SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, DC 20549

FORM 10-Q

QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(D)
OF THE SECURITIES EXCHANGE ACT OF 1934

FOR THE QUARTERLY PERIOD ENDED SEPTEMBER 30, 2002

COMMISSION FILE NUMBER 0-26224

INTEGRA LIFESCIENCES HOLDINGS CORPORATION
(EXACT NAME OF REGISTRANT AS SPECIFIED IN ITS CHARTER)

DELAWARE	51-0317849
(STATE OR OTHER JURISDICTION OF INCORPORATION OR ORGANIZATION)	(I.R.S. EMPLOYER IDENTIFICATION NO.)

311 ENTERPRISE DRIVE PLAINSBORO, NEW JERSEY	08536
(ADDRESS OF PRINCIPAL EXECUTIVE OFFICES)	(ZIP CODE)

(609) 275-0500
(REGISTRANT'S TELEPHONE NUMBER, INCLUDING AREA CODE)

INDICATE BY CHECK MARK WHETHER THE REGISTRANT: (1) HAS FILED ALL REPORTS REQUIRED TO BE FILED BY SECTION 13 OR 15(D) OF THE SECURITIES EXCHANGE ACT OF 1934 DURING THE PRECEDING 12 MONTHS (OR FOR SUCH SHORTER PERIOD THAT THE REGISTRANT WAS REQUIRED TO FILE SUCH REPORTS), AND (2) HAS BEEN SUBJECT TO SUCH FILING REQUIREMENTS FOR THE PAST 90 DAYS.

/X/ - YES / / - NO

AS OF NOVEMBER 11, 2002 THE REGISTRANT HAD OUTSTANDING 27,066,102 SHARES OF COMMON STOCK, $.01 PAR VALUE.

31

INTEGRA LIFESCIENCES HOLDINGS CORPORATION

INDEX

PART I. FINANCIAL INFORMATION

Item 1. Financial Statements

INTEGRA LIFESCIENCES HOLDINGS CORPORATION AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS
(UNAUDITED)

In thousands, except per share amounts	September 30, 2002	December 31, 2001
ASSETS		
Current Assets:		
Cash and cash equivalents	$ 50,142	$ 44,518
Short term investments	54,173	22,183
Accounts receivable, net of allowances of $1,150 and $964	17,724	14,024
Inventories	26,571	24,329
Prepaid expenses and other current assets	4,718	2,898
Total current assets	153,328	107,952
Noncurrent investments	31,659	64,335
Property, plant, and equipment, net	16,424	11,662
Deferred income taxes, net	5,074	10,243
Identifiable intangible assets, net	17,102	16,898
Goodwill	16,846	14,627
Other assets	2,140	1,871
Total assets	$242,573	$ 227,588
	========	=========
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current Liabilities:		
Short term debt	$	$ 3,576
Accounts payable, trade	3,737	2,924
Income taxes payable	1,751	1,481
Customer advances and deposits	4,639	4,843
Deferred revenue	1,324	772
Accrued expenses and other current liabilities	9,567	5,550
Total current liabilities	21,018	19,146
Deferred revenue	3,437	3,949
Other liabilities	512	437
Total liabilities	$ 24,967	$ 23,532

Commitments and contingencies
Stockholders' Equity: Preferred stock; $0.01 par value; 15,000 authorized shares; 0 and 54 Series C Convertible shares issued and outstanding at September 30, 2002 and December 31, 2001, respectively .... 1 Common stock; $0.01 par value; 60,000 authorized shares; 27,041 and 26,129 issued and outstanding at September 30, 2002 and December 31, 2001, respectively .... 270 261 Additional paid-in capital .... 285,966 284,021 Treasury stock, at cost; 6 shares at September 30, 2002 and December 31, 2001, respectively .... (51) (51) Other .... (17) (37) Accumulated other comprehensive income (loss) .... 1,135 (539) Accumulated deficit .... (69,697) (79,600) Total stockholders' equity .... 217,606 204,056 Total liabilities and stockholders' equity .... $ 242,573 $ 227,588 ========= ========= The accompanying notes are an integral part of the consolidated financial statements

INTEGRA LIFESCIENCES HOLDINGS CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF OPERATIONS
(UNAUDITED)

(In thousands, except per share amounts)

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2002	2001	2002	2001
REVENUES				
Product sales	$29,166	$22,319	$78,299	$63,988
Other revenue	1,038	1,431	4,262	4,366
Total revenues	30,204	23,750	82,561	68,354
COSTS AND EXPENSES				
Cost of product sales	12,611	9,153	31,604	26,057
Research and development	2,160	2,172	6,055	6,082
In process research and development	2,322		2,322	
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	1,139	2,193
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	(11)	96	21	(117)
Income before income taxes	2,403	4,388	15,236	9,821
Income tax expense	840	365	5,333	1,040
Income before extraordinary item	1,563	4,023	9,903	8,781
Extraordinary loss on the early retirement of debt, net of income tax benefit		(243)		(243)
Net income	$ 1,563	$ 3,780	$ 9,903	$ 8,538
Earnings per share:				
Basic net income per share before extraordinary item	$ 0.05	$ 0.15	$ 0.34	$ 0.36
Basic net income per share	$ 0.05	$ 0.14	$ 0.34	$ 0.35
Diluted net income per share before extraordinary item	$ 0.05	$ 0.14	$ 0.32	$ 0.32
Diluted net income per share	$ 0.05	$ 0.13	$ 0.32	$ 0.31
Weighted average common shares outstanding:				
Basic	29,258	25,585	28,933	21,816
Diluted	30,654	28,472	30,740	25,996

The accompanying notes are an integral part of the consolidated financial statements

INTEGRA LIFESCIENCES HOLDINGS CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
(UNAUDITED)

(In thousands)

Nine Months Ended
September 30,

2002 2001

OPERATING ACTIVITIES:
Net income
....
$ 9,903 $ 8,538 Adjustments to reconcile net
income to net cash provided by operating
activities: Depreciation and amortization
.... 3,714 4,559 Loss on
sale of product line and investments
.... 94 Loss on early retirement of
debt .... 256 Deferred
income tax provision ....
4,202 In process research and
development....................... 2,322
Amortization of discount and premium on
investments ...... 1,471 49 Other, net
....
53 22 Changes in assets and liabilities, net of
acquisitions: Accounts receivable
.... (1,053) (834)
Inventories
.... (175)
(6,738) Prepaid expenses and other current assets
.... (550) (830) Non current assets
.... (42) 934
Accounts payable, accrued expenses and other
liabilities ....
807 1,721 Customer advances and deposits
.... (204) 3,257 Deferred
revenue 40
(2,001) Net cash provided by
operating activities 20,488
9,027 INVESTING ACTIVITIES:
Proceeds from sale/maturity of investments
.... 20,940 2,000 Purchases of
available for sale investments ....
(21,227) (63,622) Cash used in acquisitions, net
of cash acquired .... (11,344) (6,143)
Purchases of property and equipment
.... (1,646) (1,957)
Net cash used in investing activities
.... (13,277) (69,722)
FINANCING ACTIVITIES:
Net repayments of revolving credit facility
.... (3,147) Repayments of term
loan ....
(7,705) Repayment of note payable
.... (3,600)
(2,986) Proceeds from issuance of common stock
.... 114,185 Proceeds from
exercised stock options and warrants...........
1,951 5,473 Treasury stock reissued
.... 95
Net cash (used in) provided by
financing activities ...... (1,649) 105,915
Effect of exchange rate changes on
cash and cash equivalents ... 62 27 Net increase
in cash and cash equivalents
.... 5,624 45,247 Cash and
cash equivalents at beginning of period
.... 44,518 14,086
Cash and cash equivalents at end of period
.... $ 50,142 $ 59,333 ========
======== Non cash investing and financing
activities: Business acquisition costs accrued in
liabilities .... 744 The accompanying
notes are an integral part of the consolidated
financial statements

INTEGRA LIFESCIENCES HOLDINGS CORPORATION AND SUBSIDIARIES
NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS
(UNAUDITED)

1. BASIS OF PRESENTATION

General

In the opinion of management, the September 30 unaudited consolidated financial statements contain all adjustments (consisting only of normal recurring adjustments) necessary for a fair presentation of the financial position, results of operations and cash flows of the Company. Certain information and footnote disclosures normally included in financial statements prepared in accordance with generally accepted accounting principles have been condensed or omitted in accordance with the instructions to Form 10-Q and Rule 10-01 of Regulation S-X. These unaudited consolidated financial statements should be read in conjunction with the Company's consolidated financial statements for the year ended December 31, 2001 included in the Company's Annual Report on Form 10-K. Operating results for the three-month and nine-month periods ended September 30, 2002 are not necessarily indicative of the results to be expected for the entire year.

The preparation of consolidated financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amount of assets and liabilities, the disclosure of contingent liabilities, and the reported amounts of revenues and expenses. Significant estimates affecting amounts reported or disclosed in the consolidated financial statements include allowances for doubtful accounts receivable and sales returns, net realizable value of inventories, estimates of future cash flows associated with long-lived asset valuations and in-process research and development charges, depreciation and amortization periods for long-lived assets, valuation allowances recorded against deferred tax assets, loss contingencies, and estimates of costs to complete performance obligations associated with research, licensing, and distribution arrangements for which revenue is accounted for using percentage-of-completion accounting. These estimates are based on historical experience and on various other assumptions that are believed to be reasonable under the current circumstances. Actual results could differ from these estimates.

The Company has reclassified certain prior year amounts to conform with the current year's presentation.

Recently Issued Accounting Standards

On July 31, 2002, the Financial Accounting Standard Board (FASB) issued Statement of Financial Accounting Standards No. 146, "Accounting for Costs Associated with Exit or Disposal Activities" (Statement 146). Statement 146 requires that a liability for a cost associated with an exit or disposal activity be recognized when the liability is incurred. Statement 146 nullifies Emerging Issues Task Force Issue 94-3 "Liability Recognition for Certain Employee Termination Benefits and Other Costs to Exit an Activity (including Certain Costs Incurred in a Restructuring)," which required that an entity recognize a liability for an exit cost at the date it commits to an exit plan. The provisions of this Statement are effective for exit or disposal activities that are initiated after December 31, 2002.

In October 2001, the FASB issued Statement of Financial Accounting Standards No. 144, "Accounting for the Impairment or Disposal of Long-Lived Assets" (Statement 144). Statement 144 supercedes Statement of Financial Accounting Standards No 121, "Accounting for the Impairment of Long-Lived Assets and for Long-Lived Assets to Be Disposed Of." Statement 144 applies to all long-lived assets, including discontinued operations, and consequently amends Accounting Principles Board Opinion No. 30, "Reporting Results of Operations - Reporting the Effects of Disposal of a Segment of a Business."

1. BASIS OF PRESENTATION (continued)

The Company adopted Statement 144 on January 1, 2002. The adoption of Statement 144 has had no impact on the Company's financial statements.

In July 2001, the FASB issued Statements of Financial Accounting Standards No. 141, "Business Combinations" (Statement 141), and No. 142, "Goodwill and Other Intangible Assets" (Statement 142).

Statement 141 requires that all business combinations initiated after June 30, 2001 be accounted for using the purchase method of accounting and further clarifies the criteria to recognize intangible assets separately from goodwill. The Company determined that its assembled workforce intangible asset does not meet the criteria for recognition as a separate identifiable intangible asset and thus, effective January 1, 2002, reclassified the net book value of its assembled workforce intangible asset into goodwill.

Under Statement 142, goodwill and indefinite-lived intangible assets are no longer amortized, but are reviewed for impairment at the reporting unit level annually, or more frequently if impairment indicators arise. Separable intangible assets that are not deemed to have an indefinite life will continue to be amortized over their useful lives. The Company reassessed the useful lives of its identifiable intangible assets and determined that they continue to be appropriate. As required by Statement 142, the Company amortized through

~~December 31, 2001 all goodwill acquired prior to July 1, 2001. Effective January 1, 2002, the Company ceased all amortization of goodwill. The Company expects that implementation of Statement 142 will reduce amortization expense by approximately $1.0 million in 2002.~~

~~If the Company had applied the non amortization provisions of Statement 142 for all of 2001, net income for the three and nine months ended September 30, 2001 would have been as follows:~~

~~Three Months Ended Nine Months Ended September 30, 2001 September 30, 2001 ------------------ (in thousands) Net income, as reported .... $ 3,780 $ 8,538 Add: Goodwill amortization .... 229 593 Assembled workforce amortization ..... 37 102 -------- Net income, as adjusted .... $ 4,046 $ 9,233 Net income per share, as adjusted Basic .... $ 0.16 $ 0.39 Diluted .... $ 0.14 $ 0.33 The Company completed its initial impairment review for reporting unit goodwill as of June 30, 2002 and determined that its reporting unit goodwill was not impaired.~~

~~2. ACQUISITIONS~~

~~On July 1, 2002, we acquired the assets of Signature Technologies, Inc., a specialty manufacturer of titanium and stainless steel implants for the neurosurgical and spinal markets, and certain other intellectual property assets. We acquired Signature Technologies to gain the capability of developing and manufacturing metal implants for strategic partners and for direct sale by us. The purchase price consisted of $2.8 million in cash paid at closing, $0.5 million of deferred consideration and royalties on future sales of products to be developed. The acquired product lines generated approximately $3.2 million in sales during the year ended December 31, 2001, primarily from the manufacture of cranial fixation systems for sale under a single contract manufacturing agreement that expires in June 2004.~~

~~On August 1, 2002, we acquired the neurosciences division of NMT Medical, Inc. for $5.4 million in cash. Through this acquisition, the Company added a range of leading differential pressure valves, including the Orbis Sigma(R), Integra Hakim(R) and horizontal vertical lumbar valves, and external ventricular drainage products to its neurosurgical product line. The acquired product lines generated sales of approximately $13.9 million during the year ended December 31, 2001. The acquired operations include a facility located in Biot, France that manufactures, packages and distributes shunting, catheter and drainage products, and a distribution facility located in Atlanta, Georgia. We completed the consolidation of the Atlanta operations into our Cranbury, New Jersey National Distribution Center as of September 30, 2002.~~

~~These acquisitions have been accounted for using the purchase method of accounting, and the results of operations of the acquired businesses have been included in the consolidated financial statements since their respective dates of acquisition. The preliminary allocation of the purchase price for these acquisitions resulted in approximately $0.6 million of acquired intangible assets, which are being amortized on a straight line basis over lives ranging from 2 to 5 years, and approximately $0.4 million of goodwill, none of which is expected to be deductible for tax purposes. The preliminary allocation of the Signature Technologies purchase price resulted in an in-process research and development ("IPR&D") charge of approximately $1.2 million for the value associated with a project for the development of an enhanced cranial fixation system using patented technology for improved identification and delivery of certain components of the system. Prototypes of this enhanced cranial fixation system have been manufactured and costs to complete development and obtain regulatory clearance to market the product are not expected to be significant. The value of the IPR&D was estimated with the assistance of a third-party appraiser using probability weighted cash flow projections with factors for successful development ranging from 15% to 35% and a 15% discount rate.~~

~~The following unaudited proforma financial information assumes that all acquisitions consumated in 2002 and 2001 had occurred as of the beginning of each period (in thousands, except per share data):~~

~~For the Nine Months Ended September 30, 2002 2001 ------------------ Total revenue .... $92,894 $86,681 Net income before extraordinary item ...... 11,816 8,610 Net income .... 11,816 8,367 Net income per share before extraordinary item: Basic .... $~~

~~0.40 $ 0.35~~

~~Diluted...................................~~

~~$ 0.38 $ 0.32 Net income per share:~~

~~Basic~~

~~.................................. $~~

~~0.40 $ 0.34~~

~~Diluted...................................~~

~~$ 0.38 $ 0.31~~

~~2. ACQUISITIONS (continued)~~

~~The pro forma results do not necessarily represent results that would have occurred if the acquisitions had taken place on the basis assumed above, nor are they indicative of the results of future combined operations. The proforma results for the nine months ended September 30, 2002 exclude the $2.3 million of IPR&D charges recorded in the actual results for the period.~~

~~On August 28, 2002, the Company acquired certain assets, including the NeuroSensor(TM) monitoring system and rights to certain intellectual property from Novus Monitoring Limited ("Novus") of the United Kingdom for $3.5 million in cash paid at closing and an additional $1.5 million payable upon the achievement of a product development milestone and up to $2.5 million payable based upon sales of acquired and developed products. The NeuroSensor(TM) system, which has received 510(k) clearance from the United States Food and Drug Administration but has not yet been launched pending the results of clinical trials and other factors, measures both intracranial pressure and cerebral blood flow using a single combined probe and an electronic monitor for data display. As part of the consideration paid, Novus has also agreed to, at their own cost, conduct certain clinical studies on the NeuroSensor(TM) system, continue development of a next generation, advanced system for use in the neuromonitoring field, and design and transfer to Integra a validated manufacturing process for these products. We expect the NeuroSensor(TM) monitoring system and the next generation neuromonitoring system under development to complement our existing line of brain parameter monitoring products.~~

~~The assets acquired from Novus were accounted for as an asset purchase because the acquired assets did not constitute a business under FASB Statement No. 141, "Business Combinations". The allocation of the purchase price resulted in approximately $1.7 million of acquired intangible assets, consisting primarily of technology related intangible assets which are being amortized on a straight-line basis over lives ranging from 3 to 15 years, prepaid research and development expense of approximately $0.7 million, and in an IPR&D charge of approximately $1.1 million. The prepaid research and development expense represents the estimated fair value of future services to be provided by Novus under the development agreement. The $1.1 million IPR&D charge represents the value associated with the project for the development of a next generation neuromonitoring system. This design and functionality of this next generation neuromonitoring system is based, in part, on certain technology employed in the NeuroSensor(TM) system that has been modified specifically for this project and which has no alternative use in the modified state. Early prototypes of this next generation neuromonitoring system have been designed and manufactured based on this modified core technology. Costs to complete development and obtain regulatory clearance for this project are the responsibility of Novus and are included in the prepaid asset recorded by the Company in connection with the development agreement. The value of the IPR&D was estimated with the assistance of a third party appraiser using probability weighted cash flow projections with factors for successful development ranging from 15% to 20% and a 15% discount rate.~~

3. INVENTORIES

Inventories consisted of the following:

	September 30, 2002	December 31, 2001
	(in thousands)	
Raw materials	$ 6,390	$ 7,559
Work in process	4,514	3,493
Finished goods	15,667	13,277
	$ 26,571	$24,329

4. GOODWILL AND OTHER INTANGIBLE ASSETS

Changes in the carrying amount of reporting unit goodwill for the nine months ended September 30, 2002, were as follows:

	Integra NeuroSciences	Integra LifeSciences	Total
	(in thousands)		
Goodwill, net of accumulated amortization at December 31, 2001	$ 13,815	$ 812	$ 14,627
Reclassification of assembled workforce intangible, net of accumulated amortization	1,245	30	1,275
Foreign currency translation	500	3	503
Acquisitions	441	--	441
Goodwill at September 30, 2002	$ 16,001	$ 845	$ 16,846

The components of the Company's identifiable intangible assets were as follows:

	September 30, 2002		December 31, 2001	
	Cost	Accumulated Amortization	Cost	Accumulated Amortization
	(in thousands)			
Technology	$ 13,204	$ (2,133)	$ 11,255	$ (1,516)
Customer base	4,195	(1,034)	3,575	(674)
Trademarks	1,715	(391)	1,715	(305)
Assembled work force	--	--	1,581	(306)
Other	1,932	(386)	1,824	(251)
	$ 21,046	$ (3,944)	$ 19,950	$ (3,052)
Accumulated amortization	(3,944)		(3,052)	
	$ 17,102		$ 16,898	

Before the effects of the recent acquisition of Padgett Instruments, Inc. (see Note 11), amortization expense is expected to approximate $1.7 million annually through 2004.

5. COMMON AND PREFERRED STOCK

On April 16, 2002, the holders of all 54,000 shares of the Company's Series C Preferred Stock exercised their right to convert those shares into 600,000 shares of common stock.

6. INCOME TAXES

Income tax expense was approximately 35% and 11% of income before income taxes for the nine months ended September 30, 2002 and 2001, respectively. Income tax expense for the nine months ended September 30, 2002 included a deferred income tax provision of $4.2 million, or 28% of income before income taxes. The effective tax rate of 11% for the nine months ended September 30, 2001 reflects the utilization of net operating loss carryforwards during the period. In the quarter ended December 31, 2001, the Company reversed a portion of the valuation allowance recorded against the deferred tax assets related to these net operating loss carryforwards.

7. COMPREHENSIVE INCOME

Comprehensive income was as follows:

(In thousands)

Three Months Ended Nine Months

~~Ended September 30, September 30, 2002 2001 2002 2001 Net income .... $ 1,563 $ 3,780 $ 9,903 $ 8,538 Foreign currency translation adjustment .... 61 696 1,188 (49) Unrealized gain on investments ..... 409 262 486 274 Comprehensive income .... $ 2,033 $ 4,738 $ 11,577 $ 8,763 ======== ======== ======== ========~~

~~8. NET INCOME PER SHARE Basic and diluted net income per share were as follows: (In thousands, except per share amounts) Three Months Ended Nine Months Ended September 30, September 30, 2002 2001 2002 2001 Basic net income per share: Income before extraordinary item............ $ 1,563 $ 4,023 $ 9,903 $ 8,781 Dividends on preferred stock .... (135) (159) (891) Income before extraordinary loss applicable to common stock .... $ 1,563 $ 3,888 $ 9,744 $ 7,890 Basic net income per share before extraordinary loss..................... $ 0.05 $ 0.15 $ 0.34 $ 0.36 Net income .... $ 1,563 $ 3,780 $ 9,903 $ 8,538 Dividends on preferred stock .... (135) (159) (891) Net income applicable to common stock .... $ 1,563 $ 3,645 $ 9,744 $ 7,647 Basic net income per share .... $ 0.05 $ 0.14 $ 0.34 $ 0.35 ======= ======= ======= ======= Weighted average common shares outstanding for basic earnings per share .... 29,258 25,585 28,933 21,816 ======= ======= ======= =======~~

~~8. NET INCOME PER SHARE (continued) Three Months Ended Nine Months Ended September 30, September 30, 2002 2001 2002 2001 Diluted net income (loss) per share: Income before extraordinary item............ $ 1,563 $ 4,023 $ 9,903 $ 8,781 Dividends on preferred stock .... (135) (159) (405) Income before extraordinary loss applicable to common stock .... $ 1,563 $ 3,888 $ 9,744 $ 8,376 Diluted net income per share before extraordinary loss..................... $ 0.05 $ 0.14 $ 0.32 $ 0.32 Net income .... $ 1,563 $ 3,780 $ 9,903 $ 8,538 Dividends on preferred stock .... (135) (159) (405) Net income applicable to common stock.......... $ 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 outstanding for basic earnings per share .... 29,258 25,585 28,933 21,816 Effect of dilutive securities: Assumed conversion of~~

~~Series B Preferred Stock~~
~~...........................~~
~~1,697 Stock options~~
~~............................. 1,388~~
~~2,680 1,799 2,276 Stock purchase~~
~~warrants .... 8 207 8~~
~~207~~
~~Weighted average common shares~~
~~outstanding for diluted earnings~~
~~per share .... 30,654~~
~~28,472 30,740 25,996 =======~~
~~======= ======= =======~~

~~Prior to its conversion on April 16, 2002 into 600,000 shares of common stock, the Series C Preferred Stock was excluded from the computation of diluted net income per share for the nine month period ended September 30, 2002 because its inclusion would have been antidilutive. Options outstanding at September 30, 2002 to purchase 712,000 shares of common stock were excluded from the computation of diluted net income per share for the three and nine month periods ended September 30, 2002 because their exercise price exceeded the average market price of the common stock for the applicable period.~~

~~9. DIVISION AND GEOGRAPHIC INFORMATION~~

~~Integra's business is divided into two divisions: Integra NeuroSciences(TM) and Integra LifeSciences(TM).~~

~~The Integra NeuroSciences division is a leading provider of implants, devices, and systems used in neurosurgery, neurotrauma, and related critical care and a distributor of disposables and supplies used in the diagnosis and monitoring of neurological disorders. The Integra LifeSciences division develops and manufactures a variety of medical products and devices, including products based on the Company's proprietary tissue regeneration technology that are used to treat soft tissue and orthopedic conditions.~~

~~Integra NeuroSciences sells primarily through a direct sales force in the United States and portions of Western Europe and through a network of distributors elsewhere throughout the world. For the majority of the~~

~~9. DIVISION AND GEOGRAPHIC INFORMATION (continued)~~

~~products manufactured by the Integra LifeSciences division, the Company has partnered with market leaders for the development and marketing efforts related to these products.~~

~~The contract manufacturing operations of Signature Technologies are included in the results of the Integra LifeSciences division. The assets acquired from Novus Monitoring Ltd., the acquired operations of the neurosciences division of NMT Medical, Inc., NeuroSupplies, Inc. (acquired in December 2001), and GMSmbH and Satelec Medical (acquired in April 2001) and the remaining business of Signature Technologies, including the $1.2 million IPR&D charge related to the acquisition of Signature Technologies are included in the results of the Integra NeuroSciences division. These inclusions make the following 2002 financial results for each division not directly comparable to those for the prior year periods.~~

	~~Integra NeuroSciences~~	~~Integra LifeSciences~~	~~Total Reportable Divisions~~
	~~(in thousands)~~		
~~Three months ended September 30, 2002~~			
~~Product sales ....~~	~~$ 23,040~~	~~$ 6,126~~	~~$ 29,166~~
~~Total revenue ....~~	~~23,068~~	~~7,136~~	~~30,204~~
~~Operating expenses ....~~	~~21,364~~	~~4,527~~	~~25,891~~
~~Operating income ....~~	~~1,704~~	~~2,609~~	~~4,313~~
~~Depreciation included in division operating expenses ....~~	~~535~~	~~285~~	~~820~~
~~Three months ended September 30, 2001~~			
~~Product sales ....~~	~~$ 17,234~~	~~$ 5,085~~	~~$ 22,319~~
~~Total revenue ....~~	~~17,512~~	~~6,238~~	~~23,750~~
~~Operating expenses ....~~	~~13,101~~	~~4,707~~	~~17,808~~
~~Operating income ....~~	~~4,411~~	~~1,531~~	~~5,942~~
~~Depreciation included in division operating expenses ....~~	~~573~~	~~282~~	~~855~~
~~Nine months ended September 30, 2002~~			
~~Product sales ....~~	~~$ 62,897~~	~~$ 15,402~~	~~$ 78,299~~
~~Total revenue ....~~	~~62,981~~	~~19,580~~	~~82,561~~
~~Operating expenses ....~~	~~50,788~~	~~11,946~~	~~62,734~~
~~Operating income ....~~	~~12,193~~	~~7,634~~	~~19,827~~
~~Depreciation included in division operating expenses ....~~	~~1,607~~	~~782~~	~~2,389~~
~~Nine months ended September 30, 2001~~			
~~Product sales~~			

~~.....................~~
~~$ 50,052 $ 13,936 $~~
~~63,988 Total revenue~~
~~.....................~~
~~50,886 17,468 68,354~~
~~Operating expenses~~
~~...............~~
~~37,758 13,567 51,325~~
~~Operating income~~
~~.................~~
~~13,128 3,901 17,029~~
~~Depreciation~~
~~included in division~~
~~operating expenses~~
~~............ 1,363~~
~~801 2,164~~

~~9. DIVISION AND GEOGRAPHIC INFORMATION (continued)~~

~~A reconciliation of the amounts reported for total reportable divisions to the consolidated financial statements is as follows:~~

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2002	2001	2002	2001
	(in thousands)			
Operating expenses:				
Total reportable divisions	$25,891	$ 17,808	$62,734	$51,325
Plus: Corporate general and administrative expenses	2,296	1,422	6,281	5,262
Amortization	425	784	1,139	2,193
Consolidated total operating expenses ...	$28,612	$20,014	$70,154	$58,780
Operating income:				
Total reportable divisions	$ 4,313	$ 5,942	$19,827	$17,029
Less: Corporate general and administrative expenses	2,296	1,422	6,281	5,262
Amortization	425	784	1,139	2,193
Consolidated operating income	$ 1,592	$ 3,736	$12,407	$ 9,574

~~Product sales consisted of the following:~~

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2002	2001	2002	2001
	(in thousands)			
Integra NeuroSciences:				
Neuro intensive care unit	$ 8,393	$ 6,957	$22,607	$20,449
Neuro operating room	12,217	9,291	32,919	26,585
Other NeuroSciences products ...	2,430	986	7,371	3,018
Total product sales	23,040	17,234	62,897	50,052
Integra LifeSciences:				
Tissue repair products	$ 2,583	2,497	7,037	6,123
Other medical devices	3,543	2,588	8,365	7,813
Total product sales	6,126	5,085	15,402	13,936

~~Consolidated product~~

~~sales ....~~
~~$29,166 $22,319~~
~~$78,299 $63,988~~
~~Product sales by~~
~~major geographic area~~
~~are summarized below:~~
~~United Asia Other~~
~~States Europe Pacific~~
~~Foreign Total~~

~~(in~~
~~thousands) Three~~
~~months ended~~
~~September 30, 2002 $~~
~~23,539 $ 3,959 $ 878~~
~~$ 790 $ 29,166 Three~~
~~months ended~~
~~September 30, 2001~~
~~17,387 2,780 1,149~~
~~1,003 22,319 Nine~~
~~months ended~~
~~September 30, 2002 $~~
~~62,844 $ 9,809 $~~
~~3,220 $ 2,426 $~~
~~78,299 Nine months~~
~~ended September 30,~~
~~2001 49,722 7,648~~
~~3,691 2,927 63,988~~

~~10. COMMITMENTS AND CONTINGENCIES~~

~~As consideration for certain technology, manufacturing, distribution and selling rights and licenses, we have agreed to pay royalties on the sales of certain of our products. Our payments under these agreements were not significant for any of the periods presented.~~

~~In July 1996, we filed a patent infringement lawsuit in the United States District Court for the Southern District of California (the "Court") against Merck KGaA, a German corporation, Scripps Research Institute, a California nonprofit corporation, and David A. Cheresh, Ph.D., a research scientist with Scripps, seeking damages and injunctive relief. The complaint charged, among other things, that the defendant Merck KGaA willfully and deliberately induced, and continues to willfully and deliberately induce, defendants Scripps Research Institute and Dr. Cheresh to infringe certain of our patents. These patents are part of a group of patents granted to The Burnham Institute and licensed by us that are based on the interaction between a family of cell surface proteins called integrins and the arginine-glycine-aspartic acid ("RGD") peptide sequence found in many extracellular matrix proteins. The defendants filed a countersuit asking for an award of defendants' reasonable attorney fees.~~

~~In March 2000, a jury returned a unanimous verdict in our favor and awarded to us $15,000,000 in damages, finding that Merck KGaA had willfully infringed and induced the infringement of our patents. The Court dismissed Scripps and Dr. Cheresh from the case.~~

~~In October 2000, the Court entered judgment in our favor and against Merck KGaA in the case. In entering the judgment, the Court also granted to us pre-judgment interest of approximately $1,350,000, bringing the total award to approximately $16,350,000, plus post-judgment interest. Merck KGaA filed various post-trial motions requesting a judgment as a matter of law notwithstanding the verdict or a new trial, in each case regarding infringement, invalidity and damages. In September 2001, the Court entered orders in favor of us and against Merck KGaA on the final post-judgment motions in the case, and denied Merck KGaA's motions for judgment as a matter of law and for a new trial.~~

~~Merck KGaA and we have each appealed various decisions of the Court. The court of appeals heard arguments in the appeal in November 2002, and we expect the court to issue its opinion in 2003. We have not recorded any gain in connection with this matter.~~

~~In addition to the Merck KGaA matter, we are subject to various claims, lawsuits and proceedings in the ordinary course of our business, including claims by current or former employees and distributors and with respect to our products. In the opinion of management, such claims are either adequately covered by insurance or otherwise indemnified, or are not expected, individually or in the aggregate, to result in a material adverse effect on our financial condition. However, it is possible that our results of operations, financial position and cash flows in a particular period could be materially affected by these contingencies.~~

~~In September, 2002, three subsidiaries of the recently acquired neurosciences division of NMT Medical, Inc. received a tax reassessment notice from the French tax authorities seeking in excess $1.5 million in back taxes, interest and penalties. NMT Medical, Inc., the former owner of these entities, is appealing this reassessment and has agreed to specifically indemnify Integra against any liability in connection with these tax claims. In addition, NMT Medical, Inc. has agreed to provide the French tax authorities with a bank guaranty on behalf of each of these subsidiaries totaling approximately $1.2 million.~~

~~11. SUBSEQUENT EVENT~~

~~On October 21, 2002, we acquired Padgett Instruments, Inc., a marketer of instruments used in reconstructive, plastic and burn surgery, for $9.7 million in cash. Padgett generated revenues of $4.9 million during the year ended December 31, 2001. The results of the acquired operations will be included in our Integra NeuroSciences division. Management has not assessed the allocation of the purchase price pending receipt of additional information needed to complete this analysis.~~

ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS (continued)

The following discussion and analysis of our financial condition and results of operations should be read in conjunction with our consolidated financial statements and the related notes thereto appearing elsewhere in this report and in our 2001 Annual Report on Form 10-K filed with the Securities and Exchange Commission. This discussion and analysis contains forward-looking statements that involve risks, uncertainties and assumptions. Our actual results may differ materially from those anticipated in these forward-looking statements as a result of many factors, including but not limited to those under the heading "Risk Factors" contained in our 2001 Annual Report on Form 10-K.

General

Integra is a global, diversified medical device company that develops, manufactures, and markets medical devices, implants and biomaterials primarily for use in neurosurgery, orthopedics and soft tissue repair. Our business is divided into two divisions: Integra NeuroSciences(TM) and Integra LifeSciences(TM).

Our Integra NeuroSciences division is a leading provider of implants, devices, and systems used in neurosurgery, neurotrauma, and related critical care and a distributor of disposables and supplies used in the diagnosis and monitoring of neurological disorders. Integra NeuroSciences sells primarily through a direct sales force of more than 90 people in the United States and portions of Western Europe.

Our Integra LifeSciences division develops and manufactures 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. For the majority of the products manufactured by our Integra LifeSciences division, we have partnered with market leaders for the development and marketing efforts related to these products. Many of these products address large, diverse markets, and we believe that they can be promoted more cost-effectively through leveraging marketing partners than through developing our own sales infrastructure. We have strategic alliances with Ethicon, a division of Johnson & Johnson, Wyeth, Medtronic, and Centerpulse.

Acquisitions

Our strategy for growing our business includes the acquisition of complementary product lines and companies. Our acquisitions of certain assets of Novus Monitoring Limited in September 2002, the neurosciences division of NMT Medical, Inc. in August 2002, Signature Technologies, Inc. in July 2002, NeuroSupplies, Inc. in December 2001, and GMSmbH and Satelec Medical in April 2001 may make our division financial results for the three and nine month periods ended September 30, 2002 not directly comparable to those of the corresponding prior year periods. Reported product sales for the nine month periods ended September 30, 2002 and 2001 included the following amounts in sales of acquired product lines:

	Nine Months Ended September 30,	
(in thousands)	2002	2001
Integra NeuroSciences		
Products acquired during 2001(1)	$ 5,887	$ 1,010
Products acquired during 2002	1,801	---
All other product sales	55,209	49,042
Total Integra NeuroSciences product sales	62,897	50,052
Integra LifeSciences		
Products acquired during 2002	$ 732	$ ---
All other product sales	14,670	13,936
Total Integra LifeSciences product sales	15,402	13,936
Consolidated product sales	$78,299	$63,988

(1) Excludes sales of the LICOX(R) product in those territories where Integra NeuroSciences had exclusive distribution rights to the product prior to our acquisition of GMSmbH.

We expect that our acquisition of Padgett Instruments, Inc. on October 21, 2002 for $9.7 million in cash will also affect our future divisional results. Padgett

~~generated revenues of $4.9 million during the year ended December 31, 2001. We believe that the acquisition of Padgett Instruments will broaden our existing customer base and give us access to new market segments through which to sell our other products such as the NeuraGen Nerve Guide(R). The results of the acquired operations will be included in our Integra NeuroSciences division.~~

~~Results of Operations~~

~~Third Quarter Ended September 30, 2002 Compared to Third Quarter Ended September 30, 2001~~

~~For the third quarter ended September 30, 2002, total revenues increased 27% over the quarter ended September 30, 2001 to $30.2 million, as product sales increased by 31% to $29.2 million. Sales of products acquired since the end of the third quarter of 2001 accounted for $3.8 million of the $6.8 million increase in product sales over the prior year period. Excluding acquired product line sales, third quarter product sales grew 14% over the prior year quarter. Domestic product sales increased $6.2 million in the third quarter of 2002 to $23.5 million, or 81% of product sales, as compared to 78% of product sales in the third quarter ended September 30, 2001.~~

~~The Integra NeuroSciences division led growth in total revenues and product sales for the third quarter of 2002, with $23.1 million in total revenues, an increase of $5.6 million, or 32%, over the prior year quarter. The Integra LifeSciences division reported a $0.9 million increase in total revenues to $7.1 million, a 14% increase over the third quarter of 2001.~~

~~We reported net income for the third quarter of 2002 of $1.6 million, or $0.05 per share, as compared to net income of $3.8 million, or $0.13 per share, for the prior year quarter. We included the following items in our reported results:~~
- ~~$2.3 million of in process research and development ("IPR&D") charges incurred in connection with our acquisitions of Novus Monitoring Ltd. and Signature Technologies, Inc.,~~
- ~~$0.6 million of charges related to the termination of distribution agreements,~~
- ~~$0.2 million of inventory fair value purchase accounting adjustments relating to our sale during the period of acquired inventory, and~~
- ~~$0.4 million of employee severance and other acquisition related costs.~~

~~We reported consolidated gross margin on product sales in the third quarter of 2002 of 57%. Excluding the effects of $0.2 million of inventory fair value purchase accounting adjustments and $0.4 million of inventory we wrote off in connection with the termination of a distribution agreement, our consolidated gross margin on product sales was 59%, the same as we realized in the prior year period. The negative effect of decreased capacity utilization and the inclusion of sales of lower margin products acquired since the third quarter of 2001 were largely offset in the third quarter of 2002 by the continued improvement in the sales mix of our existing products.~~

~~Our effective tax rate increased from 8% in the third quarter of 2001 to 35% in the third quarter of 2002. Our effective rate for the third quarter of 2001 reflected our utilization of net operating loss carryforwards during the period. In the quarter ended December 31, 2001, we reversed a portion of the valuation allowance recorded against the deferred tax assets related to these net operating loss carryforwards, which we expect to result in an ongoing effective tax rate of 35%. We expect our actual cash tax rate to be in the 6% to 8% range in 2002. Had our effective tax rate been 35% in 2001, reported earnings would have been $0.09 per share in the third quarter of 2001.~~

~~The following discussion of divisional financial results excludes corporate general and administrative expenses and amortization of intangible assets, which are not included in the measurement of divisional operating results.~~

~~INTEGRA NEUROSCIENCES DIVISION~~

Quarter Ended September 30, (in thousands)	2002	2001
Product sales:		
Neuro intensive care unit	$ 8,393	$ 6,957
Neuro operating room	12,217	9,291
Other NeuroSciences products	2,430	986
Total product sales	23,040	17,234
Other revenue	28	278
Total revenue	23,068	17,512
Cost of product sales	9,464	6,564
Gross margin as a percentage of product sales	59%	62%
Research and development expenses	3,598	817
In process research and development charge	2,322	--
Sales and marketing expenses	6,520	4,775
General and administrative expenses	1,782	945
Operating income	$ 1,704	$ 4,411

~~Product sales in our Integra NeuroSciences division increased $5.8 million in the third quarter of 2002 to $23.0 million, a 34% increase over the prior year~~

~~quarter. This increase included $3.1 million in sales of products acquired since the end of the third quarter of 2001. Excluding these acquired product line sales, third quarter product sales grew 16% over the prior year quarter, led by sales growth in products used in the neuro operating room, including the DuraGen(R) and NeuraGen(TM) product lines, and in products used in the neuro intensive care unit, including the LICOX(R) Brain Tissue Oxygen Monitoring System. The $1.4 million increase in other NeuroSciences products to $2.4 million was primarily attributable to sales of acquired product lines. The $0.3 million decrease in other revenues was the result of decreased royalty revenues due to the expiration of an agreement.~~

~~We expect our recent increase in the domestic sales force to 63 territories, the continued implementation of our direct sales strategy in Europe and increased sales of products which have been recently launched or acquired to drive future revenue growth and improve gross margin in the Integra NeuroSciences division.~~

~~The Integra NeuroSciences division reported gross margin on product sales of 59% in the third quarter of 2002. Excluding the effects of $0.2 million of fair value purchase accounting adjustments and $0.4 million write off of inventory, the gross margin on the Integra NeuroSciences division's product sales would have been 61% in the third quarter of 2002, down from 62% in the prior year period. The one percentage point decrease in gross margin is attributable to the lower gross margins realized on sales of Integra NeuroSupplies products, which we acquired in the fourth quarter of 2001, and lower capacity utilization, both of which were partially offset by increased sales of the division's higher margin products.~~

~~We recorded a $2.3 million IPR&D charge in the third quarter of 2002 in connection with the following acquired projects:~~

- ~~a $1.1 million charge related to the development of a next generation neuromonitoring system acquired from Novus Monitoring Limited ("Novus"); and~~
- ~~a $1.2 million charge related to the development of an enhanced cranial fixation system using patented technology acquired from Signature Technologies, Inc.~~

~~Other research and development expenses increased $0.5 million related to continuing research and development activities of acquired businesses, including post approval clinical trials related to the acquired NeuroSensor(TM) monitoring system product line, and increases in existing product development programs. We anticipate that we will record additional research and development expenses through the beginning of 2004 totaling $0.3 million and $1.6 million, respectively, for the completion of clinical trials and other post approval activities related to the acquired NeuroSensor(TM) monitoring system product line and the completion of development of the acquired next generation neuromonitoring system project. Of these amounts, $0.6 million has already been paid to Novus, who is responsible for a substantial portion of these remaining development costs and efforts. The remaining $1.3 million of anticipated research and development costs related to the next generation neuromonitoring system project, including an additional $1.0 million IPR&D charge, will be paid to Novus upon their achievement of a product development milestone . The development program for the acquired cranial fixation system project is expected to require an additional $0.2 million in additional spending through 2004. The increase in overall research and development spending for the Integra NeuroSciences division in 2003 from these acquired projects is expected to be slightly mitigated by reductions in spending on other research and development programs.~~

~~The $1.7 million increase in sales and marketing expense for the Integra NeuroSciences division to $6.5 million reflected the continued expansion of the domestic and international Integra NeuroSciences direct sales force. Sales and marketing expenses remained consistent at approximately 28% of product sales in the third quarter of both 2002 and 2001. General and administrative expenses of the Integra NeuroSciences division increased by $0.8 million to $1.8 million in the third quarter of 2002 and included $0.6 million of ongoing general and administrative expenses related to acquired operations. Also included in Integra NeuroSciences' total other operating expenses were $0.4 million of redundant operating costs associated with the Atlanta distribution facility we acquired in connection with the purchase of the neurosciences division of NMT Medical, Inc. and shut down during the third quarter.~~

~~The Integra NeuroSciences division reported an operating profit of $1.7 million for the third quarter of 2002, a $2.7 million decrease from the $4.4 million profit reported for the prior year period.~~

~~INTEGRA LIFESCIENCES DIVISION~~
~~Quarter Ended September 30, 2002~~
~~2001 ------------------ (in~~
~~thousands) Product sales: Tissue~~
~~repair products~~
~~..................... $ 2,583 $~~
~~2,497 Other medical devices~~
~~...................... 3,543 2,588~~
~~----------------- Total product~~
~~sales~~
~~.............................~~
~~6,126 5,085 Other revenue~~
~~...................................~~
~~1,010 1,153 ------------------~~
~~Total revenue~~
~~...................................~~
~~7,136 6,238 Cost of product sales~~
~~.......................... 3,147~~
~~2,589 Gross margin as a percentage~~
~~of product sales ... 49% 49%~~

~~Research and development expenses .... 884 1,355 Sales and marketing expenses .... 200 373 General and administrative expenses .... 296 390 Operating income .... $ 2,609 $ 1,531~~

~~Product sales in the Integra LifeSciences division increased $1.0 million in the third quarter of 2002 to $6.1 million, a 20% increase over the prior year quarter. This increase is primarily attributable to $0.7 million in sales of products acquired from Signature Technologies, Inc. in July 2002 and increased sales to Wyeth of Absorbable Collagen Sponges used as a component in Medtronic's recently approved INFUSE(TM) Bone Graft.~~

~~Gross margin on product sales in the Integra LifeSciences division was 49% in the third quarter of 2002, consistent with the gross margin realized in the prior year quarter, as sales of lower margin products acquired from Signature Technologies offset the improved mix in sales among the division's existing products.~~

~~Research and development expenses fell by $0.5 million from the prior year period to $0.9 million in the third quarter of 2002, as the Integra LifeSciences division reduced spending on research programs with its alliance partners. Sales and marketing expenses decreased $0.2 million in the third quarter of 2002 primarily due to a decrease in marketing efforts directed to Integra LifeSciences products not sold by strategic partners.~~

~~CORPORATE EXPENSES AND AMORTIZATION Quarter Ended September 30, 2002 2001 (in thousands) Total divisional operating costs and expenses .... $ 25,891 $ 17,808 Corporate general and administrative expenses .... 2,296 1,422 Amortization .... 425 784 Consolidated total operating expenses .... $ 28,612 $ 20,014~~

~~Corporate general and administrative expenses increased $0.9 million in the third quarter of 2002 primarily related to expenses associated with terminated distribution agreements, to increases over the prior year period in spending on the Merck KGaA litigation, and to expenses related to abandoned acquisitions. Amortization expense decreased $0.4 million in the third 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. 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.~~

~~We reported operating EBITDA, representing operating income before depreciation and amortization, of $3.0 million ($5.3 million excluding the effect of the $2.3 million of IPR&D charges) in the third quarter of 2002, as compared to $5.4 million in the prior year quarter.~~

~~NON OPERATING INCOME AND EXPENSES~~

~~We raised $113.4 million in a follow on public offering of 4.7 million shares of common stock in August 2001 and subsequently used $9.3 million to repay all outstanding indebtedness. We recorded an extraordinary loss of $0.2 million on the early retirement of this debt in the third quarter of 2001. Accordingly, net interest income increased $0.3 million in the third quarter of 2002 to $0.8 million.~~

~~INCOME TAXES~~

~~Income tax expense was approximately 35% and 8% of income before income taxes for the third quarter of 2002 and 2001, respectively. Income tax expense for the third quarter of 2002 included a deferred income tax provision of $0.6 million, or 25% of income before income taxes.~~

~~Nine Month Period Ended September 30, 2002 Compared to Nine Month Period Ended September 30, 2001~~

~~For the nine month period ended September 30, 2002, total revenues increased 21% over the nine month period ended September 30, 2001 to $82.6 million, led by an 22% increase in product sales to $78.3 million. Domestic product sales increased $13.1 million in the nine month period ended September 30, 2002 to $62.8 million, or 80% of product sales, as compared to 78% of product sales in the prior year period.~~

~~The Integra NeuroSciences division, which reported a $12.1 million increase in total revenues to $63.0 million in the nine month period ended September 30, 2002, a 24% increase over the prior year period, led growth in total revenues and product sales in 2002. The Integra LifeSciences division reported a $2.1 million increase in total revenues to $19.6 million, a 12% increase over the prior year period.~~

~~Net income for the nine month period ended September 30, 2002 was $9.9 million, or $0.32 per share, as compared to net income of $8.5 million, or $0.31 per share, reported in the prior year period. In addition~~

~~to the increase in revenues, results for the nine month period ended September 30, 2002 benefited from a one percentage point improvement in consolidated gross margin on product sales to 60%. The improvement in gross margins reflects a greater proportion of sales of higher margin products in 2002, increased direct sales in Europe, and an increase in capacity utilization, offset by lower gross margins from our Integra NeuroSupplies business.~~

~~Offsetting the improved gross margin results in 2002 was an increase in our effective tax rate from 11% in the nine month period ended September 30, 2001 to a 35% rate recorded in the nine month period ended September 30, 2002. Had our effective tax rate been 35% in 2001, reported earnings would have been $0.22 per share in the nine month period ended September 30, 2001.~~

~~The following discussion of divisional financial results excludes corporate general and administrative expenses and amortization of intangible assets, which are not included in the measurement of divisional operating results.~~

INTEGRA NEUROSCIENCES DIVISION

	Nine Month Period Ended September 30, 2002	2001
(in thousands)		
Product sales:		
Neuro intensive care unit	$ 22,607	$ 20,449
Neuro operating room	32,919	26,585
Other NeuroSciences products	7,371	3,018
Total product sales	62,897	50,052
Other revenue	84	834
Total revenue	62,981	50,886
Cost of product sales	23,886	18,690
Gross margin as a percentage of product sales ...	62%	63%
Research and development expenses	3,102	2,217
In-process research and development charge	2,322	--
Sales and marketing expenses	17,743	13,930
General and administrative expenses	3,735	2,921
Operating income	$ 12,193	$ 13,128

~~Product sales in the Integra NeuroSciences division increased $12.8 million in the nine month period ended September 30, 2002 to $62.9 million, a 26% increase over the prior year period. Sales in the nine month periods ended September 30, 2002 and 2001 included $7.7 million and $1.0 million, respectively, in sales of products acquired since January 1, 2001.~~

~~Sales of neuro intensive care unit products increased $2.2 million to $22.6 million in the nine month period ended September 30, 2002. Neuro intensive care unit sales in the nine month periods ended September 30, 2002 and 2001 included $0.8 million and $0.4 million, respectively, in sales of products acquired since January 1, 2001. Neuro operating room product sales increased $6.3 million to $32.9 million, led by increased sales of our DuraGen(R) Dural Graft Matrix product. Neuro operating room product sales in the nine month periods ended September 30, 2002 and 2001 included $2.9 million and $0.6 million, respectively, in sales of products acquired since January 1, 2001. The $4.4 million increase in other Integra NeuroSciences products to $7.4 million was primarily related to $4.0 million in sales of~~

~~acquired products. The $0.8 million decrease in other revenues was the result of decreased royalty revenues from an agreement that expired.~~

~~Research and development expenses increased $0.9 million related to continuing research and development activities of acquired businesses, and increases in existing product development programs, including the completion of the development of the Helitene(R) pad product, a new collagen hemostatic device for use in neurosurgical procedures. Sales and marketing spending in the nine month period ended September 30, 2002 increased $3.8 million as a result of the continued expansion in the domestic and international sales force. General and administrative expenses in the nine month period ended September 30, 2002 increased $0.8 million due to additional general and administrative expenses for acquired companies.~~

INTEGRA LIFESCIENCES DIVISION

	Nine Month Period Ended September 30, 2002	2001
(in thousands)		
Product sales:		
Tissue repair products	$ 7,037	$ 6,123
Other medical devices	8,365	7,813
Total product sales	15,402	13,936
Other revenue	4,178	3,532

~~Total revenue~~	~~19,580~~	~~17,468~~
~~Cost of product sales~~	~~7,718~~	~~7,367~~
~~Gross margin as a percentage of product sales~~	~~50%~~	~~47%~~
~~Research and development expenses~~	~~2,953~~	~~3,865~~
~~Sales and marketing expenses~~	~~577~~	~~1,238~~
~~General and administrative expenses~~	~~698~~	~~1,097~~
~~Operating income~~	~~$ 7,634~~	~~$ 3,901~~

~~Product sales in the Integra LifeSciences division increased $1.5 million in the nine month period ended September 30, 2002 to $15.4 million, an 11% increase over the prior year period. This growth was generated primarily by a $0.9 million increase in sales of tissue repair products, or 15% growth over the prior year period, along with a $0.6 million increase in sales of other medical devices. The increase in sales of tissue repair products was primarily related to increased sales to Wyeth of our Absorbable Collagen Sponges. The increase in sales of other medical devices was primarily attributable to sales of products by Integra Signature Technologies, Inc.~~

~~Gross margin on product sales in the LifeSciences division increased three percentage points to 50% in the nine month period ended September 30, 2002, primarily as a result of increased sales of higher margin products and increased capacity utilization.~~

~~The $0.6 million increase in other revenue in the nine month period ended September 30, 2002 was primarily related to $1.0 million in event payments received from Johnson & Johnson, offset by a decrease in grant revenue.~~

~~The $0.9 million decrease in research and development expenses in the nine month period ended September 30, 2002 was primarily related to the completion of a grant program in the first quarter of 2001, and is consistent with the decrease in grant revenue. Sales and marketing activities decreased $0.7 million in the nine month period ended September 30, 2002, primarily due to the termination of distributors who had been paid commissions during the prior year period.~~

~~CORPORATE EXPENSES AND AMORTIZATION~~

~~Nine Month Period Ended September 30,~~	~~2002~~	~~2001~~
	~~(in thousands)~~	
~~Total divisional operating costs and expenses~~	~~$ 62,734~~	~~$ 51,325~~
~~Corporate general and administrative expenses~~	~~6,281~~	~~5,262~~
~~Amortization~~	~~1,139~~	~~2,193~~
~~Consolidated total operating expenses~~	~~$ 70,154~~	~~$ 58,780~~

~~Amortization expense decreased $1.1 million in the nine month period ended September 30, 2002 to $1.1 million as a result of the full implementation of Statement of Financial Accounting Standard No 142 in January 2002. The eduction in goodwill amortization related to the implementation of Statement 142~~

~~had a favorable impact on earnings of approximately $0.02 per share in the nine month period ended September 30, 2002.~~

~~We reported operating EBITDA of $16.1 million in the nine month period ended September 30, 2002, as compared to $14.1 million in the prior year period.~~

~~NON OPERATING INCOME AND EXPENSES~~

~~Net interest income increased $2.4 million in the nine month period ended September 30, 2002 to $2.8 million primarily as a result of the $113.4 million raised in the August 2001 follow on public offering and the subsequent repayment of all outstanding indebtedness.~~

~~INCOME TAXES~~

~~Income tax expense was approximately 35% and 11% of income before income taxes for the nine month periods ended September 30, 2002 and 2001, respectively. Income tax expense for the nine month period ended September 30, 2002 included a deferred income tax provision of $4.2 million, or 28% of income before income taxes.~~

~~International Product Sales and Operations~~

~~Product sales by major geographic area are summarized below:~~

~~United~~
~~Asia Other~~
~~States~~
~~Europe~~
~~Pacific~~
~~Foreign~~

~~Total~~

~~(in thousands)~~

~~Nine months ended September 30, 2002..~~	~~$ 62,844~~	~~$ 9,809~~	~~$ 3,220~~	~~$ 2,426~~	~~$ 78,299~~
~~Nine months ended September 30, 2001..~~	~~49,722~~	~~7,648~~	~~3,691~~	~~2,927~~	~~63,988~~

~~In the nine month period ended September 30, 2002, sales to customers outside the United States totaled $15.5 million, or 20% of consolidated product sales, of which approximately 63% were to European customers. Of this amount, $8.5 million of these sales were generated in foreign currencies from our foreign based subsidiaries in the United Kingdom, Germany and France. In the nine month period ended September 30, 2001, sales to customers outside the United States totaled $14.3 million, or 22% of consolidated product sales, of which approximately 54% were to European customers. Of this amount, $4.8 million of these sales were generated in foreign currencies from our subsidiaries.~~

~~Our international sales and operations are subject to the risk of foreign currency fluctuations, both in terms of exchange risk related to transactions conducted in foreign currencies and the price of our products in those markets for which sales are denominated in the U.S. dollar. We expect that our recent establishment of direct sales and marketing activities in portions of Western Europe, the recent transfer of certain distributor accounts to our European operations, and the recent acquisition of the NMT~~

~~Neurosciences business will cause our sales generated in countries outside the United States and sales denominated in foreign currencies, particularly the Euro and the British pound, to increase as a percentage of total sales in the future. Approximately 55% of sales of the acquired NMT neurosciences products were generated outside the United States during the year ended December 31, 2001.~~

~~We do not currently use any financial instruments to hedge foreign currency fluctuations.~~

~~Liquidity and Capital Resources~~

~~Historically, we have funded our operations primarily through private and public offerings of equity securities, product revenues, research and collaboration funding, borrowings under a revolving credit line and cash acquired in connection with business acquisitions and dispositions. Since 1999, we have substantially reduced our net use of cash from operations and, in 2001, we generated positive operating cash flows on an annual basis for the first time. For the nine month period ended September 30, 2002, we generated $20.5 million in cash flows from operations.~~

~~Our principal uses of funds during the nine month period ended September 30, 2002 were $11.3 million for acquisition consideration, $3.6 million for repayment of indebtedness, and $1.6 million for purchases of property and equipment. Principal sources of funds were approximately $20.5 million in operating cash flows and $2.0 million from the issuance of common stock through the exercise of stock options.~~

~~At September 30, 2002, we had cash, cash equivalents and current and non-current investments totaling approximately $136.0 million and no outstanding debt. In October 2002 we used approximately $9.7 million of cash to acquire Padgett Instruments, Inc. (see Note 11).~~

~~Investments consist almost entirely of highly liquid, interest bearing debt securities. Our financial position and future financial results could change significantly if we were to use a large portion of our liquid assets to complete one or more business acquisitions.~~

~~In February 2002, our Board of Directors reauthorized our share repurchase program. Under the program, we may repurchase up to 500,000 shares of our common stock for an aggregate purchase price not to exceed $15 million. Shares may be repurchased under this program through December 31, 2002 either in the open market or in privately negotiated transactions. Although we have not repurchased any shares of our common stock under this program in 2001 or in the nine month period ended September 30, 2002, we have authorized a broker to make open market purchases of our stock on our behalf if certain conditions are met.~~

~~Other Matters~~

~~A valuation allowance of $34.4 million is recorded against net deferred tax assets. However, we may recognize a deferred income tax benefit in future periods if we determine that all or a portion of the remaining deferred tax assets can be realized.~~

~~FORWARD LOOKING STATEMENTS~~

~~We have made statements in this report, including statements under "Management's Discussion and Analysis of Financial Condition and Results of Operations" which constitute forward looking statements within the meaning of Section 27A of the Securities Act of 1933 and Section 21E of the Securities Exchange Act of 1934. These forward looking statements are subject to a number of risks, uncertainties and assumptions about the Company, including those described under "Risk Factors" in the Company's Annual Report on Form 10-K for the year ended December 31, 2001 filed with the Securities and Exchange Commission. In light of these risks and uncertainties, the forward looking events and circumstances discussed in this report may not occur and actual results could differ materially from those anticipated or implied in the forward looking statements.~~

~~You can identify these forward looking statements by forward looking words such as "believe," "may," "could," "will," "estimate," "continue," "anticipate," "intend," "seek," "plan," "expect," "should," "would" and similar expressions in this report.~~

~~Item 4 - CONTROLS AND PROCEDURES EVALUATION OF DISCLOSURE CONTROLS AND PROCEDURES~~

~~Disclosure controls and procedures. Within 90 days before filing this report, the Chief Executive Officer and Senior Vice President, Finance and Treasurer evaluated the effectiveness of the design and operation of its disclosure controls and procedures. The Company's disclosure controls and procedures are the controls and other procedures that the Chief Executive Officer and Senior Vice President, Finance and Treasurer have designed to ensure that it records, processes, summarizes and reports in a timely manner the information the Company must disclose in its reports filed under the Securities Exchange Act. Stuart M. Essig, Chief Executive Officer, and David B. Holtz, Senior Vice President, Finance and Treasurer, reviewed and participated in this evaluation. Based on this evaluation, Messrs. Essig and Holtz concluded that, as of the date of their evaluation, the Company's disclosure controls and procedures were effective.~~

~~Internal controls. Since the date of the evaluation described above, there have not been any significant changes in the Company's internal controls or in other factors that could significantly affect those controls, including any corrective actions with regard to significant deficiencies and material weaknesses.~~

~~PART II. OTHER INFORMATION~~

~~ITEM 1. LITIGATION~~

~~See Note 10 to the Unaudited Consolidated Financial Statements.~~

~~ITEM 5. OTHER INFORMATION~~

~~Board of Directors~~

~~On October 31, 2002, we increased the size of our board of directors to six and appointed David C. Auth, an expert in bioengineering, with particular expertise in least invasive surgery and energy interactions in biological tissue, to fill the newly created vacancy. Dr. Auth has several widely distributed inventions in the fields of gastrointestinal endoscopy and interventional cardiology and is the primary inventor of the contact laser scalpel. Dr. Auth is an independent investor and serves on the Boards of Directors of several other companies including Novacept, Inc., Pathway Medical Technologies, Inc., AcousTx, and until its acquisition by Boston Scientific in 2001, RadioTherapeutics, Inc. Dr. Auth holds a Ph.D. in physics from Georgetown University.~~

~~ITEM 6. EXHIBITS AND REPORTS ON FORM 8-K~~

~~(a) Exhibits~~

~~10.1 Employment Agreement of David B. Holtz dated as of September 10, 2002~~

~~10.2 Employment Agreement of John B. Henneman, III, dated as of September 10, 2002~~

~~99.1 Certification of Chief Executive Officer and Chief Financial Officer pursuant to 18 U.S.C. Section 1350, as created by Section 302 of the Sarbanes-Oxley Act of 2002~~

~~99.2 Certification of Chief Executive Officer and Chief Financial Officer pursuant to 18 U.S.C. Section 1350, as created by Section 906 of the Sarbanes-Oxley Act of 2002~~

~~(b) Reports on Form 8-K~~

~~On August 30, 2002, we filed with the Securities and Exchange Commission a Report on Form 8-K with respect to the execution of sales plans pursuant to Rule 10b5-1 of the Securities Exchange Act of 1934, as amended, by certain Executive Officers of the Company.~~

~~SIGNATURES~~

~~Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.~~

~~INTEGRA LIFESCIENCES HOLDINGS CORPORATION~~

~~Date: November 14, 2002~~ ~~/s/ Stuart M. Essig~~

~~Stuart M. Essig~~
~~President and Chief Executive Officer~~

~~Date: November 14, 2002~~ ~~/s/ David B. Holtz~~

~~David B. Holtz~~
~~Senior Vice President, Finance and Treasurer~~

EMPLOYMENT AGREEMENT

This employment agreement (this "Agreement") is made as of the 10th day of September, 2002 by and between Integra LifeSciences Holdings Corporation, a Delaware Corporation (the "Company") and David B. Holtz ("Executive").

Background

Executive is currently the Senior Vice President, Finance, of Company. Company desires to continue to employ Executive, and Executive desires to remain in the employ of Company, on the terms and conditions contained in this Agreement. Executive will be substantially involved with Company's operations and management and will learn trade secrets and other confidential information relating to Company and its customers; accordingly, the noncompetition covenant and other restrictive covenants contained in Section 14 of this Agreement constitute essential elements hereof.

NOW, THEREFORE, in consideration of the premises and the mutual agreements contained herein and intended to be legally bound hereby, the parties hereto agree as follows:

Terms

1. Definitions. The following words and phrases shall have the meanings set forth below for the purposes of this Agreement (unless the context clearly indicates otherwise):

(a) "Base Salary" shall have the meaning set forth in Section 5.

(b) "Board" shall mean the Board of Directors of Company, or any successor thereto.

(c) "Cause," as determined by the Board in good faith, shall mean Executive has

(1) failed to perform his stated duties in all material respects, which failure continues for 15 days after his receipt of written notice of the failure;

(2) intentionally and materially breached any provision of this Agreement and not cured such breach (if curable) within 15 days of his receipt of written notice of the breach;

(3) demonstrated his personal dishonesty in connection with his employment by Company;

(4) engaged in willful misconduct in connection with his employment with the Company;

(5) engaged in a breach of fiduciary duty in connection with his employment with the Company; or

(6) willfully violated any law, rule or regulation, or final cease and desist order (other than traffic violations or similar offenses) or engaged in other serious misconduct of such a nature that his continued employment may reasonably be expected to cause the Company substantial economic or reputational injury.

(d) A "Change in Control" of Company shall be deemed to have occurred:

(1) if the "beneficial ownership" (as defined in Rule 13d-3 under the Securities Exchange Act of 1934) of securities representing more than fifty percent (50%) of the combined voting power of Company Voting Securities (as herein defined) is acquired by any individual, entity or group (a "Person"), other than Company, any trustee or other fiduciary holding securities under any employee benefit plan of Company or an affiliate thereof, or any corporation owned, directly or indirectly, by the stockholders of Company in substantially the same proportions as their ownership of stock of Company (for purposes of this Agreement, "Company Voting Securities" shall mean the then outstanding voting securities of Company entitled to vote generally in the election of directors); provided, however, that any acquisition from Company or any acquisition pursuant to a transaction which complies with clauses (i), (ii) and (iii) of paragraph (3) of this definition shall not be a Change in Control under this paragraph (1); or

(2) if individuals who, as of the date hereof, constitute the Board (the "Incumbent Board") cease for any reason to constitute at least a majority of the Board; provided, however, that any individual becoming a director subsequent to the date hereof whose election, or nomination for election by Company's stockholders, was approved by a vote of at least a majority of the directors then comprising the Incumbent Board shall be

~~considered as though such individual were a member of the Incumbent Board, but excluding, for this purpose, any such individual whose initial assumption of office occurs as a result of an actual or threatened election contest with respect to the election or removal of directors~~

~~or other actual or threatened solicitation of proxies or consents by or on behalf of a Person other than the Board; or~~

~~(3) upon consummation by Company of a reorganization, merger or consolidation or sale or other disposition of all or substantially all of the assets of Company or the acquisition of assets or stock of any entity (a "Business Combination"), in each case, unless immediately following such Business Combination: (i) Company Voting Securities outstanding immediately prior to such Business Combination (or if such Company Voting Securities were converted pursuant to such Business Combination, the shares into which such Company Voting Securitie were converted) (x) represent, directly or indirectly, more than 50% of the combined voting power of the then outstanding voting securities entitled to vote generally in the election of directors of the corporation resulting from such Business Combination (the "Surviving Corporation"), or, if applicable, a corporation which as a result of such transaction owns Company or all or substantially all of Company's assets either directly or through one or more subsidiaries (the "Parent Corporation") and (y) are held in substantially the same proportions after such Business Combination as they were immediately prior to such Business Combination; (ii) no Person (excluding any employee benefit plan (or related trust) of Company or such corporation resulting from such Business Combination) beneficially owns, directly or indirectly, 50% or more of the combined voting power of the then outstanding voting securities eligible to elect directors of the Parent Corporation (or, if there is no Parent Corporation, the Surviving Corporation) except to the extent that such ownership of Company existed prior to the Business Combination; and (iii) at least a majority of the members of the board of directors of the Parent Corporation (or, if there is no Parent Corporation, the Surviving Corporation) were members of the Incumbent Board at the time of the execution of the initial agreement, or the action of the Board, providing for such Business Combination; or~~

~~(4) upon approval by the stockholders of Company of a complete liquidation or dissolution of Company.~~

~~(e) "Code" shall mean the Internal Revenue Code of 1986, as amended.~~

~~(f) "Company" shall mean Integra LifeSciences Holdings Corporation and any corporation, partnership or other entity owned directly or indirectly, in whole or in part, by Integra LifeSciences Holdings Corporation.~~

~~(g) "Disability" shall mean Executive's inability to perform his duties hereunder by reason of any medically determinable physical or mental impairment which is expected to result in death or which has lasted or is expected to last for a continuous period of not fewer than six months.~~

~~(h) "Good Reason" shall mean:~~

~~(1) a material breach of this Agreement by Company which is not cured by Company within 15 days of its receipt of written notice of the breach;~~

~~(2) without Executive's express written consent, the Company reduces Executive's Base Salary or the aggregate fringe benefits provided to Executive (except to the extent permitted by Section 5 or Section 6, respectively) or substantially alters the Executive's authority and/or title as set forth in Section 2 hereof in a manner reasonably construed to constitute a demotion; provided, Executive resigns within 90 days after the change objected to; and provided further that neither (i) the appointment of a Chief Financial Officer to whom Executive will report nor (ii) the appointment of Executive as president of European operations or similar positions shall be deemed to constitute a demotion hereunder; or~~

~~(3) without Executive's express written consent, Executive fails at any point during the one year~~

~~period following a Change in Control to hold the title and authority (as set forth in Section 2 hereof) with the Parent Corporation (or if there is no Parent Corporation, the Surviving Corporation) that Executive held with the Company immediately prior to the Change of Control, provided Executive resigns within one year of the Change in Control;~~

~~(4) Company fails to obtain the assumption of this Agreement by any successor to Company.~~

~~(i) "Principal Executive Office" shall mean Company's principal office for executives, presently located at 311 Enterprise Drive, Plainsboro, New Jersey 08536.~~

~~(j) "Retirement" shall mean the termination of Executive's employment with Company in accordance with the retirement policies, including early retirement policies, generally applicable to Company's salaried employees.~~

~~(k) "Termination Date" shall mean the date specified in the Termination Notice.~~

~~(l) "Termination Notice" shall mean a dated notice which: (i) indicates the specific termination provision in this Agreement relied upon (if any); (ii) sets forth in reasonable detail the facts and circumstances claimed to provide a basis for the termination of Executive's employment under such provision; (iii) specifies a Termination Date; and (iv) is given in the manner specified in Section 15(h).~~

~~2. Employment. Company hereby employs Executive as Senior Vice President, Finance, responsible for the Finance Department of the Company, and Executive hereby agrees to accept such employment and agrees to render services to Company in such capacity (or in such other capacity in the future as the Board may reasonably deem equivalent to such position) on the terms and conditions set forth in this Agreement. Executive's primary place of employment shall be at the Principal Executive Office and Executive shall report to the Chief Executive Officer.~~

~~3. Term.~~

~~(a) Term and Renewal of Agreement. Unless earlier terminated by Executive or Company as provided in Section 10 hereof, the term of Executive's employment under this Agreement shall commence on the date of this Agreement and terminate on December 31, 2003. Subject to subsection 3(b), this Agreement shall be deemed automatically, without further action, to extend for an additional year on December 31, 2003 and each anniversary thereof.~~

~~(b) Annual Review. Prior to December 31, 2003 and each anniversary thereof, the Board shall consider extending the term of this Agreement. The term shall continue to extend in the manner set forth in subsection 3(a) unless either the Board does not approve the extension and provides written notice to Executive of such event, or Executive gives written notice to Company of Executive's election not to extend the term. In either case, the written notice shall be given not fewer than 30 days prior to any such renewal date. References herein to the term of this Agreement shall refer both to the initial term and successive terms.~~

~~4. Duties. Executive shall:~~

~~(a) faithfully and diligently do and perform all such acts and duties, and furnish such services as are assigned to Executive as of the date this Agreement is signed, and (subject to Section 2) such~~

~~additional acts, duties and services as the Board may assign in the future; and~~

~~(b) devote his full professional time, energy, skill and best efforts to the performance of his duties hereunder, in a manner that will faithfully and diligently further the business and interests of Company, and shall not be employed by or participate or engage in or in any manner be a part of the management or operations of any business enterprise other than Company without the prior consent of the Chief Executive Officer or the Board, which consent may be granted or withheld in his or its sole discretion; provided, however, that notwithstanding the foregoing, Executive may serve on civic or charitable boards or committees so long as such service does not materially interfere with Executive's obligations pursuant to this Agreement.~~

~~5. Compensation. Company shall compensate Executive for his services at a minimum base salary of $185,000 per year ("Base Salary"), payable in periodic installments in accordance with Company's regular payroll practices in effect~~

~~from time to time. Executive's Base Salary shall be subject to annual reviews, but may not be decreased without Executive's express written consent (unless the decrease is pursuant to a general compensation reduction applicable to all, or substantially all, executive officers of Company). Bonus payments may be made as determined appropriate by the Board in its sole discretion.~~

~~6. Benefit Plans. Executive shall be entitled to participate in and receive benefits under any employee benefit plan or stock based plan of Company, and shall be eligible for any other plans and benefits covering executives of Company, to the extent commensurate with his then duties and responsibilities fixed by the Board. Company shall not make any change in such plans or benefits that would adversely affect Executive's rights thereunder, unless such change affects all, or substantially all, executive officers of the Company.~~

~~7. Vacation. Executive shall be entitled to paid annual vacation in accordance with the policies established from time to time by the Board, which shall in no event be fewer than three weeks per annum.~~

~~8. Business Expenses. Company shall reimburse Executive or otherwise pay for all reasonable expenses incurred by Executive in furtherance of or in connection with the business of Company, including, but not limited to, automobile and traveling expenses and all reasonable entertainment expenses, subject to such reasonable documentation and other limitations as may be established by the Company.~~

~~9. Disability. In the event Executive incurs a Disability, Executive's obligation to perform services under this Agreement will terminate, and the Board may terminate this Agreement upon written notice to Executive.~~

~~10. Termination.~~

~~(a) Termination without Salary Continuation. In the event(i)Executive terminates his employment hereunder other than for Good Reason, or (ii) Executive's employment is terminated by Company due to his Retirement, or death, or for Cause, Executive shall have no right to compensation or other benefits pursuant to this Agreement for any period after his last day of active employment.~~

~~(b) Termination with Salary Continuation (No Change in Control). Except as provided in subsection 10(c) in the event of a Change in Control, in the event (i) Executive's employment is terminated by Company for a reason other than Retirement, death or Cause, or (ii) Executive terminates his employment for Good Reason, or (iii) Company shall fail to extend this Agreement pursuant to the provisions of Section 3, then Company shall:~~

~~(1) pay Executive a severance amount equal to Executive's Base Salary (determined without regard to any reduction in violation of Section 5) as of his last day of active employment; the severance amount shall be paid in a single sum on the first business day of the month following the Termination Date; and~~

~~(2) maintain and provide to Executive, at no cost to Executive, for a period ending at the earliest of (i) the first anniversary of the Termination Date; (ii) the date of Executive's full time employment by another employer; or (iii) Executive's death, continued participation in all group insurance, life insurance, health and accident, disability, and other employee benefit plans in which Executive would have been entitled to participate had his employment with Company continued throughout such period, provided that such participation is not prohibited by the terms of the plan or by Company for legal reasons.~~

~~(c) Termination with Salary Continuation (Change in Control). Notwithstanding anything to the contrary set forth in subsection 10(b), in the event within twelve months of a Change in Control: (i) Executive terminates his employment for Good Reason, or (ii) Executive's employment is terminated by Company for a reason other than Retirement, death or Cause, or (iii) Company shall fail to extend this Agreement pursuant to Section 3, then Company shall:~~

~~(1) pay Executive a severance amount equal to 2.99 times Executive's Base Salary (determined without regard to any reduction in violation of Section 5) as of his last day of active employment; the severance amount shall be paid in a single sum on the first business day of the month following the Termination Date;~~

~~(2) maintain and provide to Executive, at no cost to Executive, for a period ending at the earliest of (i) the fifth anniversary of the date of this Agreement; or (ii) Executive's death, continued participation in all group insurance, life insurance, health and accident, disability, and other employee benefit plans in which Executive would have been entitled to participate had his employment with Company continued throughout such period, provided that such~~

~~participation is not prohibited by the terms of the plan or by Company for legal reasons; and~~

~~(3) pay to Executive all reasonable legal fees and expenses incurred by Executive as a result of such termination of employment (including all fees and expenses, if any, incurred by Executive in contesting or disputing any such termination or in seeking to obtain to enforce any right or benefit provided to Executive by this Agreement whether by arbitration or otherwise).~~

~~(d) Termination Notice. Except in the event of Executive's death, a termination under this Agreement shall be effected by means of a Termination Notice.~~

~~11. Withholding. Company shall have the right to withhold from all payments made pursuant to this Agreement any federal, state, or local taxes and such other amounts as may be required by law to be withheld from such payments.~~

~~12. Assignability. Company may assign this Agreement and its rights and obligations hereunder in whole, but not in part, to any entity to which Company may transfer all or substantially all of its assets, if in any such case said entity shall expressly in writing assume all obligations of Company hereunder as fully as if it had been originally made a party hereto. Company may not otherwise assign this Agreement or its rights and obligations hereunder. This Agreement is personal to Executive and his rights and duties hereunder shall not be assigned except as expressly agreed to in writing by Company.~~

~~13. Death of Executive. Any amounts due Executive under this Agreement (not including any Base Salary not yet earned by Executive) unpaid as of the date of Executive's death shall be paid in a single sum as soon as practicable after Executive's~~

~~death to Executive's surviving spouse, or if none, to the duly appointed personal representative of his estate.~~

~~14. Restrictive Covenants.~~

~~(a) Covenant Not to Compete. During the term of this Agreement and for a period of one (1) year following the Termination Date, Executive shall not directly or indirectly:(i) engage, anywhere within the geographical areas in which Company is conducting business operations or providing services as of the date of Executive's termination of employment, in the development, manufacturing or selling of medical devices for use by neurosurgeons, or any other business the revenues of which constituted at least 30% of Company's revenues during the six (6) month period prior to the Termination Date (the "Business"); (ii) be or become a stockholder, partner, owner, officer, director or employee or agent of, or a consultant to or give financial or other assistance to, any person or entity engaged in the Business; (iii) seek in competition with the business of the Company to procure orders from or do business with any customer of Company; (iv) solicit or contact with a view to the engagement or employment by any person or entity of any person who is an employee of Company; (v) seek to contract with or engage (in such a way as to adversely affect or interfere with the business of Company) any person or entity who has been contracted with or engaged to manufacture, assemble, supply or deliver products, goods, materials or services to Company; or (vi) engage in or participate in any effort or act to induce any of the customers, associates, consultants, or employees of Company to take any action which might be disadvantageous to Company; provided, however, that nothing herein shall prohibit Executive and his affiliates from owning, as passive investors, in the aggregate not more than 5% of the outstanding publicly traded stock of any corporation so engaged.~~

~~(b) Confidentiality. Executive acknowledges a duty of confidentiality owed to Company and shall not, at any time during or after his employment by Company, retain in writing, use, divulge, furnish, or make accessible to anyone, without the express authorization of the Board, any trade secret, private or confidential information or knowledge of Company obtained or acquired by him while so employed. All computer software, business cards, telephone lists, customer lists, price lists, contract forms, catalogs, Company books, records, files and know-how acquired while an employee of Company are acknowledged to be the property of Company and shall not be duplicated, removed from Company's possession or~~

~~premises or made use of other than in pursuit of Company's business or as may otherwise be required by law or any legal process, or as is necessary in connection with any adversarial proceeding against Company and, upon termination of employment for any reason, Executive shall deliver to Company all copies thereof which are then in his possession or under his control. No information shall be treated as "confidential information" if it is generally available public knowledge at the time of disclosure or use by Executive.~~

~~(c) Inventions and Improvements. Executive shall promptly communicate to Company all ideas, discoveries and inventions~~

~~which are or may be useful to Company or its business. Executive acknowledges that all such ideas, discoveries, inventions, and improvements which heretofore have been or are hereafter made, conceived, or reduced to practice by him at any time during his employment with Company heretofore or hereafter gained by him at any time during his employment with Company are the property of Company, and Executive hereby irrevocably assigns all such ideas, discoveries, inventions and improvements to Company foR its sole use and benefit, without additional compensation. The provisions of this Section 14(c) shall apply whether such ideas, discoveries, inventions, or improvements were or are conceived, made or gained by him alone or with others, whether during or after usual working hours, whether on or off the job, whether applicable to matters directly or indirectly related to Company's business interests (including potential business interests), and whether or not within the specific realm of his duties. Executive shall, upon request of Company, but at no expense to Executive, at any time during or after his employment with Company, sign all instruments and documents reasonably requested by Company and otherwise cooperate with Company to protect its right to such ideas, discoveries, inventions, or improvements including applying for, obtaining and enforcing patents and copyrights thereon in such countries as Company shall determine.~~

~~(d) Breach of Covenant. Executive expressly acknowledges that damages alone will be an inadequate remedy for any breach or violation of any of the provisions of this Section 14 and that Company, in addition to all other remedies, shall be entitled as a matter of right to equitable relief, including injunctions and specific performance, in any court of competent jurisdiction. If any of the provisions of this Section 14 are held to be in any respect unenforceable, then they shall be deemed to extend only over the maximum period of time, geographic area, or range of activities as to which they may be enforceable.~~

~~15. Miscellaneous.~~

~~(a) Amendment. No provision of this Agreement may be amended unless such amendment is signed by Executive and such officer as may be specifically designated by the Board to sign on Company's behalf.~~

~~(b) Nature of Obligations. Nothing contained herein shall create or require Company to create a trust of any kind to fund any benefits which may be payable hereunder, and to the extent that Executive acquires a right to receive benefits from Company hereunder, such right shall be no greater than the right of any unsecured general creditor of the Company.~~

~~(c) Prior Employment. Executive represents and warrants that his acceptance of employment with Company has not breached, and the performance of his duties hereunder will not breach, any duty owed by him to any prior employer or other person.~~

~~(d) Headings. The Section headings contained in this Agreement are for reference purposes only and shall not affect in any way the meaning or interpretation or this Agreement. In the event of a conflict between a heading and the content of a Section, the content of the Section shall control.~~

~~(e) Gender and Number. Whenever used in this Agreement, a masculine pronoun is deemed to include the feminine and a neuter pronoun is deemed to include both the masculine and the feminine, unless the context clearly indicates otherwise. The singular form, whenever used herein, shall mean or include the plural form where applicable.~~

~~(f) Severability. If any provision of this Agreement or the application thereof to any person or circumstance shall be invalid or unenforceable under any applicable law, such event shall not affect or render invalid or unenforceable any other provision of this Agreement and shall not affect the application of any provision to other persons or circumstances.~~

~~(g) Binding Effect. This Agreement shall be binding upon and inure to the benefit of the parties hereto and their respective successors, permitted assigns, heirs, executors and administrators.~~

~~(h) Notice. For purposes of this Agreement, notices and all other communications provided for in this Agreement shall be in writing~~

~~and shall be deemed to have been duly given if hand delivered, sent by documented overnight delivery service or by certified or registered mail, return~~

~~receipt requested, postage prepaid, addressed to the respective addresses set forth below:~~

~~To the Company:~~

~~Integra LifeSciences Holdings Corporation~~
~~311 Enterprise Drive~~
~~Plainsboro, New Jersey 08536~~
~~Attn: President~~

~~With a copy to:~~

~~The Company's General Counsel~~

~~To the Executive:~~

~~David B. Holtz~~
~~Chez Richard Carossi~~
~~46 Chemin St. Jean~~
~~06130 Grasse, France~~

~~(i) Entire Agreement. This Agreement sets forth the entire understanding of the parties and supersedes all prior agreements, arrangements and communications, whether oral or written, pertaining to the subject matter hereof.~~

~~(j) Governing Law. The validity, interpretation, construction and performance of this Agreement shall be governed by the laws of the United States where applicable and otherwise by the laws of the State of New Jersey.~~

~~IN WITNESS WHEREOF, this Agreement has been executed as of the date first above written.~~

~~INTEGRA LIFESCIENCES HOLDINGS CORPORATION~~	~~EXECUTIVE~~
~~By: /s/ Stuart M. Essig~~	~~/s/ David B. Holtz~~
~~Its: President and Chief Executive Officer~~	

EMPLOYMENT AGREEMENT

This employment agreement (this "Agreement") is made as of the 10th day of September, 2002 by and between Integra LifeSciences Holdings Corporation, a Delaware Corporation (the "Company") and John B. Henneman, III ("Executive").

Background

Executive is currently the Chief Administrative Officer of Company. Company desires to continue to employ Executive, and Executive desires to remain in the employ of Company, on the terms and conditions contained in this Agreement. Executive will be substantially involved with Company's operations and management and will learn trade secrets and other confidential information relating to Company and its customers; accordingly, the noncompetition covenant and other restrictive covenants contained in Section 14 of this Agreement constitute essential elements hereof.

NOW, THEREFORE, in consideration of the premises and the mutual agreements contained herein and intended to be legally bound hereby, the parties hereto agree as follows:

Terms

1. Definitions. The following words and phrases shall have the meanings set forth below for the purposes of this Agreement (unless the context clearly indicates otherwise):

(a) "Base Salary" shall have the meaning set forth in Section 5.

(b) "Board" shall mean the Board of Directors of Company, or any successor thereto.

(c) "Cause," as determined by the Board in good faith, shall mean Executive has

(1) failed to perform his stated duties in all material respects, which failure continues for 15 days after his receipt of written notice of the failure;

(2) intentionally and materially breached any provision of this Agreement and not cured such breach (if curable) within 15 days of his receipt of written notice of the breach;

(3) demonstrated his personal dishonesty in connection with his employment by Company;

(4) engaged in willful misconduct in connection with his employment with the Company;

(5) engaged in a breach of fiduciary duty in connection with his employment with the Company; or

(6) willfully violated any law, rule or regulation, or final cease and desist order (other than traffic violations or similar offenses) or engaged in other serious misconduct of such a nature that his continued employment may reasonably be expected to cause the Company substantial economic or reputational injury.

(d) A "Change in Control" of Company shall be deemed to have occurred:

(1) if the "beneficial ownership" (as defined in Rule 13d-3 under the Securities Exchange Act of 1934) of securities representing more than fifty percent (50%) of the combined voting power of Company Voting Securities (as herein defined) is acquired by any individual, entity or group (a "Person"), other than Company, any trustee or other fiduciary holding securities under any employee benefit plan of Company or an affiliate thereof, or any corporation owned, directly or indirectly, by the stockholders of Company in substantially the same proportions as their ownership of stock of Company (for purposes of this Agreement, "Company Voting Securities" shall mean the then outstanding voting securities of Company entitled to vote generally in the election of directors); provided, however, that any acquisition from Company or any acquisition pursuant to a transaction which complies with clauses (i), (ii) and (iii) of paragraph (3) of this definition shall not be a Change in Control under this paragraph (1); or

(2) if individuals who, as of the date hereof, constitute the Board (the "Incumbent Board") cease for any reason to constitute at least a majority of the Board; provided, however, that any individual becoming a director subsequent to the date hereof whose election, or nomination for election by Company's stockholders, was approved by a vote of at least a majority of the directors then comprising the Incumbent Board shall be considered

~~as though such individual were a member of the Incumbent Board, but excluding, for this purpose, any such individual whose initial assumption of office occurs as a result of an actual or threatened election contest with respect to the election or removal of directors~~

~~or other actual or threatened solicitation of proxies or consents by or on behalf of a Person other than the Board; or~~

~~(3) upon consummation by Company of a reorganization, merger or consolidation or sale or other disposition of all or substantially all of the assets of Company or the acquisition of assets or stock of any entity (a "Business Combination"), in each case, unless immediately following such Business Combination: (i) Company Voting Securities outstanding immediately prior to such Business Combination (or if such Company Voting Securities were converted pursuant to such Business Combination, the shares into which such Company Voting Securities were converted) (x) represent, directly or indirectly, more than 50% of the combined voting power of the then outstanding voting securities entitled to vote generally in the election of directors of the corporation resulting from such Business Combination (the "Surviving Corporation"), or, if applicable, a corporation which as a result of such transaction owns Company or all or substantially all of Company's assets either directly or through one or more subsidiaries (the "Parent Corporation") and (y) are held in substantially the same proportions after such Business Combination as they were immediately prior to such Business Combination;(ii) no Person (excluding any employee benefit plan (or related trust) of Company or such corporation resulting from such Business Combination) beneficially owns, directly or indirectly, 50% or more of the combined voting power of the then outstanding voting securities eligible to elect directors of the Parent Corporation (or, if there is no Parent Corporation, the Surviving Corporation) except to the extent that such ownership of Company existed prior to the Business Combination; and (iii) at least a majority of the members of the board of directors of the Parent Corporation (or, if there is no Parent Corporation, the Surviving Corporation) were members of the Incumbent Board at the time of the execution of the initial agreement, or the action of the Board, providing for such Business Combination; or~~

~~(4) upon approval by the stockholders of Company of a complete liquidation or dissolution of Company.~~

~~(e) "Code" shall mean the Internal Revenue Code of 1986, as amended.~~

~~(f) "Company" shall mean Integra LifeSciences Holdings Corporation and any corporation, partnership or other entity owned directly or indirectly, in whole or in part, by Integra LifeSciences Holdings Corporation.~~

~~(g) "Disability" shall mean Executive's inability to perform his duties hereunder by reason of any medically determinable physical or mental impairment which is expected to result in death or which has lasted or is expected to last for a continuous period of not fewer than six months.~~

~~(h) "Good Reason" shall mean:~~

~~(1) a material breach of this Agreement by Company which is not cured by Company within 15 days of its receipt of written notice of the breach;~~

~~(2) the relocation by the Company of the Executive's office location to a location more than thirty (30) miles from Princeton, New Jersey;~~

~~(3) without Executive's express written consent, the Company reduces Executive's Base Salary or the aggregate fringe benefits provided to Executive (except to the extent permitted by Section 5 or Section 6, respectively) or substantially alters the Executive's authority and/or title as set forth in Section 2 hereof in a manner reasonably construed to constitute a demotion, provided, Executive resigns within 90 days after the change objected to; or~~

~~(4) without Executive's express written consent, Executive fails at any point during the one year period following a Change in Control to hold the title and authority (as set forth in Section 2~~

~~hereof) with the Parent Corporation (or if there is no Parent Corporation, the Surviving Corporation) that Executive held with the Company immediately prior to the Change of Control, provided Executive resigns within one year of the Change in Control;~~

~~(5) Company fails to obtain the assumption of this Agreement by any successor to Company.~~

~~(i) "Principal Executive Office" shall mean Company's principal office for executives, presently located at 311 Enterprise Drive, Plainsboro, New Jersey 08536.~~

~~(j) "Retirement" shall mean the termination of Executive's employment with Company in accordance with the retirement policies, including early retirement policies, generally applicable to Company's salaried employees.~~

~~(k) "Termination Date" shall mean the date specified in the Termination Notice.~~

~~(l) "Termination Notice" shall mean a dated notice which: (i) indicates the specific termination provision in this Agreement relied upon (if any); (ii) sets forth in reasonable detail the facts and circumstances claimed to provide a basis for the termination of Executive's employment under such provision; (iii) specifies a Termination Date; and (iv) is given in the manner specified in Section 15(h).~~

~~2. Employment. Company hereby employs Executive as Chief Administrative Officer, responsible for the business development department, the law department, the regulatory affairs and quality assurance department, and the human resources department of the Company, and Executive hereby agrees to accept such employment and agrees to render services to Company in such capacity (or in such other capacity in the future as the Board may reasonably deem equivalent to such position) on the terms and conditions set forth in this Agreement. Executive's primary place of employment shall be at the Principal Executive Office and Executive shall report to the Chief Executive Officer.~~

~~3. Term.~~

~~(a) Term and Renewal of Agreement. Unless earlier terminated by Executive or Company as provided in Section 10 hereof, the term of Executive's employment under this Agreement shall commence on the date of this Agreement and terminate on December 31, 2003. Subject to subsection 3(b), this Agreement shall be deemed automatically, without further action, to extend for an additional year on December 31, 2003 and each anniversary thereof.~~

~~(b) Annual Review. Prior to December 31, 2003 and each anniversary thereof, the Board shall consider extending the term of this Agreement. The term shall continue to extend in the manner set forth in subsection 3(a) unless either the Board does not approve the extension and provides written notice to Executive of such event, or Executive gives written notice to Company of Executive's election not to extend the term. In either case, the written notice shall be given not fewer than 30 days prior to any such renewal date. References herein to the term of this Agreement shall refer both to the initial term and successive terms.~~

~~4. Duties. Executive shall:~~

~~(a) faithfully and diligently do and perform all such acts and duties, and furnish such services as are assigned to Executive as of the~~

~~date this Agreement is signed, and (subject to Section 2) such additional acts, duties and services as the Board may assign in the future; and~~

~~(b) devote his full professional time, energy, skill and best efforts to the performance of his duties hereunder, in a manner that will faithfully and diligently further the business and interests of Company, and shall not be employed by or participate or engage in or in any manner be a part of the management or operations of any business enterprise other than Company without the prior consent of the Chief Executive Officer or the Board, which consent may be granted or withheld in his or its sole discretion; provided, however, that notwithstanding the foregoing, Executive may serve on civic or charitable boards or committees so long as such service does not materially interfere with Executive's obligations pursuant to this Agreement.~~

~~5. Compensation. Company shall compensate Executive for his services at a minimum base salary of $270,000 per year ("Base Salary"), payable in periodic installments in accordance with Company's regular payroll practices in effect from time to time. Executive's Base Salary shall be subject to annual reviews,~~

~~but may not be decreased without Executive's express written consent (unless the decrease is pursuant to a general compensation reduction applicable to all, or substantially all, executive officers of Company). Bonus payments may be made as determined appropriate by the Board in its sole discretion.~~

~~6. Benefit Plans. Executive shall be entitled to participate in and receive benefits under any employee benefit plan or stock based plan of Company, and shall be eligible for any other plans and benefits covering executives of Company, to the extent commensurate with his then duties and responsibilities fixed by the Board. Company shall not make any change in such plans or benefits that would adversely affect Executive's rights thereunder, unless such change affects all, or substantially all, executive officers of the Company.~~

~~7. Vacation. Executive shall be entitled to paid annual vacation in accordance with the policies established from time to time by the Board, which shall in no event be fewer than three weeks per annum.~~

~~8. Business Expenses. Company shall reimburse Executive or otherwise pay for all reasonable expenses incurred by Executive in furtherance of or in connection with the business of Company, including, but not limited to, automobile and traveling expenses and all reasonable entertainment expenses, subject to such reasonable documentation and other limitations as may be established by the Company.~~

~~9. Disability. In the event Executive incurs a Disability, Executive's obligation to perform services under this Agreement will terminate, and the Board may terminate this Agreement upon written notice to Executive.~~

~~10. Termination.~~

~~(a) Termination without Salary Continuation. In the event (i) Executive terminates his employment hereunder other than for Good Reason, or (ii) Executive's employment is terminated by Company due to his Retirement, or death, or for Cause, Executive shall have no right to compensation or other benefits pursuant to this Agreement for any period after his last day of active employment.~~

~~(b) Termination with Salary Continuation (No Change in Control). Except as provided in subsection 10(c) in the event of a Change in Control, in the event (i) Executive's employment is terminated by Company for a reason other than Retirement, death or Cause, or (ii) Executive terminates his employment for Good Reason, or (iii) Company shall fail to extend this Agreement pursuant to the provisions of Section 3, then Company shall:~~

~~(1) pay Executive a severance amount equal to Executive's Base Salary (determined without regard to any reduction in violation of Section 5) as of his last day of active employment; the severance amount shall be paid in a single sum on the first business day of the month following the Termination Date; and~~

~~(2) maintain and provide to Executive, at no cost to Executive, for a period ending at the earliest of (i) the first anniversary of the Termination Date; (ii) the date of Executive's full time employment by another employer; or (iii) Executive's death, continued participation in all group insurance, life insurance, health and accident, disability, and other employee benefit plans in which Executive would have been entitled to participate had his employment with Company continued throughout such period, provided that such participation is not prohibited by the terms of the plan or by Company for legal reasons.~~

~~(c) Termination with Salary Continuation (Change in Control). Notwithstanding anything to the contrary set forth in subsection 10(b), in the event within twelve months of a Change in Control: (i) Executive terminates his employment for Good Reason, or (ii) Executive's employment is terminated by Company for a reason other than Retirement, death or Cause, or (iii) Company shall fail~~

~~to extend this Agreement pursuant to Section 3, then Company shall:~~

~~(1) pay Executive a severance amount equal to 2.99 times Executive's Base Salary (determined without regard to any reduction in violation of Section 5) as of his last day of active employment; the severance amount shall be paid in a single sum on the first business day of the month following the Termination Date;~~

~~(2) maintain and provide to Executive, at no cost to Executive, for a period ending at the earliest of (i) the fifth anniversary of the date of this Agreement; or (ii) Executive's death, continued participation in all group insurance, life insurance, health and accident, disability, and other employee benefit plans in which Executive would have been entitled to~~

~~participate had his employment with Company continued throughout such period, provided that such participation is not prohibited by the terms of the plan or by Company for legal reasons; and~~

~~(3) pay to Executive all reasonable legal fees and expenses incurred by Executive as a result of such termination of employment (including all fees and expenses, if any, incurred by Executive in contesting or disputing any such termination or in seeking to obtain to enforce any right or benefit provided to Executive by this Agreement whether by arbitration or otherwise).~~

~~(d) Termination Notice. Except in the event of Executive's death, a termination under this Agreement shall be effected by means of a Termination Notice.~~

~~11. Withholding. Company shall have the right to withhold from all payments made pursuant to this Agreement any federal, state, or local taxes and such other amounts as may be required by law to be withheld from such payments.~~

~~12. Assignability. Company may assign this Agreement and its rights and obligations hereunder in whole, but not in part, to any entity to which Company may transfer all or substantially all of its assets, if in any such case said entity shall expressly in writing assume all obligations of Company hereunder as fully as if it had been originally made a party hereto. Company may not otherwise assign this Agreement or its rights and obligations hereunder. This Agreement is personal to Executive and his rights and duties hereunder shall not be assigned except as expressly agreed to in writing by Company.~~

~~13. Death of Executive. Any amounts due Executive under this Agreement (not including any Base Salary not yet earned by Executive) unpaid as of the date of Executive's death shall be paid in a single sum as soon as practicable after Executive's death to Executive's surviving spouse, or if none, to the duly appointed personal representative of his estate.~~

~~14. Restrictive Covenants.~~

~~(a) Covenant Not to Compete. During the term of this Agreement and for a period of one (1) year following the Termination Date, Executive shall not directly or indirectly: (i) engage, anywhere within the geographical areas in which Company is conducting business operations or providing services as of the date of Executive's termination of employment, in the development, manufacturing or selling of medical devices for use by neurosurgeons, or any other business the revenues of which constituted at least 30% of Company's revenues during the six (6) month period prior to the Termination Date (the "Business"); (ii) be or become a stockholder, partner, owner, officer, director or employee or agent of, or a consultant to or give financial or other assistance to, any person or entity engaged in the Business; (iii) seek in competition with the business of the Company to procure orders from or do business with any customer of Company; (iv) solicit or contact with a view to the engagement or employment by any person or entity of any person who is an employee of Company; (v) seek to contract with or engage (in such a way as to adversely affect or interfere with the business of Company) any person or entity who has been contracted with or engaged to manufacture, assemble, supply or deliver products, goods, materials or services to Company; or (vi) engage in or participate in any effort or act to induce any of the customers, associates, consultants, or employees of Company to take any action which might be disadvantageous to Company; provided, however, that nothing herein shall prohibit Executive and his affiliates from owning, as passive investors, in the aggregate not more than 5% of the outstanding publicly traded stock of any corporation so engaged.~~

~~(b) Confidentiality. Executive acknowledges a duty of confidentiality owed to Company and shall not, at any time during or after his employment by Company, retain in writing, use, divulge, furnish, or make accessible to anyone, without the express authorization of the Board, any trade secret, private or confidential information or knowledge of Company obtained or acquired by him while so employed. All computer software, business cards, telephone lists, customer lists, price lists, contract forms, catalogs, Company~~

~~books, records, files and know-how acquired while an employee of Company are acknowledged to be the property of Company and shall not be duplicated, removed from Company's possession or premises or made use of other than in pursuit of Company's business or as may otherwise be required by law or any legal process, or as is necessary in connection with any adversarial proceeding against Company and, upon termination of employment for any reason, Executive shall deliver to Company all copies thereof which are then in his possession or under his control. No information shall~~

~~be treated as "confidential information" if it is generally available public knowledge at the time of disclosure or use by Executive.~~

~~(c) Inventions and Improvements. Executive shall promptly communicate to Company all ideas, discoveries and inventions which are or may be useful to Company or its business. Executive acknowledges that all such ideas, discoveries, inventions, and improvements which heretofore have been or are hereafter made, conceived, or reduced to practice by him at any time during his employment with Company heretofore or hereafter gained by him at any time during his employment with Company are the property of Company, and Executive hereby irrevocably assigns all such ideas, discoveries, inventions and improvements to Company for its sole use and benefit, without additional compensation. The provisions of this Section 14(c) shall apply whether such ideas, discoveries, inventions, or improvements were or are conceived, made or gained by him alone or with others, whether during or after usual working hours, whether on or off the job, whether applicable to matters directly or indirectly related to Company's business interests (including potential business interests), and whether or not within the specific realm of his duties. Executive shall, upon request of Company, but at no expense to Executive, at any time during or after his employment with Company, sign all instruments and documents reasonably requested by Company and otherwise cooperate with Company to protect its right to such ideas, discoveries, inventions, or improvements including applying for, obtaining and enforcing patents and copyrights thereon in such countries as Company shall determine.~~

~~(d) Breach of Covenant. Executive expressly acknowledges that damages alone will be an inadequate remedy for any breach or violation of any of the provisions of this Section 14 and that Company, in addition to all other remedies, shall be entitled as a matter of right to equitable relief, including injunctions and specific performance, in any court of competent jurisdiction. If any of the provisions of this Section 14 are held to be in any~~

~~respect unenforceable, then they shall be deemed to extend only over the maximum period of time, geographic area, or range of activities as to which they may be enforceable.~~

~~15. Miscellaneous.~~

~~(a) Amendment. No provision of this Agreement may be amended unless such amendment is signed by Executive and such officer as may be specifically designated by the Board to sign on Company's behalf.~~

~~(b) Nature of Obligations. Nothing contained herein shall create or require Company to create a trust of any kind to fund any benefits which may be payable hereunder, and to the extent that Executive acquires a right to receive benefits from Company hereunder, such right shall be no greater than the right of any unsecured general creditor of the Company.~~

~~(c) Prior Employment. Executive represents and warrants that his acceptance of employment with Company has not breached, and the performance of his duties hereunder will not breach, any duty owed by him to any prior employer or other person.~~

~~(d) Headings. The Section headings contained in this Agreement are for reference purposes only and shall not affect in any way the meaning or interpretation or this Agreement. In the event of a conflict between a heading and the content of a Section, the content of the Section shall control.~~

~~(e) Gender and Number. Whenever used in this Agreement, a masculine pronoun is deemed to include the feminine and a neuter pronoun is deemed to include both the masculine and the feminine, unless the context clearly indicates otherwise. The singular form, whenever used herein, shall mean or include the plural form where applicable.~~

~~(f) Severability. If any provision of this Agreement or the application thereof to any person or circumstance shall be invalid or unenforceable under any applicable law, such event shall not affect or render invalid or unenforceable any other provision of this Agreement and shall not affect the application of any provision to other persons or circumstances.~~

~~(g) Binding Effect. This Agreement shall be binding upon and inure to the benefit of the parties hereto and~~

~~their respective successors, permitted assigns, heirs, executors and administrators.~~

~~(h) Notice. For purposes of this Agreement, notices and all other communications provided for in this Agreement shall be in writing and shall be deemed to have been duly given if hand delivered, sent by documented overnight delivery service or by certified or registered mail, return receipt requested, postage prepaid, addressed to the respective addresses set forth below:~~

~~To the Company:~~

~~Integra LifeSciences Holdings Corporation~~
~~311 Enterprise Drive~~
~~Plainsboro, New Jersey 08536~~
~~Attn: President~~

~~With a copy to:~~

~~The Company's General Counsel~~

~~To the Executive:~~

~~John B. Henneman, III~~
~~78 Shady Brook Lane~~
~~Princeton, NJ 08540~~

~~(i) Entire Agreement. This Agreement sets forth the entire understanding of the parties and supersedes all prior agreements, arrangements and communications, whether oral or written, pertaining to the subject matter hereof.~~

~~(j) Governing Law. The validity, interpretation, construction and performance of this Agreement shall be governed by the laws of the United States where applicable and otherwise by the laws of the State of New Jersey.~~

~~IN WITNESS WHEREOF, this Agreement has been executed as of the date first above written.~~

~~INTEGRA LIFESCIENCES HOLDINGS CORPORATION~~ ~~EXECUTIVE~~

~~By:_/s/ Stuart M. Essig_______________~~ ~~/s/John B. Henneman, III~~
~~Its: President and Chief Executive Officer~~

Exhibit 99.1

CERTIFICATION PURSUANT TO RULE 13A 14 OR 15D 14 OF THE SECURITIES EXCHANGE ACT OF 1934, AS ADOPTED PURSUANT TO SECTION 302 OF THE SARBANES OXLEY ACT OF 2002

I, Stuart M. Essig, certify that:

1) I have reviewed this quarterly report on Form 10-Q of Integra LifeSciences Holdings Corporation;
2) Based on my knowledge, this quarterly report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this quarterly report;
3) Based on my knowledge, the financial statements, and other financial information included in this quarterly report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this quarterly report;
4) The registrant's other certifying officers and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a 14 and 15d 14) for the registrant and we have:
   a) designed such disclosure controls and procedures to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this quarterly report is being prepared;
   b) evaluated the effectiveness of the registrant's disclosure controls and procedures as of a date within 90 days prior to the filing date of this quarterly report (the "Evaluation Date"); and
   c) presented in this quarterly report our conclusions about the effectiveness of the disclosure controls and procedures based on our evaluation as of the Evaluation Date;
5) The registrant's other certifying officers and I have disclosed, based on our most recent evaluation, to the registrant's auditors and the audit committee of registrant's board of directors (or persons performing the equivalent function):
   a) all significant deficiencies in the design or operation of internal controls which could adversely affect the registrant's ability to record, process, summarize and report financial data and have identified for the registrant's auditors any material weaknesses in internal controls; and
   b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal controls;
6) The registrant's other certifying officers and I have indicated in this quarterly report whether or not there were significant changes in internal controls or in other factors that could significantly affect internal controls subsequent to the date of our most recent evaluation, including any corrective actions with regard to significant deficiencies and material weaknesses.

Dated: November 14, 2002
By: /s/ Stuart M. Essig

____
Stuart M. Essig
President and Chief Executive Officer

CERTIFICATION PURSUANT TO RULE 13A 14 OR 15D 14 OF THE SECURITIES EXCHANGE ACT OF 1934, AS ADOPTED PURANT TO SECTION 302 OF THE SARBANES OXLEY ACT OF 2002

I, David B. Holtz, certify that:

1) I have reviewed this quarterly report on Form 10-Q of Integra LifeSciences Holdings Corporation;
2) Based on my knowledge, this quarterly report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this quarterly report;
3) Based on my knowledge, the financial statements, and other financial information included in this quarterly report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this quarterly report;
4) The registrant's other certifying officers and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a 14 and 15d 14) for the registrant and we have:

   a) designed such disclosure controls and procedures to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this quarterly

~~report is being prepared;~~

~~b) evaluated the effectiveness of the registrant's disclosure controls and procedures as of a date within 90 days prior to the filing date of this quarterly report (the "Evaluation Date"); and~~

~~c) presented in this quarterly report our conclusions about the effectiveness of the disclosure controls and procedures based on our evaluation as of the Evaluation Date;~~

~~5) The registrant's other certifying officers and I have disclosed, based on our most recent evaluation, to the registrant's auditors and the audit committee of registrant's board of directors (or persons performing the equivalent function):~~

~~a) all significant deficiencies in the design or operation of internal controls which could adversely affect the registrant's ability to record, process, summarize and report financial data and have identified for the registrant's auditors any material weaknesses in internal controls; and~~

~~b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal controls;~~

~~6) The registrant's other certifying officers and I have indicated in this quarterly report whether or not there were significant changes in internal controls or in other factors that could significantly affect internal controls subsequent to the date of our most recent evaluation, including any corrective actions with regard to significant deficiencies and material weaknesses.~~

~~Dated: November 14, 2002~~
~~By: /s/ David B. Holtz~~

~~David B. Holtz~~
~~Senior Vice President, Finance and Treasurer~~

~~Exhibit 99.2~~

~~INTEGRA LIFESCIENCES HOLDINGS CORPORATION CERTIFICATION PURSUANT TO 18 U.S.C. SECTION 1350, AS ADOPTED PURSUANT TO SECTION 906 OF THE SARBANES OXLEY ACT OF 2002~~

~~In connection with the Quarterly Report of Integra LifeSciences Holdings Corporation (the "Company") on Form 10-Q for the period ending September 30, 2002 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Stuart M. Essig, Chief Executive Officer of the Company, certify, pursuant to 18 U.S.C. ss. 1350, as adopted pursuant to ss. 906 of the Sarbanes Oxley Act of 2002, that:~~

~~(1) The Report fully complies with the requirements of section 13(a) or 15(d) of the Securities Exchange Act of 1934; and~~

~~(2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.~~

~~/s/ Stuart M. Essig~~

~~Stuart M. Essig~~
~~Chief Executive Officer~~
~~November 14, 2002~~

~~INTEGRA LIFESCIENCES HOLDING CORPORATION CERTIFICATION PURSUANT TO 18 U.S.C. SECTION 1350, AS ADOPTED PURSUANT TO SECTION 906 OF THE SARBANES OXLEY ACT OF 2002~~

~~In connection with the Quarterly Report of Integra LifeSciences Holding Corporation (the "Company") on Form 10-Q for the period ending September 30, 2002 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, David B. Holtz, Senior Vice President, Finance and Treasurer, certify, pursuant to 18 U.S.C. ss. 1350, as adopted pursuant to ss. 906 of the Sarbanes Oxley Act of 2002, that:~~

~~(1) The Report fully complies with the requirements of section 13(a) or 15(d) of the Securities Exchange Act of 1934; and~~

~~(2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.~~

~~/s/ David B. Holtz~~

~~David B. Holtz~~
~~Senior Vice President, Finance and Treasurer~~
~~November 14, 2002~~