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 June 30, 1998

Commission file number 0-26224

INTEGRA LIFESCIENCES 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.)

105 Morgan Lane 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 August 8, 1998 the registrant had outstanding 14,952,523 shares of Common Stock, $.01 par value.

INTEGRA LIFESCIENCES CORPORATION

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PART I. FINANCIAL INFORMATION

Item 1. Financial Statements

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

(In thousands)

	June 30, 1998	December 31, 1997
ASSETS		
Current Assets:		
Cash and cash equivalents	$ 4,710	$ 2,083
Short-term investments	19,687	24,189
Accounts receivable, net	3,173	2,780
Inventories	2,629	2,350
Prepaid expenses and other current assets	902	400
Total current assets	31,101	31,802
Property and equipment, net	6,165	6,414
Other assets	108	140
Total assets	$ 37,374	$ 38,356
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current Liabilities:		
Accounts payable, trade	$ 442	$ 541
Accrued expenses and other current liabilities	3,376	1,854
Total current liabilities	3,818	2,395
Other liabilities	288	206
Total liabilities	4,106	2,601
Stockholders' Equity:		
Preferred stock, $.01 par value (15,000 authorized shares; 500 Series A Convertible shares issued and outstanding at June 30, 1998, $4,000 liquidation preference)	5	--
Common stock, $.01 par value (60,000 authorized shares; 14,953 and 14,952 issued and outstanding at June 30, 1998 and December 31, 1997, respectively)	150	150
Additional paid-in capital	116,026	111,877
Unearned compensation related to stock options	(248)	(266)
Notes receivable - related parties	(35)	(35)
Accumulated other comprehensive income	(71)	(26)
Treasury stock at cost (16 shares at June 30, 1998)	(89)	--
Accumulated deficit	(82,470)	(75,945)
Total stockholders' equity	33,268	35,755
Total liabilities and stockholders' equity	$ 37,374	$ 38,356

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

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

(In thousands)

	Three Months Ended June 30,		Six Months Ended June 30,	
	1998	1997	1998	1997
REVENUE				
Product sales	$ 3,367	$ 4,120	$ 6,530	$ 7,090
Product license fees	--	5	1,015	5
Contract product development	250	--	500	--
Research grants	140	144	209	298
Royalties	70	38	133	102
Total revenue	3,827	4,307	8,387	7,495
COSTS AND EXPENSES				
Cost of product sales	1,604	2,287	3,330	3,843
Research and development	2,074	1,669	4,216	3,086
Selling and marketing	1,519	1,202	3,079	2,320
Selling, general and administrative	2,744	1,712	5,566	3,127
Total costs and expenses	7,941	6,870	16,191	12,376
Operating loss	(4,114)	(2,563)	(7,804)	(4,881)
Other income	889	524	1,279	1,012
Net loss	$ (3,225)	$ (2,039)	$ (6,525)	$ (3,869)
Basic and diluted net loss per share	$ (0.20)	$ (0.14)	$ (0.41)	$ (0.26)
Weighted average number of common and common equivalent shares outstanding	15,944	14,896	15,948	14,683

The accompany notes are an integral part
of the condensed consolidated financial statements

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

(In thousands)

	Six Months Ended June 30,	
	1998	1997
OPERATING ACTIVITIES:		
Net loss	$ (6,525)	$ (3,869)
Adjustments to reconcile net loss to net cash used in operating activities:		
Depreciation and amortization	678	950
Gain on sale of assets and litigation settlement	(266)	(86)
Provision for impairment of assets	145	--
Amortization of discount and interest on investments	(14)	(36)
Amortization of unearned compensation	164	61
Changes in assets and liabilities:		
Accounts receivable	(393)	133
Inventories	(279)	642
Prepaid expenses and other current assets	124	(27)
Deferred revenue	250	--
Accounts payable, accrued expenses and other liabilities	1,413	(23)
Net cash used in operating activities	(4,703)	(2,255)
INVESTING ACTIVITIES:		
Proceeds from sale of assets	47	94
Purchase of restricted securities	(500)	--
Purchases of available-for-sale investments	(16,450)	(19,422)
Proceeds from sale/maturity of investments	20,920	14,000
Purchases of property and equipment	(606)	(237)
Net cash provided by (used in) investing activities	3,411	(5,565)
FINANCING ACTIVITIES:		
Proceeds from exercise of stock options	8	330
Purchase of treasury stock	(89)	--
Proceeds from sale of preferred stock	4,000	--
Net cash provided by financing activities	3,919	330
Net increase (decrease) in cash and cash equivalents	2,627	(7,490)
Cash and cash equivalents at beginning of period	2,083	11,762
Cash and cash equivalents at end of period	$ 4,710	$ 4,272

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

INTEGRA LIFESCIENCES CORPORATION AND SUBSIDIARIES
NOTES TO UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

1. In the opinion of management, the June 30 unaudited condensed consolidated financial statements contain all adjustments (consisting only of normal recurring accruals) which the Company considers necessary for a fair presentation of the financial position and results of operations of the Company. Operating results for the periods ended June 30, 1998 are not necessarily indicative of the results to be expected for the entire year. Certain information and footnote disclosures normally included in financial statements prepared in accordance with generally accepted accounting principles have been condensed or omitted. The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, including disclosures of contingent assets and liabilities and the reported amounts of revenues and expenses during the reporting periods. Actual results could differ from those estimates. These unaudited condensed consolidated financial statements should be read in conjunction with the Company's consolidated financial statements for the year ended December 31, 1997 included in the Company's Annual Report on Form 10-K.

2. Inventory

Inventories consist of the following (in thousands):

	June 30, 1998	December 31, 1997
Finished goods............................	$ 657	$ 773
Work-in-process...........................	1,532	1,251
Raw materials.............................	440	326
	$ 2,629	$ 2,350

3. Current Liabilities

Accrued expenses and other liabilities consist of the following (in thousands):

	June 30, 1998	December 31, 1997
Legal fees................................	$ 1,271	$ 471
Lease termination provision................	330	--
Contract research.........................	437	252
Vacation	271	214
Deferred revenue..........................	250	--
Other	817	917
	$ 3,376	$ 1,854

4. Net loss and loss per share

Since the Company incurred net losses in all periods presented, outstanding options, preferred stock and warrants to purchase an aggregate of 2,275,000 and 1,088,000 shares of common stock at June 30, 1998 and June 30, 1997, respectively, were not included in the diluted per share calculations, as their effect would be antidilutive.

The Company adopted Statement of Financial Accounting Standards No. 130 "Reporting Comprehensive Income" ("SFAS 130"). SFAS 130 establishes standards for reporting and display an alternative income measurement and its components (revenue, expenses, gains and losses) in a full set of general-purpose financial statements. The total comprehensive loss for the three and six months ended June 30, 1998 was $3,219,000 and $6,570,000, respectively, compared to $2,009,000 and $3,870,000 for the three and six-month periods ending June 30, 1997. Total comprehensive income includes the net loss and the net unrealized gains and losses on securities.

5. Stockholders' Equity

The Company's shareholders approved a one-for-two reverse split of the Company's common stock at the annual meeting on May 18, 1998. All outstanding share amounts have been retroactively adjusted to reflect the reverse split.

During the second quarter of 1998, the Company sold 500,000 shares of Series A Preferred Stock ("Preferred Stock") for $4 million to Century Medical, Inc. The Preferred Stock pays an annual dividend of $0.16 per share, payable quarterly, and has a liquidation preference of $4 million. Each share of Preferred Stock is convertible at any time into one-half share of Company common stock and is redeemable at the option of the Company after December 31, 2007.

6. Leases

In June 1998, the Company entered into a Lease Termination Agreement (the "Agreement") related to the closing of the Company's facility in West Chester, Pennsylvania. The Agreement requires an aggregate payment of $330,000 related to the facility's maintenance, certain operating costs and other commitments and is payable through April 1999. As result of the Agreement, the Company incurred an additional asset impairment charge of $145,000 related to the West Chester facility, which charge was included in general and administrative expense in the second quarter of 1998. The West Chester facility is owned by a company controlled by a related party of an officer of the Company.

7. Legal Matters

On or about November 4, 1997, Integra (Artificial Skin) Corporation ("IASC"), a wholly-owned subsidiary of the Company, and the Massachusetts Institute of Technology ("MIT") filed a patent infringement lawsuit against LifeCell Corporation ("LifeCell"). LifeCell filed counterclaims seeking declaratory judgments of non-infringement and patent invalidity and filed a complaint against MIT and IASC in Texas state court claiming tortious interference, business and product disparagement, unfair competition amoung other charges. LifeCell was seeking unspecified actual monetary damages in an amount not less than $12 million together with treble damages, unspecified punitive damages, and other relief. On April 9, 1998, the Company and LifeCell agreed to settle all litigation pending between the parties. Under the terms of the settlement, the Company has agreed not to assert certain patents against LifeCell's current technology or reasonable equivalents thereof and LifeCell has acknowledged the validity of these patents. As part of the settlement agreement, the Company agreed to purchase $500,000 of LifeCell common stock, and LifeCell agreed to a royalty-bearing license for any possible future biomaterials-based matrix products developed by LifeCell that may be covered by the patents.

In January 1994, ABS LifeSciences, Inc., a wholly-owned subsidiary of the Company, entered into a five-year distribution agreement with the distributor of the Company's Chronicure product pursuant to which the distributor is obligated to purchase certain minimum quantities of wound care products. In October 1995, the Company's subsidiary filed a complaint in the United States District Court for the District of New Jersey claiming the distributor breached the distribution agreement by, among other things, not paying the subsidiary for certain products delivered. In November 1995, the distributor filed an affirmative defense and counterclaim alleging, among other things, fraudulent misrepresentation and breach of contract and seeking damages of approximately $1.2 million plus unspecified punitive damages. In June 1998, the Company's subsidiary and the distributor entered into a settlement agreement in which the distributor agreed to pay an aggregate of $550,000 in installments over the remainder of 1998. The Company recorded in other income a net gain of $545,000 as a result of the settlement.

In July 1996, Telios Pharmaceuticals, Inc. ("Telios") filed a patent infringement lawsuit against three parties: Merck KGaA, a German corporation, Scripps Research Institute, a California nonprofit corporation, and David A. Cheresh, Ph.D., a research scientist with Scripps. The lawsuit was filed in the U.S. District Court for the Southern District of California. The complaint charges, 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. David A. Cheresh to infringe United States Letters Patent No. 4,729,255." This patent is one of a group of five patents granted to The Burnham Institute and licensed by Telios that are based on the interaction between a family of cell surface proteins called integrins and the arginine-glycine-aspartic acid (known as "RGD") peptide sequence found in many extracellular matrix proteins. The Company is pursuing numerous medical applications of the RGD technology in the fields of anti-thrombic agents, cancer, osteoporosis, and a cell adhesive coating designed to improve the performance of implantable devices and their acceptance by the body. The defendants have filed a countersuit asking for an award of defendants' reasonable attorney fees. The Company's financial statements do not reflect any significant amounts related to a possible unfavorable outcome of this matter.

Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations

The following discussion contains trend information and other forward-looking statements related to the future use and revenues of INTEGRA(TM) Artificial Skin and anticipated expenditure levels and are made pursuant to the safe harbor provisions of the Securities Litigation Reform Act of 1995. Such statements involve risks and uncertainties which may cause the results to differ materially from those set forth in these statements. In addition, the economic, competitive, governmental, technological and other factors identified in the Company's Annual Report on Form 10-K filed with the Securities and Exchange Commission could affect such results.

General

The Company develops, manufactures and markets medical devices, implants and biomaterials primarily used in the treatment of burns and skin defects, spinal and cranial disorders, orthopedics and other surgical applications. The Company seeks to be the world's leading company specializing in implantable medical and biopharmaceutical therapies to target and control cell behavior, and to build shareholder value by acquiring, discovering and developing cost-effective, off-the-shelf products that satisfy unmet medical needs.

Results of Operations

Three Months Ended June 30, 1998 Compared to Three Months Ended June 30, 1997

Total revenues declined to approximately $3.8 million for the three months ended June 30, 1998 from $4.3 million for the three months ended June 30,1997, primarily due to a decrease in product sales that was partially offset by an increase in product development revenues and royalties. Product sales declined to $3.4 million for the three months ended June 30, 1998 from $4.1 million for the three months ended June 30, 1997. Sales of INTEGRA(TM) Artificial Skin ("INTEGRA") declined to $1.5 million for the three months ended June 30, 1998 compared to $1.7 million in the second quarter of 1997. In the second quarter of 1998, international INTEGRA sales represented 38% of total INTEGRA product sales compared to 31% in the same period of 1997. The Company has clinical data on the use of INTEGRA in reconstructive and wound healing procedures and believes that growth in the use and sale of INTEGRA will depend on its ability to market the product for reconstructive and other additional indications. In March 1998 the Company received CE Mark approval in the European Community to market INTEGRA for use in burns and reconstructive surgery. These additional indications require approval by the FDA before the product can be marketed in the United States, and there can be no assurance the Company will receive any additional indication approval in the United States or any other international markets. The Company plans on submitting a pre-approval market amendment to the FDA seeking the additional indications in the United States.

Sales of the Company's other medical devices were approximately $1.9 million for the three months ended June 30, 1998 down from $2.4 million for the three months ended June 30, 1997. Approximately $200,000 of the decline was related to discontinued products with the remaining decrease related to the timing of orders for the Company's infection control products. Sales of the Company's other medical products can vary significantly on a quarter to quarter basis depending on the timing of shipments to private label customers and contract distributors. Export sales for the three months ended June 30, 1998 were even with sales for the three months ended June 30, 1997 at $660,000 and included a slight increase in international INTEGRA sales.

Other revenue, which includes grant revenue, license fees, contract development revenue and royalties, was approximately $460,000 for the three months ended June 30, 1998 compared to $190,000 for the three months ended June 30, 1997. The Company's product development revenue increased by $250,000 as a result of funding received under the Company's development and marketing agreement with Johnson & Johnson Professional, Inc. The Company continues to seek research grants, licensing arrangements and development funding for several of its technologies, although the timing and amount of such revenue, if any, can not be predicted.

Cost of product sales declined to approximately $1.6 million (48% of product sales) for the three months ended June 30, 1998 from $2.3 million (56% of product sales) for the three months ended June 30, 1997. The decrease in cost of product sales as a percentage of product sales is partially attributable to an inventory write-off of $210,000 in the prior year. In addition, the Company's INTEGRA manufacturing unit operated at a higher utilization compared to the prior year. Due to the high fixed costs of the manufacturing facility for INTEGRA, the Company is anticipating higher unit costs until there is a requirement for higher production volume. The Company believes its current capacity to produce INTEGRA and its other medical products is sufficient to support significant growth, and the utilization of this capacity will affect its gross margin on product sales.

Research and development expense increased to approximately $2.1 million for the three-month period ended June 30, 1998 from $1.7 million for the three-month period ended June 30, 1997. Increases included the addition of development personnel and the funding of several development programs for the skin and orthopedic business lines as well as other business ventures. The Company expects that the level of research and development expenditures in 1998 will continue to exceed 1997 levels as the Company continues to expand its development programs. The amount and allocation of resources to fund research and development will vary depending upon a number of factors, including the progress of development of the Company's technologies, the timing and outcome of pre-clinical and clinical results, changing competitive conditions, potential funding opportunities and determinations with respect to the commercial potential of the Company's technologies.

Selling and marketing expense increased to approximately $1.5 million for the three-month period ended June 30, 1998 from $1.2 million for the three-month period ended June 30, 1997. Increases in international selling and marketing expenses were associated with the launch of INTEGRA in the European Community following its CE mark approval in March 1998. Additional costs included technical personnel and consultants involved in training and promotional activities, international marketing and training materials and domestic costs associated with the Company's cost reimbursement training programs.

General and administrative expense increased to approximately $2.7 million for the three-month period ended June 30, 1998 from $1.7 million for the three-month period ended June 30, 1997 due primarily to costs related to the closing of the West Chester, Pennsylvania facility, severance costs, costs associated with the hiring of management personnel during the latter part of 1997 (including the Company's Chief Executive Officer and Chief Operating Officer) and additional legal and other professional costs. These costs are expected to continue to represent an increase over the comparable 1997 periods for the remainder of 1998. The Company settled its litigation with LifeCell Corporation, University of Utah Research Foundation and Derma Sciences, Inc. during the second quarter of 1998, but significant litigation costs are expected to continue due to the Company's patent infringement lawsuit against Merck KGaA.

Six Months Ended June 30, 1998 Compared to Six Months Ended June 30, 1997

Total revenues increased to approximately $8.4 million for the six months ended June 30, 1998 from $7.5 million for the six months ended June 30,1997, as a decline in product sales was offset by increases in product license fees and product development revenue. Product sales decreased to $6.5 million for the six months ended June 30, 1998 from $7.1 million for the six months ended June 30, 1997. Sales of INTEGRA declined to $2.9 million for the six months ended June 30, 1998 compared to $3.0 million for the six months ended June 30, 1997, as international sales increases partially offset a decline in North American sales. Product sales of the Company's other medical products were $3.6 million for the six months ended June 30, 1998 down from $4.1 million for the six months ended June 30, 1997. Approximately $430,000 of the decline is related to discontinued products. Export sales, including INTEGRA, for the six months ended June 30, 1998 increased to $1.3 million from $950,000 for the six months ended June 30, 1997.

Other revenue was approximately $1.9 million for the six months ended June 30, 1998 compared to $410,000 for the six months ended June 30, 1997. The largest increase was in product license fees due to a $1 million non-refundable licensing fee from Century Medical, Inc. related to the Company's neurosurgical products. The Company's product development revenue increased by $500,000 as a result of funding received under the Company's development and marketing agreement with Johnson & Johnson Professional, Inc.

Cost of product sales declined to approximately $3.3 million (51% of product sales) for the six months ended June 30, 1998 from $3.8 million (54% of product sales) for the six months ended June 30, 1997. The decrease in cost of product sales as a percentage of product sales is attributable to lower inventory write-offs and higher manufacturing utilization compared to the prior year.

Research and development expense increased to approximately $4.2 million for the six months ended June 30, 1998 compared to $3.1 million for the six months ended June 30, 1997 due to additional development personnel and the funding of several contract development programs for the skin, orthopedic and ventures business lines.

Selling and marketing expense increased to approximately $3.1 million for the six-month period ended June 30, 1998 from $2.3 million for the six-month period ended June 30, 1997. Increases included international sales and marketing expenses associated with the addition of technical personnel and consultants involved in training and promotional activities, marketing materials and costs associated with the Company's cost reimbursement training programs.

General and administrative expense increased to approximately $5.6 million for the six-month period ended June 30, 1998 from $3.1 million for the six-month period ended June 30, 1997 due primarily to costs related to the closing of the West Chester, Pennsylvania facility, severance costs, costs associated with the hiring of management personnel during the latter part of 1997 (including the Company's Chief Executive Officer and Chief Operating Officer) and additional legal and other professional costs. These costs are expected to continue to represent an increase over the comparable 1997 periods for the remainder of 1998. The Company settled its litigation with LifeCell Corporation, University of Utah Research Foundation and Derma Sciences, Inc. during the current year.

Liquidity and Capital Resources

At June 30, 1998, the Company had cash, cash equivalents and short-term investments of approximately $24.4 million and no long-term debt. The Company's principal uses of funds during the six-month period ended June 30, 1998 were $4.7 million for operations and $610,000 in purchases of property and equipment. The Company received $4.0 million in funds from the issuance of series A preferred stock during the second quarter of 1998. The Company anticipates that it will continue to use its liquid assets to fund operations until sufficient revenues can be generated through product sales and collaborative arrangements. There can be no assurance that the Company will be able to generate sufficient revenues to obtain positive operating cash flows or profitability.

Year 2000 Disclosure

Currently, there is significant uncertainty regarding the impact of the Year 2000 on information systems, such as those used by the Company. The Company does not currently believe that the effects of any Year 2000 non-compliance on the Company's information systems should have any material adverse impact on the Company's business or results of operations; however, there can be no assurance that the Company will not incur expenses or experience business disruption as a result of system problems associated with the century change.

Item 4. Submission of Matters to a Vote of Security Holders

The Company's Annual Meeting of Stockholders was held on May 18, 1998 and in connection therewith, proxies were solicited by management pursuant to Regulation 14 under the Securities Exchange Act of 1934. An aggregate of 29,905,097 shares of the Company's common stock ("Shares") were outstanding and entitled to a vote at the meeting. At the meeting the following matters (not including ordinary procedural matters) were submitted to a vote to the holders of Shares, with the results indicated below:

1. Reserve Split of Common Stock. The approval and adoption of a one-for-two reverse stock split of the Company's common stock. The reverse split was effected by an amendment to the Company's Amended and Restated Certificate of Incorporation. The tabulation of votes was as follows:

For	Against	Abstentions
23,848,470	317,856	20,081

2. Approval of the Company's 1998 Stock Option Plan. The Company's 1998 Stock Option Plan was approved. The tabulation of votes was as follows:

For	Against	Abstentions
19,878,329	739,988	35,631

3. Approval of the Company's Employee Stock Purchase Plan. The Company's Employee Stock Purchase Plan was approved. The tabulation of votes was as follows:

For	Against	Abstentions
20,511,703	114,628	27,617

4. Election of directors to serve until the 1998 Annual Meeting. The following persons, all of whom were serving as directors and were management's nominees for reelection, were reelected. There was no solicitation in opposition to such nominees. The tabulation of votes was as follows:

Nominee	For	Withheld
Keith Bradley	24,142,646	43,761
Richard E. Caruso	24,142,646	43,761
Stuart M. Essig	24,143,518	42,889
George W. McKinney, III	24,144,546	41,861
James M. Sullivan	24,141,846	44,561
Edmund L. Zalinski	24,136,016	50,391

5. Ratification of independent auditors. The appointment of PricewaterhouseCoopers L.L.P. as the Company's independent auditors for the current fiscal year was ratified. The tabulation of votes was as follows:

For	Against	Abstentions
24,131,964	38,160	16,283

Item 5. Other Information

The Securities and Exchange Commission recently amended certain rules under the Securities Exchange Act of 1934 regarding the use of a company's discretionary proxy voting authority with respect to stockholder proposals submitted to the company for consideration at the company's next annual meeting.

Pursuant to amended Rules 14a-5(e)(2) and 14a-4(c)(1), stockholder proposals submitted to the Company outside the processes of Rule 14a-8 (i.e., procedures for placing a stockholder's proposal in the Company's proxy materials) with respect to the Company's 1999 annual meeting of stockholders will be considered untimely if received by the Company after March 3, 1999. Accordingly, the proxy with respect to the Company's 1999 annual meeting of shareholders will confer discretionary authority to vote on any stockholder proposals received by the Company after such date.

Item 6. Exhibits and Reports on Form 8-K

(a) Exhibits

10	Lease Termination Agreement dated as of June 22, 1998 by and among BHP Diagnostics, Inc, Medicus Corporation, Integra LifeSciences I, Ltd. and Integra LifeSciences Corporation
27	Financial Data Schedule

(b) Reports on Form 8-K

None

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 CORPORATION

Date: August 14, 1998

By: /s/ Stuart M. Essig

Stuart M. Essig
President and Chief Executive Officer

Date: August 14, 1998

By: /s/ David B. Holtz

David B. Holtz
Vice President, Finance and Treasurer

AGREEMENT

THIS AGREEMENT (this "Agreement") is made as of this __ day of June, 1998 by and among BHP Diagnostics, Inc. ("BHP"), Medicus Corporation (formerly known as Medicus Technologies, Inc.) ("Medicus" and, together with BHP, "BHP/Medicus"), Integra LifeSciences I Ltd. (formerly known as Integra Ltd.) ("ILTD") and Integra LifeSciences Corporation ("ILC" and, together with ILTD, "Integra").

Background

BHP, Medicus, ILTD and ILC are parties to a Real Estate Lease and Usage Agreement (the "Lease") and a Shared Facilities Usage Agreement (the "Facilities Agreement"), each dated as of May 1, 1994, relating to that certain facility located in West Chester, Pennsylvania that is leased by Medicus to Integra (the "Facility").

The parties desire to terminate the Lease and the Facilities Agreement and to enter into certain agreements relating to the Facility, all upon the terms and subject to the conditions set forth herein.

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

1. Termination of Agreements.

1.1 Effective as of June 30, 1998, the Lease and the Facilities Agreement shall be terminated, without further action, and shall be of no further force or effect.

1.2 ILC shall be responsible for all costs and expenses incurred in connection with the operation and maintenance of the Facility on and prior to June 30, 1998, and Medicus shall be responsible for all costs and expenses incurred in connection with the operation of the Facility on and after July 1, 1998.

1.3 On July 1, 1998, ILC shall pay Medicus for the repair and restoration items set forth on Exhibit A (items (1), (2), (3) and (4)) hereto. Before and after June 30, 1998, ILC shall at its expense use its personnel or independent contractors to complete the item set forth on Exhibit A (item (5)) as expeditiously as reasonably possible.

2. Covenants and Agreements of ILC and ILTD.

2.1 On the last business day of each month commencing July 31, 1998 and ending on April 30, 1999, Integra shall pay Medicus an amount equal to $29,030.

2.2 ILC hereby grants to Medicus all of its right, title and interest in and to the name "Medicus Technologies, Inc.," and forever relinquishes all rights it may have with respect thereto. Integra shall promptly take all necessary and other appropriate action, to transfer all the stock of its inactive subsidiary, Medicus Technologies, Inc., to Medicus. ILC represents that as of the date hereof, such inactive subsidiary never had a bank account, transacted business through its accounts or made any commitments or contracts with Integra or any other party. Further, to its knowledge, there are not claims or threats of claims outstanding with respect to Medicus Technologies, Inc.

2.3 Upon the execution of this Agreement, ILC shall instruct electric, telephone, gas and other utilities, taxing authorities and the like, to read appropriate meters as of June 30, 1998 and send the bill for such utilities and taxes to ILC, and commencing July 1, 1998 to bill in the name of Medicus Technologies, Inc. for such utilities, taxes and the like and to send the bill to Medicus Technologies, Inc. for such charges at 515 West Franklin Street, West Chester, Pennsylvania.

2.4 To the extent required during a transition period not beyond April 30, 1999, in the event Medicus Technologies, Inc. is prior to July 1, 1998 unable to obtain its own utility accounts and/or insurance coverage on terms acceptable to Medicus, ILC shall at the written instruction of Medicus continue such insurance and/or utility account on behalf of Medicus Technologies, Inc. and be entitled to charge and withhold payment to Medicus Technologies, Inc. for the actual costs thereof incurred commencing July 1, 1998.

3. Covenants and Agreements of Medicus.

3.1 Promptly following April 30, 1999, Medicus shall deliver a report to Integra detailing the operating costs (operating costs do not include capital expenditures made by Medicus) and revenues of the freeze-drying operation conducted by Medicus at the Facility for the period from July 1, 1998 through April 30, 1999. Along with such report, Medicus shall deliver to Integra by wire transfer pursuant to instructions previously provided by Integra the amount by which the revenues of the freeze-drying operation exceeds the costs thereof, less $140,300.

3.2 For seven years following the date hereof, if Medicus is conducting a freeze-drying operation at the Facility, Medicus shall provide freeze-drying services to Integra at prices equal to the lowest prices charged by Medicus to third parties for such services and shall make available service capacity for Integra at the Facility to at least 20% of the current freeze-drying capacity of the Facility based on a 5 day, 40 hour work week.

3.3 Medicus shall not (a) for a period of seven years following the date hereof, sell or lease the Facility, either directly or indirectly, to any of the entities set forth on Exhibit B hereto, or (b) for a period of two years following the date hereof, compete directly with Integra in any non-human, collagen-based, medical products business, provided that Medicus shall be permitted to manufacture such products at the request of bona fide third parties pursuant to arms' length manufacturing agreements. During the seven-year period in (a) above, Medicus shall promptly notify Integra in writing of its intentions to sublease the Facility to a third party. Upon receiving such notice, Integra shall have thirty (30) days to exercise its right to lease the Facility, as currently configured, from Medicus for $15,000 per month, plus an annual cost of living increase calculated from May 1, 1999. If from July 1, 1998 Medicus makes substantial modifications or improvements to the Facility, such modifications or improvements shall warrant additional fair rent. If Integra does not exercise such right within the thirty-day period, Medicus shall be permitted to sublease the Facility to a third party, subject to the restrictions contained in the first sentence of this Section 3.3; provided, however, that the provisions of this Section 3.3 relating to notice and rights of Integra shall again become applicable if Medicus does not sublease the Facility to a third party within sixty (60) days after the initial thirty-day period expires.

3.4 Medicus agrees to employ John O'Donnell for a period of at least ten (10) months ending April 30, 1999.

4. Entire Agreement. This Agreement sets forth the entire agreement between the parties hereto with respect to the subject matter hereof and supersedes all prior arrangements or understandings with respect thereto.

5. Assignment. This Agreement and the rights or obligations of any party hereunder may not be assigned or delegated without the written consent of each other party hereto.

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

BHP DIAGNOSTICS, INC.

By:____________________
Name:
Title:

INTEGRA LIFESCIENCES CORPORATION

By:___________________________
Name:
Title:

MEDICUS CORPORATION

By:_____________________
Name:
Title:

INTEGRA LIFESCIENCES I LTD.

By:___________________________
Name:
Title:

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JUN-30-1998
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