# Integra LifeSciences Reports Record Fourth Quarter and Full Year 2001 Earnings on a 'Fully Taxed' Basis

### Operating Earnings Before Interest, Taxes, Depreciation and Amortization Totaled $6.1 Million for the Fourth Quarter of 2001 and $20.2 Million for the Full Year 2001

PLAINSBORO, N.J., Feb. 27, 2002 (PRIMEZONE) -- Integra LifeSciences Holdings Corporation (Nasdaq: IART) today reported record revenues and net income for the fourth quarter and full year 2001. Total revenues in the fourth quarter of 2001 increased $4.8 million, or 24%, over the fourth quarter of 2000 to $25.1 million. Revenue growth was led by a $5.0 million increase in product sales to $23.7 million, a 26% increase over the fourth quarter of 2000. Included in this increase is $1.0 million in sales of product lines acquired in 2001. Pro forma fully taxed earnings for the fourth quarter of 2001 were $3.8 million, or $0.12 per share, as compared to adjusted pro forma fully taxed net income of $1.0 million, or $0.03 per share, in the fourth quarter of 2000.

Total revenues for the full year 2001 increased $21.8 million to $93.4 million, a 30% increase over 2000. Product sales for 2001 increased $22.7 million to $87.7 million, a 35% increase over 2000. Included in this increase is $2.0 million in sales of product lines acquired in 2001. For the full year 2001, adjusted pro forma fully taxed earnings were $10.3 million, or $0.36 per share. Adjusted pro forma fully taxed earnings for the full year 2000 were $1.0 million, or a $(0.03) loss per share after the effect of preferred stock dividends. The adjustments used to compute pro forma results and a reconciliation to results reported under generally accepted accounting principles are provided below.

``Last year saw many achievements for Integra,'' said Stuart M. Essig, Integra's President and Chief Executive Officer. ``We reported our first full year of profitability, acquired three new businesses and launched three significant, innovative new products in the Integra NeuroSciences division. We increased our sales and marketing efforts through an expansion of the domestic sales force and the establishment of a direct sales and marketing presence in the United Kingdom, Germany and France. Revenues and profitability in both the Integra NeuroSciences and Integra LifeSciences divisions increased in 2001, while corporate general and administrative expenses decreased. Also, the financial flexibility and investor awareness of Integra was greatly enhanced through a $113 million follow-on public offering of our common stock in August 2001.''

INTEGRA NEUROSCIENCES DIVISION:

| | Quarter Ended December 31, 2001 | Quarter Ended December 31, 2000 | Year Ended December 31, 2001 | Year Ended December 31, 2000 |
|---|---|---|---|---|
| Product sales | $18,280 | $13,880 | $68,332 | $49,202 |
| Total revenues | 18,507 | 14,358 | 69,393 | 50,514 |
| Total operating expenses | 13,674 | 11,131 | 51,432 | 40,159 |
| Operating income | 4,833 | 3,227 | 17,961 | 10,355 |

For the fourth quarter of 2001, sales in the Integra NeuroSciences division increased $4.4 million to $18.3 million, a 32% increase over the fourth quarter of 2000. This increase included $1.0 million in sales of product lines acquired in 2001. Sales of neuro intensive care unit products increased $1.1 million to $7.4 million, including $0.3 million in sales of product lines acquired in 2001. Neuro operating room product sales increased $3.0 million to $9.6 million, and included $0.4 million in sales of product lines acquired in 2001. The sales growth in neuro operating room products was led by the DuraGen® Dural Graft Matrix and the Selector® Integra Ultrasonic Aspirator for the ablation of tumors. Sales of other neuro products increased $0.3 million as a result of product lines acquired in 2001. Gross margin on product sales was 60% in both the fourth quarters of 2001 and 2000. Gross margin in the fourth quarter of 2001 reflected a higher sales mix of lower margin capital goods and a 1% reduction from sales of lower margin products from the recently acquired Integra NeuroSupplies business. Total other operating expenses increased $0.9 million to $6.4 million, with the division reporting a $4.8 million operating profit. The increase in operating expenses was primarily related to higher sales and marketing spending.

During 2001, the Integra NeuroSciences division launched three significant, innovative new products: the LICOX® Brain Tissue Oxygen Monitoring System for continuous monitoring of intracranial oxygen levels, the NeuraGen™ Nerve Guide for the repair of severed peripheral nerves, and the Ventrix® TrueTech Catheter, the only advanced intracranial pressure monitoring and drainage catheter designed to tunnel away from the brain. Additionally, the domestic sales force was increased in 2001 to 50 neurospecialists, with an additional expansion to 71 neurospecialists planned for the first half of 2002. With the acquisitions of GMSmbH and Satelec Medical in April 2001, the Integra NeuroSciences division now has an established 12-person direct sales and marketing presence in the key European markets of Germany, France and the United Kingdom.

In December 2001, Integra acquired NeuroSupplies, Inc., a specialty distributor of disposables and supplies to more than 6,000 physicians, hospitals and other clinical customers. Integra expects that many of Integra NeuroSupplies' non-hospital and private practice based customers will be receptive to a number of Integra's existing products and that our sales and marketing infrastructure will be able to deepen the penetration of Integra NeuroSupplies' products into hospitals, which are the principal call point for Integra NeuroSciences' sales force.

INTEGRA LIFESCIENCES DIVISION:

| | Quarter Ended December 31, 2001 | 2000 | Year Ended December 31, 2001 | 2000 |
|---|---|---|---|---|
| Product sales | $ 5,419 | $ 4,864 | $19,355 | $15,785 |
| Total revenues | 6,581 | 5,893 | 24,049 | 21,135 |
| Total operating expenses | 4,434 | 4,647 | 18,001 | 18,075 |
| Operating income | 2,147 | 1,246 | 6,048 | 3,060 |

For the fourth quarter of 2001, sales in the Integra LifeSciences division increased $0.6 million to $5.4 million, an 11% increase over the fourth quarter of 2000. Sales of tissue repair products increased $0.6 million to $2.6 million, a 28% increase over the fourth quarter of 2000, while sales of other medical devices were flat at $2.8 million. Gross margin on product sales increased to 51% in the fourth quarter, as compared to 48% in the fourth quarter of 2000, primarily as a result of increased capacity utilization and increased sales of higher margin orthopedic products. Total other operating expenses decreased $0.4 million to $1.8 million, with the division reporting a $2.1 million operating profit.

During 2001, Integra continued to provide support and to ship Absorbable Collagen Sponges (ACS) for Medtronic Sofamor Danek's and Genetics Institute's rhBMP-2 bone growth factor programs. In January 2002, the Orthopedic and Rehabilitation Devices Panel of the United States Food and Drug Administration unanimously recommended for approval, with conditions, Medtronic's InFUSE™ Bone Graft used with the LT-CAGE™ Lumbar Tapered Fusion Device for use in spinal fusion procedures. The InFUSE Bone Graft includes the ACS developed and manufactured by Integra LifeSciences.

For comparative purposes, all prior period divisional results have been revised to reflect the Company's recently announced changes to its operating segments. Divisional financial results exclude corporate general and administrative expenses and amortization of intangible assets and goodwill. Excluding a non-recurring charge recorded in the fourth quarter of 2000, corporate general and administrative expenses decreased $0.5 million to $1.7 million in the fourth quarter of 2001, primarily as a result of decreased legal spending.

The Company reported operating earnings before interest, taxes, depreciation and amortization (EBITDA) of $6.1 million in the fourth quarter of 2001, as compared to an adjusted $3.1 million in the prior year quarter. For the full year 2001, operating EBITDA was $20.2 million, as compared to an adjusted $7.2 million in 2000.

In August 2001, the Company raised $113.4 million from a follow-on public offering of 4.7 million shares of its common stock, of which $9.5 million was subsequently used to repay all outstanding indebtedness. Accordingly, net interest income for the fourth quarter increased to $1.0 million, as compared to net interest expense of $0.1 million in the fourth quarter of 2000. The Company's cash and investments totaled $131.0 million at December 31, 2001.

In the fourth quarter of 2001, the Company recognized a $12.1 million deferred income tax benefit from the reduction of a portion of the valuation allowances recorded against its deferred tax assets. The recognition of these deferred tax assets is expected to result in an effective tax rate of 34% in 2002. The Company's actual cash tax rate is expected to be in the 8% to 12% range through the year 2003.

Because of the anticipated increase in the effective tax rate for 2002, the Company began to report pro forma fully taxed earnings in 2001. Pro forma fully taxed earnings are calculated by applying an assumed 34% effective tax rate to pre-tax earnings in lieu of the Company's actual effective tax rate. Pro forma fully taxed earnings for the fourth quarters and full years 2001 and 2000 excluded the following non-recurring items to the extent applicable to those periods:

-- an extraordinary pre-tax loss of $256,000 from the early retirement of debt recorded in the third quarter of 2001;
-- a $13.5 million non-cash compensation charge related to the

extension of Stuart M. Essig's employment agreement recorded in the fourth quarter of 2000;

- -- a $1.1 million gain on the sale of product lines recorded in the first two quarters of 2000; and
- -- a charge of $470,000 recorded in the first quarter of 2000 as the cumulative effect of an accounting change associated with the adoption of a new accounting policy for revenue recognition.

The $(0.03) per share pro forma fully taxed loss for the full year 2000 also excludes a $4.2 million non-recurring, non-cash dividend related to the beneficial conversion feature of the Company's Series C Convertible Preferred Stock when it was issued in March 2000.

Net income reported under generally accepted accounting principles (GAAP) for the fourth quarter of 2001 was $17.6 million, or $0.56 per share, as compared to a GAAP net loss of $11.8 million, or a $(0.67) per share loss, in the fourth quarter of 2000. For the full year 2001, GAAP net income was $26.2 million, or $0.94 per share, as compared to a GAAP net loss of $11.4 million, or a $(0.97) per share loss, for the full year 2000.

The Company has scheduled a conference call for 9:00 am EST today, February 27, 2002, to discuss the financial results for the fourth quarter and full year 2001 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 (706) 679-0769 or through a listen-only webcast via a link provided on the home page of Integra's website at 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 12, 2002 by dialing (706) 645-9291 (access code 3162354) 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 600 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 actual ability to expand its direct sales presence in the United States and Europe may affect growth in product sales, the willingness of physicians to adopt new products may affect the launch of and potential market size for new products, the actions of regulatory bodies may affect the approval of new products, the Company's research and business development efforts may affect its ability to develop or obtain distribution rights to new products in the future, and the Company's future financial results may affect the utilization of its available net operating loss carryforwards and its effective income tax rate. 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/A for the year ended December 31, 2000 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 | |
|---|---|---|---|---|
| | 2001 | 2000 | 2001 | 2000 |
| Product sales | $ 23,699 | $ 18,744 | $ 87,687 | $ 64,987 |
| Other revenue | 1,389 | 1,507 | 5,755 | 6,662 |
| Total revenue | 25,088 | 20,251 | 93,442 | 71,649 |
| Cost of product sales | 9,957 | 8,108 | 36,014 | 29,511 |
| Research and development | 1,910 | 1,787 | 7,992 | 7,524 |
| Selling and marketing | 5,154 | 4,370 | 20,322 | 15,371 |
| General and | | | | |

| | | | | |
|---|---|---|---|---|
| administrative | 2,764 | 17,212 | 12,044 | 28,483 |
| Amortization | 591 | 668 | 2,784 | 2,481 |
| Total costs and expenses | 20,376 | 32,145 | 79,156 | 83,370 |
| Operating income (loss) | 4,712 | (11,894) | 14,286 | (11,721) |
| Gain on disposition of product line | -- | -- | -- | 1,146 |
| Interest income (expense), net | 1,029 | (101) | 1,393 | (473) |
| Other income (expense), net | (19) | 24 | (136) | 201 |
| Income (loss) before income taxes | 5,722 | (11,971) | 15,543 | (10,847) |
| Income tax expense (benefit) | (11,903) | (195) | (10,863) | 108 |
| Income (loss) before extraordinary items and accounting change | 17,625 | (11,776) | 26,406 | (10,955) |
| Extraordinary loss, net of tax | -- | -- | (243) | -- |
| Cumulative effect of accounting change | -- | -- | -- | (470) |
| Net income (loss) | $ 17,625 | $(11,776) | $ 26,163 | $(11,425) |
| Preferred stock dividends used to compute diluted earnings (loss) per share | -- | (392) | -- | (5,642) |
| Net income (loss) applicable to common stockholders used to compute diluted earnings (loss) per share | $ 17,625 | $(12,168) | $ 26,163 | $(17,067) |
| Diluted earnings (loss) per share before extraordinary items and accounting change | $ 0.56 | $ (0.67) | $ 0.95 | $ (0.95) |
| Diluted earnings (loss) per share | $ 0.56 | $ (0.67) | $ 0.94 | $ (0.97) |
| Diluted weighted average common shares outstanding | 31,398 | 18,209 | 27,796 | 17,553 |

Balance Sheet Data:

| | 31-DEC 2001 | 31-DEC 2000 |
|---|---|---|
| Cash, cash equivalents & investments | $131,036 | $ 15,138 |
| Working capital | 75,138 | 25,177 |
| Total assets | 227,588 | 86,514 |
| Total debt | 3,576 | 13,630 |
| Total stockholders' equity | 204,056 | 53,781 |

Reconciliation of Actual to Adjusted Pro Forma Fully-Taxed Results:

| | Three Month Period Ended December 31 | For the Year Ended December 31 |
|---|---|---|

| | 2001 | 2000 | 2001 | 2000 |
|---|---|---|---|---|
| Income (loss) before income taxes | 5,722 | (11,971) | 15,543 | (10,847) |
| Less: Pre-tax extraordinary loss | -- | -- | (256) | -- |
| Accounting change | -- | -- | -- | (470) |
| Income (loss) before income taxes and after extraordinary items and accounting change | 5,722 | (11,971) | 15,287 | (11,317) |
| Adjustments: | | | | |
| Pre-tax extraordinary loss | -- | -- | 256 | -- |
| Accounting change | -- | -- | -- | 470 |
| Non-cash compensation charge | -- | 13,515 | -- | 13,515 |
| Gain on the sale of product lines | -- | -- | -- | (1,146) |
| Adjusted income before income taxes | 5,722 | 1,544 | 15,543 | 1,522 |
| Pro forma provision for income taxes at 34% effective rate | 1,945 | 525 | 5,285 | 517 |
| Adjusted pro forma fully-taxed net income | 3,777 | 1,019 | 10,258 | 1,005 |
| Preferred stock dividends used to compute adjusted pro forma fully-taxed diluted earnings (loss) per share(a) | (135) | (392) | (1,026) | (1,472) |
| Adjusted pro forma fully-taxed net income (loss) applicable to common stockholders used to compute adjusted pro forma fully-taxed diluted earnings (loss) per share | $ 3,642 | $ 627 | $ 9,232 | $ (467) |
| Adjusted pro forma fully-taxed diluted earnings (loss) per share | $ 0.12 | $ 0.03 | $ 0.36 | $ (0.03) |
| Weighted average common shares outstanding for calculation of adjusted pro forma fully-taxed earnings (loss) per share | 30,798 | 20,361 | 25,924 | 17,553 |

(a) Dividends for the year ended December 31, 2000 exclude a $4.2 million non-recurring, non-cash dividend related to the beneficial conversion feature of the Company's Series C Convertible Preferred Stock when it was issued in March 2000.

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