for the full year 2004.

Our revenues for the periods were as follows:

	Three Months		Year	
	Ended December 31,		Ended December 31,	
	2004	2003	2004	2003
	----	----	----	----
Product Revenue:				
Monitoring products	\$12,517	\$11,466	\$48,217	\$44,229
Implants	19,851	14,325	78,418	53,301
Instruments	22,685	15,422	77,667	47,168
Private label products	6,709	5,648	24,188	21,997
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Total Product Revenue	61,762	46,861	228,490	166,695
Other revenue	49	12,164	1,335	18,904
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Total Revenue	\$61,811	\$59,025	\$229,825	\$185,599

Increased sales of our drainage systems and intracranial monitoring products, including our Camino® and LICOX® monitoring systems, provided most of the year-over-year growth in monitoring product revenues.

Continued strong year-over-year growth in sales of our DuraGen®; Dural Graft Matrix, DuraGen Plus™ Dural Regeneration Matrix, and our CSF management products, and direct selling of the INTEGRA®; Dermal Regeneration Template and INTEGRA™ Bilayer Matrix Wound Dressing accounted for most of the increase in implant product revenues.

Sales of recently acquired product lines contributed \$5.7 million of the year-over-year increase in instrument revenues for the fourth quarter. Increased sales of our JARIT®; and Ruggles™ surgical instrument lines provided the remainder of the growth in instrument product revenues.

The increase in revenues attributable to our remaining private label products, including the Absorbable Collagen Sponge that we supply for use in Medtronic's INFUSE™ bone graft product, more than offset the removal of INTEGRA®; Dermal Regeneration Template revenues from our private label products category.

Changes in foreign currency exchange rates contributed \$0.7 million to our quarterly year-over-year product revenue growth.

Gross margin on product revenues in the fourth quarter of 2004 was 62.4%. Our gross margin was positively affected by changes in the mix of our products sold during the quarter and by the resumption of direct sales of the INTEGRA®; Dermal Regeneration Template in 2004.

Research and development expense decreased from \$4.8 million in the fourth quarter of 2003 to \$3.6 million in the current period. Selling, general and administrative expense increased by \$0.9 million to \$20.3 million in the fourth quarter of 2004, but decreased as a percentage of product revenues to 33% from 41% in the prior year period. Selling, general and administrative expense in the fourth quarter of 2004 included costs associated with the closing of our distribution facility in New Jersey and the transfer of distribution functions to Nevada, and additional spending on Integra's enterprise business system implementation and Sarbanes-Oxley 404 compliance activities.

We reported net interest income of \$95,000 in the fourth quarter of 2004, as compared to net interest income of \$81,000 in the prior year period. Other income in the fourth quarter of 2004 was \$2.3 million and included a \$1.4 million gain related to the change in the fair value of the foreign exchange collar contract we executed in November 2004 upon agreeing to acquire Newdeal Technologies SA.

Our cash and investments totaled \$196.0 million at December 31, 2004.

We are updating our expectations for total revenues, gross margin and earnings per share for 2005 and providing our initial guidance for 2006. In accordance with our usual practice, our expectations for 2005 and 2006 financial performance do not include the impact of acquisitions or other strategic corporate transactions that have not yet closed.

Total revenues in 2005 are expected to be between \$290 million and \$300 million. Total revenues in 2006 are expected to be between \$345 million and \$355 million. Consolidated gross margin is expected to increase to 64% and 66% of total revenues in 2005 and 2006, respectively. Earnings per diluted share are expected to be within a range of \$1.38 to \$1.42 per share in 2005. Earnings per diluted share are expected to be within a range of \$1.65 to \$1.75 per share in 2006. Our guidance for the first quarter of 2005 is for total revenues in the range of \$65 million to \$68 million and earnings per diluted share of \$0.29 to \$0.31. Our expectation ranges for full year 2005 and 2006 earnings per share do not reflect the impact of expensing stock options beginning July 1, 2005 under the accounting standard recently issued by the Financial Accounting Standards Board (FASB).

We have scheduled a conference call for 9:00 am EST tomorrow, March 14, 2005, to discuss the financial results for the fourth quarter of 2004 and forward-looking financial 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) 935-8511 or through a listen-only webcast via a link provided on the home page of Integra's website at [www.Integra-LS.com](http://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 28, 2005 by dialing (973) 341-3080 (access code 5630772) or through the webcast accessible on our home page.

Integra LifeSciences Holdings Corporation is a diversified medical technology company that develops, manufactures, and markets medical devices for use in a variety of applications. The primary applications for our products are neuro-trauma and neurosurgery, reconstructive surgery and general surgery. Integra is a leader in applying the principles of biotechnology to medical devices that improve patients' quality of life. Our corporate headquarters are in Plainsboro, New Jersey, and we have research, manufacturing and distribution facilities located throughout the world. We have approximately 1,200 employees. Please visit our website at (<http://www.Integra-LS.com>).

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 financial performance, including projections for revenues, gross margins, earnings per share and cash flows. Such forward-looking statements involve risks and uncertainties that could cause actual results to differ materially from predicted or expected results. Among other things, our ability to maintain relationships with customers of acquired entities, physicians' willingness to adopt our recently launched and

planned products and our ability to secure regulatory approval for products in development may adversely affect our future product revenues; our ability to increase sales and product volumes may adversely affect our future gross margins; our ability to integrate acquired businesses, increase product sales and gross margins, and control non-product costs may affect our earnings per share; and our future net income results and our ability to effectively manage working capital may affect our future cash flows. In addition, the economic, competitive, governmental, technological and other factors identified under the heading "Factors That May Affect Our Future Performance" included in the Business section of Integra's Annual Report on Form 10-K for the year ended December 31, 2003 and information contained in subsequent filings with the Securities and Exchange Commission could affect actual results.

Regulation G, "Conditions for Use of Non-GAAP Financial Measures," and other provisions of the Securities Exchange Act of 1934, as amended, define and prescribe the conditions for the use of certain non-GAAP financial information. In this news release, we provide "quarterly year-over-year growth in product revenues excluding recently acquired product lines" and "annual year-over-year growth in product revenues excluding recently acquired product lines", which are non-GAAP financial measures. A reconciliation of these non-GAAP financial measures to the most comparable GAAP measures is provided in the tables of financial information contained at the end of this news release.

Non-GAAP financial measures should not be relied upon to the exclusion of GAAP financial measures. Management believes that these non-GAAP financial measures are important supplemental information to investors which reflect an additional way of viewing aspects of our operations that, when viewed with our GAAP results and the accompanying reconciliations, provides a more complete understanding of factors and trends affecting our ongoing business and operations. Management strongly encourages investors to review our financial statements and filed reports in their entirety and to not rely on any single financial measure. Because non-GAAP financial measures are not standardized, it may not be possible to compare these financial measures with other companies' non-GAAP financial measures having the same or similar names.

INTEGRA LIFESCIENCES HOLDINGS CORPORATION

(In thousands, except per share data)

(UNAUDITED)

Statement of Operations Data:

	Three Months	
	Ended December 31,	
	2004	2003
	----	----
Product revenue	\$61,762	\$46,861
Other revenue	49	12,164
	-----	-----
Total revenue	61,811	59,025
Cost of product revenue	23,221	20,935
Research and development	3,556	4,772
Selling, general and administrative	20,264	19,354
Amortization	1,139	968
	-----	-----
Total costs and expenses	48,180	46,029
Operating income	13,631	12,996
Interest income, net	95	81
Other income, net	2,250	1,962
	-----	-----
Income before income taxes	15,976	15,039
Provision for income taxes	6,137	5,867
	-----	-----
Net income	\$9,839	\$9,172
	=====	=====
Diluted earnings per share	\$0.30	\$0.28
Diluted weighted average common shares outstanding	34,842	34,174

INTEGRA LIFESCIENCES HOLDINGS CORPORATION

(In thousands, except per share data)

(UNAUDITED)

Statement of Operations Data:

	Year	
	Ended December 31,	
	2004	2003

	----	----
Product revenue	\$228,490	\$166,695
Other revenue	1,335	18,904
	-----	-----
Total revenue	229,825	185,599
Cost of product revenue	87,299	70,598
Research and development	14,121	12,815
Selling, general and administrative	99,360	59,459
Amortization	4,266	3,080
	-----	-----
Total costs and expenses	205,046	145,952
Operating income	24,779	39,647
Interest income, net	555	471
Other income, net	2,674	3,071
	-----	-----
Income before income taxes	28,008	43,189
Provision for income taxes	10,811	16,328
	-----	-----
Net income	\$17,197	\$26,861
	=====	=====
Diluted earnings per share	\$0.55	\$0.86
Diluted weighted average common shares outstanding	31,102	33,104

INTEGRA LIFESCIENCES HOLDINGS CORPORATION

(In thousands, except per share data)

(UNAUDITED)

Condensed Balance Sheet Data:

	December 31,	December 31,
	2004	2003
	----	----
Cash and marketable securities, including non-current portion	\$195,982	\$206,743
Accounts receivable, net	46,765	28,936
Inventory, net	55,947	41,046
Total assets	456,713	412,526
Current liabilities	24,234	20,618
Long-term debt	118,900	119,257
Total liabilities	148,890	143,996
Stockholders' equity	307,823	268,530

RECONCILIATION OF NON-GAAP FINANCIAL MEASURE TO THE MOST COMPARABLE GAAP MEASURE:

A. Quarterly year-over-year growth in product revenues excluding recently acquired product lines

Excluding recently acquired product lines, fourth quarter 2004 product revenues increased by \$9.2 million, or 20%, over the prior year period.

	Quarter Ended			
	December 31,		Increase	
	2004	2003	\$	%
	-----	-----	-----	-----
	(\$ in thousands)			
Total product revenues, as reported	\$ 61,762	\$ 46,861	\$14,901	32%
Less: Product revenues acquired in 2004	5,249	--	5,249	N/A
Product revenues acquired in 2003	1,158	721	437	61%
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Product revenues  
excluding acquired

products \$ 55,355 \$ 46,140 \$ 9,215 20%

- B. Annual year-over-year growth in product revenues excluding recently acquired product lines  
 Excluding recently acquired product lines, full year 2004 product revenues increased by \$32.7 million, or 23%, over the prior year.

	Year Ended		Increase	
	December 31, 2004	2003	\$	%
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	(\$ in thousands)			
Total product revenues, as reported	\$228,490	\$166,695	\$61,795	37%
Less: Product revenues acquired in 2004	13,633	--	13,633	N/A
Product revenues acquired in 2003	39,897	24,476	15,421	63%
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Product revenues excluding acquired products	\$174,960	\$142,219	\$32,741	23%

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