

management and investors regarding non-cash expenses and financial and business trends relating to the Company's financial condition and results of operations. Management uses non-GAAP financial measures in the form of adjusted net income and adjusted earnings per diluted share when evaluating operating performance because we believe that the inclusion or exclusion of the items described below, for which the amounts and/or timing may vary significantly depending upon the Company's acquisition and restructuring activities, provides a supplemental measure of our operating results that facilitates comparability of our operating performance from period to period, against our business model objectives, and against other companies in our industry. We have chosen to provide this information to investors so they can analyze our operating results in the same way that management does and use this information in their assessment of our core business and the valuation of our Company.

Internally, adjusted net income and adjusted earnings per diluted share are significant measures used by management for purposes of:

- o supplementing the financial results and forecasts reported to the Company's board of directors;
- o evaluating, managing and benchmarking the operating performance of the Company;
- o establishing internal operating budgets;

- o determining compensation under bonus or other incentive programs;
- o enhancing comparability from period to period;
- o comparing performance with internal forecasts and targeted business models;
and
- o evaluating and valuing potential acquisition candidates.

Adjusted net income reflects net income adjusted for the following items:

o **EQUITY-BASED COMPENSATION.** Equity-based compensation relates primarily to stock options and restricted stock issued by the Company. Although recurring in nature, equity-based compensation expense is heavily influenced by management decisions regarding equity-based awards that were granted at a time when different accounting rules applied to such awards and is a non-cash expense that varies in amount from period to period and is affected by market forces that are difficult to predict and are not within the control of management, such as the price of our common stock. Accordingly, management excludes this item from its internal operating forecasts and models and as it assesses the Company's performance. Management believes that its presentation and disclosure of this non-GAAP disclosure is consistent with the guidance included within Staff Accounting Bulletin No. 107 and exclusion of this item is consistent with the guidance in Staff Accounting Bulletin No. 107.

o **ACQUISITION-RELATED CHARGES.** Acquisition-related charges include in-process research and development charges, charges related to discontinued research and development projects for product technologies that were made redundant by an acquisition and inventory fair value purchase accounting adjustments. Inventory fair value purchase accounting adjustments consist of the increase to cost of goods sold that occur as a result of expensing the "step up" in the fair value of inventory that we purchased in connection with acquisitions as that inventory is sold during the financial period. Although recurring given the ongoing character of our acquisition program, these acquisition-related charges are not factored into the evaluation of our performance by management after completion of acquisitions because they are of a temporary nature, they are not related to our core operating performance and the frequency and amount of such charges vary significantly based on the timing and magnitude of our acquisition transactions as well as the level of inventory on hand at the time of acquisition.

o **FACILITY CONSOLIDATION, MANUFACTURING TRANSFER AND SYSTEM INTEGRATION CHARGES.** These charges, which include employee termination and other costs associated with exit or disposal activities and costs associated with the worldwide implementation of a single enterprise resource planning system, result from rationalizing our existing manufacturing, distribution and administrative infrastructure. Many of these cost-saving and efficiency-driven activities are identified as opportunities in connection with acquisitions that provide the Company with additional capacity or economies of scale. Although recurring in nature given management's ongoing review of the efficiency of our manufacturing, distribution and administrative facilities and operations, management excludes these items when evaluating the operating performance of the Company because the frequency and amount of such charges vary significantly based on the timing and magnitude of the Company's rationalization activities and are, in some cases, dependent upon opportunities identified in acquisitions, which also vary in frequency and magnitude.

o **EMPLOYEE TERMINATION AND RELATED COSTS.** Employee termination and related costs consist of charges related to significant reductions in force that are not initiated in connection with facility consolidations or manufacturing transfers. Management excludes these items when evaluating Integra's operating performance because these amounts do not affect our core operations and because of the infrequent and large-scale nature of these activities.

o CONVERTIBLE NOTE EXCHANGE OFFER CHARGES / SWAP TERMINATION CHARGES. The convertible note exchange offer charges consist of fees paid in connection with the exchange offer and the write-off of the unamortized debt issuance costs associated with the old contingent convertible notes that were exchanged. The interest rate swap termination charges result from the write-off of the unamortized mark-to-market fair value adjustment recorded under hedge accounting against the contingent convertible notes. The Company discontinued hedge accounting following termination of the interest rate swap. Management excludes these items when evaluating Integra's operating performance because these amounts do not affect our core operations and because of the infrequent and large-scale nature of these activities.

o CHARGES ASSOCIATED WITH DISCONTINUED PRODUCT LINES. This represents a charge taken in connection with a product line that the Company discontinued. Management excludes this item when evaluating Integra's operating performance because this amount does not affect our core operations and because of the infrequent nature of this activity.

o QUARTERLY ADJUSTMENT TO INCOME TAX EXPENSE RELATED TO SIGNIFICANT CHANGES IN THE YEAR-TO-DATE EXPECTED EFFECTIVE INCOME TAX RATE. Income tax expense is adjusted, on a quarterly basis, to eliminate the cumulative effects in the current quarter of significant adjustments to the year-to-date (full year) expected effective income tax rate. Neither the year-to-date (full year) adjusted net income nor adjusted earnings per share amounts are affected by this latter adjustment.

o INCOME TAX EXPENSE (BENEFIT). Income tax expense is adjusted by the amount of additional tax expense or benefit that the Company estimates that it would record if it used non-GAAP results instead of GAAP results in the calculation of its tax provision. Such additional tax expense or benefit is calculated at the statutory rate applicable to jurisdictions in which such non-GAAP adjustments relate.

The calculation of adjusted earnings per diluted share is further adjusted for the following item:

o As noted above, in calculating adjusted net income, one of the Company's adjustments is to add back all equity-based compensation expense determined in accordance with SFAS 123R to be more comparable to prior years. In order to make the 2006 presentation more comparable to prior years, the calculation of weighted average shares outstanding on a diluted basis had to be conformed as well. In calculating diluted earnings per share, the dilutive effect of restricted stock and stock options on the denominator is determined through application of the treasury stock method, and unearned equity-based compensation is one factor that is used to calculate assumed share repurchases under the treasury stock method. Because the unrecognized equity-based compensation expense under SFAS 123R is higher than if no equity-based compensation charges are assumed (which is how we calculate adjusted net income), the number of shares that are included in the denominator of diluted earnings per share when applying SFAS 123R is less than the number of shares that are included in our method of reporting adjusted earnings per diluted share (i.e. in order to be consistent, since all equity-based compensation expense was added back in the calculation of adjusted net income, the weighted average shares used to calculate adjusted earnings per diluted share were also adjusted so that no unearned equity-based compensation is considered in the treasury stock method). As a result, our calculation of adjusted earnings per diluted share is based on a different number of shares than GAAP earnings per share.

Adjusted net income and adjusted earnings per diluted share are not calculated in accordance with GAAP, and should be considered supplemental to, and not as a substitute for, or superior to, financial measures calculated in accordance with GAAP. Non-GAAP financial measures have limitations in that they do not reflect all of the costs or benefits associated with the operations of the Company's business as determined in accordance with GAAP. As a result, you should not consider these measures in isolation or as a substitute for analysis of Integra's results as reported under GAAP. Integra expects to continue to incur expenses of a nature similar to the non-GAAP adjustments described above, and exclusion of these items from its adjusted net income should not be construed as an inference that all of these costs are unusual,

infrequent or non-recurring. Some of the limitations in relying on adjusted net income and adjusted earnings per diluted share are:

o Adjusted net income does not include equity-based compensation expense related to equity awards granted to our workforce or third parties. Our equity incentive plans are important components of our employee incentive compensation arrangements and are reflected as expenses in our GAAP results in accordance with Statement of Financial Accounting Standards No. 123R, Share-Based Payment, commencing with the first quarter of 2006. While we include the dilutive impact of such equity awards in weighted average shares outstanding, the expense associated with equity-based awards is excluded from adjusted net income.

o Integra periodically acquires other companies or businesses, and we expect to continue to incur acquisition-related expenses and charges in the future. These costs can directly impact the amount of the Company's available funds or could include costs for aborted deals which may be significant and reduce GAAP net income.

o Although the charges related to the restructuring of our operations and changes to our capital structure occur on a sporadic basis and the charges relating to the discontinued product line, the convertible note exchange offer and the interest rate swap termination did not previously occur, they may recur in the future and they are, in many cases, cash charges that reduce our available cash. There is no assurance that we will not incur other similar charges and expenditures in the future.

o All of the adjustments, other than the quarterly income tax expense adjustment related to significant changes in the expected year-to-date effective income tax rate, have been tax effected at Integra's actual tax rates. Depending on the nature of the adjustments and the tax treatment of the underlying items and the magnitude of changes in the expected year-to-date effective income tax rate from quarter to quarter, the effective tax rate related to adjusted net income could differ significantly from the effective tax rate related to GAAP income.

In the financial statements portion of its earnings press release for the fourth quarter of 2006, which is attached hereto as Exhibit 99.1, the Company has included a reconciliation of GAAP net income to adjusted net income and GAAP earnings per diluted share to adjusted earnings per diluted share used by management for the quarters and years ended December 31, 2006 and 2005.

ITEM 9.01. FINANCIAL STATEMENTS AND EXHIBITS.

(d) Exhibits.

Exhibit Number	Description of Exhibit
99.1	Press release issued February 28, 2007 regarding earnings for the quarter and year ended December 31, 2006

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, as amended, the Registrant has duly caused this report to be signed on its behalf by the undersigned, hereunto duly authorized.

INTEGRA LIFESCIENCES HOLDINGS CORPORATION

DATE: FEBRUARY 28, 2007

BY: /s/ STUART M. ESSIG

STUART M. ESSIG
PRESIDENT AND CHIEF EXECUTIVE OFFICER

EXHIBIT INDEX

Exhibit Number	Description of Exhibit
99.1	Press release issued February 28, 2007 regarding earnings for the quarter and year ended December 31, 2006

NEWS RELEASE

CONTACTS:

INTEGRA LIFESCIENCES HOLDINGS CORPORATION

MAUREEN B. BELLANTONI
 EXECUTIVE VICE PRESIDENT
 AND CHIEF FINANCIAL OFFICER
 (609) 936-6822
 maureen.bellantoni@integra-ls.com

JOHN BOSTJANCIC
 VICE PRESIDENT, CORPORATE DEVELOPMENT
 AND INVESTOR RELATIONS
 (609) 936-2239
 jbostjancic@integra-ls.com

INTEGRA LIFESCIENCES REPORTS 2006 FINANCIAL RESULTS

REVENUES FOR THE FOURTH QUARTER INCREASE 72% TO \$125.4 MILLION

PLAINSBORO, NEW JERSEY, FEBRUARY 28, 2007 - INTEGRA LIFESCIENCES HOLDINGS CORPORATION (NASDAQ: IART) TODAY REPORTED ITS FINANCIAL RESULTS FOR THE FOURTH QUARTER ENDING DECEMBER 31, 2006. TOTAL REVENUES IN THE FOURTH QUARTER OF 2006 WERE \$125.4 MILLION, REFLECTING AN INCREASE OF \$52.4 MILLION, OR 72%, OVER THE FOURTH QUARTER OF 2005. REVENUES FROM PRODUCTS ACQUIRED IN 2006 WERE \$35.6 MILLION FOR THE QUARTER.

THE COMPANY REPORTED GAAP NET INCOME OF \$10.1 MILLION, OR \$0.34 PER DILUTED SHARE, FOR THE FOURTH QUARTER OF 2006, COMPARED TO GAAP NET INCOME OF \$10.6 MILLION, OR \$0.33 PER DILUTED SHARE, IN THE FOURTH QUARTER OF 2005. REPORTED EARNINGS FOR THE FOURTH QUARTER OF 2006 INCLUDED \$3.8 MILLION OF SHARE-BASED COMPENSATION EXPENSE RELATED TO THE IMPLEMENTATION OF SFAS 123R SHARE-BASED PAYMENT IN JANUARY 2006. REPORTED EARNINGS FOR THE FOURTH QUARTER OF 2005 DO NOT REFLECT THE IMPACT OF SHARE-BASED COMPENSATION EXPENSE.

"WE ACHIEVED RECORD REVENUES IN THE FOURTH QUARTER THROUGH STRONG GROWTH IN OUR EXISTING PRODUCT LINES AND ACQUIRED PRODUCT SALES," SAID STUART M. ESSIG, INTEGRA'S PRESIDENT AND CHIEF EXECUTIVE OFFICER. "DURING THE QUARTER, WE ALSO COMPLETED THE INTEGRATION OF KINETIKOS MEDICAL, INC. (KMI) INTO OUR INTEGRA EXTREMITY RECONSTRUCTION SALES CHANNEL, INITIATED THE PIVOTAL UNITED STATES CLINICAL TRIAL FOR OUR DURAGEN PLUS(R) ADHESION BARRIER MATRIX -- THE LARGEST CLINICAL STUDY UNDERTAKEN BY INTEGRA IN ITS HISTORY -- AND LAUNCHED A SALES ORGANIZATION DEVOTED TO PRODUCTS FOR SPINE SURGERY."

TOTAL REVENUES FOR THE YEAR ENDED DECEMBER 31, 2006 WERE \$419.3 MILLION, REFLECTING AN INCREASE OF \$141.4 MILLION, OR 51%, OVER 2005. REVENUES FROM PRODUCTS ACQUIRED IN 2006 WERE \$98.1 MILLION FOR THE YEAR ENDED DECEMBER 31, 2006. THE COMPANY REPORTED NET INCOME OF \$29.4 MILLION, OR \$0.97 PER DILUTED SHARE, FOR THE FULL YEAR 2006, COMPARED TO NET INCOME OF \$37.2 MILLION, OR \$1.15 PER DILUTED SHARE IN 2005.

INTEGRA GENERATED \$20.9 MILLION IN CASH FLOWS FROM OPERATIONS IN THE FOURTH QUARTER OF 2006 AND \$71.7 MILLION IN ALL OF 2006.

"ONE OF OUR OBJECTIVES IS TO GROW OPERATING CASH FLOWS, WHICH HAVE ACCELERATED SIGNIFICANTLY IN THE PAST YEAR," SAID MAUREEN B. BELLANTONI, INTEGRA'S EXECUTIVE VICE PRESIDENT AND CHIEF FINANCIAL OFFICER. "DURING THE PAST FIVE YEARS, WE HAVE GENERATED IN EXCESS OF 35% AVERAGE ANNUAL GROWTH IN OUR OPERATING CASH FLOWS. THIS HAS GREATLY IMPROVED OUR ACCESS TO DEBT CAPITAL, WHICH WE HAVE INCREASINGLY USED TO SUPPORT OUR GROWTH."

IN ADDITION TO GAAP RESULTS, INTEGRA REPORTS ADJUSTED NET INCOME AND ADJUSTED DILUTED EARNINGS PER SHARE. A FURTHER DISCUSSION OF THESE NON-GAAP FINANCIAL MEASURES CAN BE FOUND BELOW, AND

RECONCILIATIONS OF GAAP NET INCOME TO ADJUSTED NET INCOME AND GAAP DILUTED EARNINGS PER SHARE TO ADJUSTED DILUTED EARNINGS PER SHARE FOR THE QUARTERS AND YEARS ENDED DECEMBER 31, 2006 AND 2005 APPEAR IN THE FINANCIAL STATEMENTS ATTACHED TO THIS RELEASE.

ADJUSTED NET INCOME FOR THE FOURTH QUARTER OF 2006, COMPUTED WITH THE ADJUSTMENTS TO GAAP REPORTING SET FORTH IN THE ATTACHED RECONCILIATION, WAS \$15.0 MILLION, OR \$0.50 PER DILUTED SHARE. IN THE FOURTH QUARTER OF 2005 ADJUSTED NET INCOME WAS \$12.1 MILLION, OR \$0.37 PER DILUTED SHARE. ADJUSTED NET INCOME WAS \$52.5 MILLION, OR \$1.67 PER DILUTED SHARE, FOR THE FULL YEAR 2006 AND \$42.1 MILLION, OR \$1.29 PER DILUTED SHARE, FOR THE FULL YEAR 2005.

"2006 WAS A YEAR OF SIGNIFICANT PROGRESS FOR INTEGRA," SAID MR. ESSIG. "IN ADDITION TO OUR FOURTH QUARTER ACCOMPLISHMENTS, WE ALSO INVESTED MORE THAN \$220 MILLION TO ACQUIRE STRATEGIC PRODUCT LINES FOR EACH OF OUR THREE MAJOR SALES CHANNELS, REINVIGORATED SALES GROWTH OF EXISTING PRODUCTS AND LAID THE FOUNDATION FOR FURTHER GROWTH BY LAUNCHING MORE THAN 20 PRODUCTS, ADDING TO OUR RICH PRODUCT PIPELINE."

INTEGRA LIFESCIENCES PRESENTS ITS REVENUES IN TWO CATEGORIES: A) NEUROSURGICAL AND ORTHOPEDIC IMPLANTS AND B) MEDICAL SURGICAL EQUIPMENT.

THE COMPANY'S REVENUES FOR THE PERIODS WERE AS FOLLOWS:

SELLING, GENERAL AND ADMINISTRATIVE EXPENSE INCREASED BY \$20.3 MILLION TO \$45.9 MILLION IN THE FOURTH QUARTER OF 2006, OR 37% OF REVENUE, AS COMPARED TO 35% IN THE FOURTH QUARTER OF 2005. INCLUDED IN THIS INCREASE WAS SHARE-BASED COMPENSATION EXPENSE OF \$3.5 MILLION, OR 3% OF REVENUE, ATTRIBUTABLE TO THE IMPACT OF ADOPTING FAS 123R.

OPERATING INCOME FOR THE FOURTH QUARTER OF 2006 WAS \$20.1 MILLION, A 35% INCREASE OVER THE PRIOR YEAR PERIOD.

WE REPORTED NET INTEREST EXPENSE OF \$2.3 MILLION IN THE FOURTH QUARTER OF 2006.

OUR EFFECTIVE INCOME TAX RATE WAS 39.1% FOR 2006 AND 32.5% IN 2005. THE INCREASE IN THE EFFECTIVE INCOME TAX RATE FOR 2006 WAS DRIVEN BY THE NONDEDUCTIBLE NATURE OF THE \$5.9 MILLION IN-PROCESS RESEARCH AND DEVELOPMENT CHARGE AND THE CHANGES IN THE GEOGRAPHIC MIX OF TAXABLE INCOME ATTRIBUTABLE TO RECENTLY ACQUIRED BUSINESSES. THE \$5.9 MILLION IN-PROCESS RESEARCH AND DEVELOPMENT CHARGE INCREASED OUR EFFECTIVE INCOME TAX RATE FOR 2006 BY 4.2 PERCENTAGE POINTS. WE EXPECT AN EFFECTIVE INCOME TAX RATE OF APPROXIMATELY 34% FOR 2007.

DURING THE FOURTH QUARTER OF 2006, WE REPURCHASED 920,605 SHARES OF OUR COMMON STOCK FOR AN AGGREGATE PURCHASE PRICE OF \$38.2 MILLION. DURING 2006, WE REPURCHASED A TOTAL OF 1.8 MILLION SHARES OF OUR COMMON STOCK FOR \$70.0 MILLION. AS OF DECEMBER 31, 2006, THERE WAS \$36.8 MILLION AVAILABLE FOR REPURCHASES UNDER OUR EXISTING SHARE REPURCHASE AUTHORIZATION, WHICH WILL EXPIRE ON DECEMBER 31, 2007.

AT DECEMBER 31, 2006, OUR CASH TOTALED \$22.7 MILLION AND WE HAD OUTSTANDING BORROWINGS OF \$100.0 MILLION UNDER OUR CREDIT FACILITY. IN FEBRUARY 2007, WE INCREASED THE BORROWING CAPACITY UNDER OUR CREDIT FACILITY TO \$300 MILLION.

WE ARE UPDATING OUR GUIDANCE FOR THE FULL YEAR 2007 AND PROVIDING OUR INITIAL GUIDANCE FOR 2008. WE ARE ALSO PROVIDING GUIDANCE FOR EACH QUARTERLY PERIOD OF 2007. OUR ESTIMATES ASSUME FOREIGN CURRENCY EXCHANGE RATES REMAIN UNCHANGED THROUGHOUT 2007 AND 2008. IN ACCORDANCE WITH OUR USUAL PRACTICE, OUR EXPECTATIONS FOR 2007 AND 2008 FINANCIAL PERFORMANCE DO NOT INCLUDE THE IMPACT OF ACQUISITIONS OR OTHER STRATEGIC CORPORATE TRANSACTIONS THAT HAVE NOT YET CLOSED.

OUR QUARTERLY AND FULL-YEAR REVENUE AND GAAP EARNINGS PER SHARE EXPECTATIONS ARE AS FOLLOWS:

Period	Revenue Guidance (in millions)	Earnings Per Share Guidance
First Quarter 2007	\$117 - \$120	\$0.32 - \$0.34
Second Quarter 2007	\$120 - \$123	\$0.34 - \$0.36
Third Quarter 2007	\$129 - \$132	\$0.46 - \$0.49
Fourth Quarter 2007	\$142 - \$145	\$0.58 - \$0.61
2007	\$508 - \$520	\$1.70 - \$1.80
2008	\$570 - \$590	\$2.05 - \$2.25

ON A QUARTERLY BASIS, WE EXPECT TO INCUR APPROXIMATELY \$3.7 MILLION, OR \$0.08 PER SHARE, OF COMPENSATION EXPENSE ASSOCIATED WITH FAS 123R IN 2007 AND 2008. THIS NON-CASH COMPENSATION EXPENSE IS INCLUDED IN THE GAAP EARNINGS PER SHARE GUIDANCE FOR 2007 AND 2008 PROVIDED ABOVE.

ALTHOUGH WE ARE NOT PROVIDING ADJUSTED EARNINGS PER SHARE GUIDANCE FOR 2007 AND 2008, IN THE FUTURE WE MAY RECORD, OR EXPECT TO RECORD, CERTAIN REVENUES, GAINS, EXPENSES OR CHARGES (SUCH AS ACQUISITION-RELATED CHARGES, FACILITY CONSOLIDATION, MANUFACTURING TRANSFER AND SYSTEM INTEGRATION CHARGES, AND CERTAIN EMPLOYEE TERMINATION AND RELATED COSTS) THAT WE WILL EXCLUDE IN THE CALCULATION OF ADJUSTED EARNINGS PER SHARE FOR HISTORICAL PERIODS OR FOR PROVIDING ADJUSTED EARNINGS PER SHARE GUIDANCE.

WE HAVE SCHEDULED A CONFERENCE CALL FOR 9:00 AM EST TODAY, FEBRUARY 28, 2007, TO DISCUSS THE FINANCIAL RESULTS FOR THE FOURTH QUARTER OF 2006 AND FORWARD-LOOKING FINANCIAL GUIDANCE. THE CALL IS OPEN TO ALL LISTENERS AND WILL BE FOLLOWED BY A QUESTION AND ANSWER SESSION. ACCESS TO THE LIVE CALL IS AVAILABLE BY DIALING (913) 312-1235 OR THROUGH A LISTEN-ONLY WEBCAST VIA A LINK PROVIDED ON THE INVESTOR RELATIONS HOMEPAGE OF INTEGRA'S WEBSITE AT www.integra-ls.com. A REPLAY OF THE CONFERENCE CALL WILL BE ACCESSIBLE STARTING ONE HOUR FOLLOWING THE LIVE EVENT. ACCESS TO THE REPLAY IS AVAILABLE THROUGH MARCH 14, 2007 BY DIALING (719) 457-0820 (ACCESS CODE 4583668) OR THROUGH THE WEBCAST ACCESSIBLE ON OUR HOME PAGE.

INTEGRA LIFESCIENCES HOLDINGS CORPORATION, A WORLD LEADER IN REGENERATIVE MEDICINE, IS DEDICATED TO IMPROVING THE QUALITY OF LIFE FOR PATIENTS THROUGH THE DEVELOPMENT, MANUFACTURING, AND MARKETING OF COST-EFFECTIVE SURGICAL IMPLANTS AND MEDICAL INSTRUMENTS. OUR PRODUCTS, USED PRIMARILY IN NEUROSURGERY, EXTREMITY RECONSTRUCTION, ORTHOPEDICS AND GENERAL SURGERY, ARE USED TO TREAT MILLIONS OF PATIENTS EVERY YEAR. INTEGRA'S HEADQUARTERS ARE IN PLAINSBORO, NEW JERSEY, AND WE HAVE RESEARCH AND MANUFACTURING FACILITIES THROUGHOUT THE WORLD. PLEASE VISIT OUR WEBSITE AT (<http://www.integra-ls.com>).

THIS NEWS RELEASE CONTAINS FORWARD-LOOKING STATEMENTS WITHIN THE MEANING OF THE PRIVATE SECURITIES LITIGATION REFORM ACT OF 1995. FORWARD-LOOKING STATEMENTS INCLUDE, BUT ARE NOT LIMITED TO, STATEMENTS CONCERNING FUTURE FINANCIAL PERFORMANCE, INCLUDING PROJECTIONS FOR REVENUES, EFFECTIVE INCOME TAX RATE, AND GAAP EARNINGS PER DILUTED SHARE, AND THE NUMBER OF NEW PRODUCTS EXPECTED TO BE LAUNCHED IN 2007. SUCH FORWARD-LOOKING STATEMENTS INVOLVE RISKS AND UNCERTAINTIES THAT COULD CAUSE ACTUAL RESULTS TO DIFFER MATERIALLY FROM PREDICTED OR EXPECTED RESULTS. AMONG OTHER THINGS, OUR ABILITY TO MAINTAIN RELATIONSHIPS WITH CUSTOMERS OF ACQUIRED ENTITIES, PHYSICIANS' WILLINGNESS TO ADOPT OUR RECENTLY LAUNCHED AND PLANNED PRODUCTS, THIRD-PARTY PAYORS' WILLINGNESS TO PROVIDE REIMBURSEMENT FOR THESE PRODUCTS, INITIATIVES LAUNCHED BY OUR COMPETITORS, OUR ABILITY TO SECURE REGULATORY APPROVAL FOR PRODUCTS IN DEVELOPMENT AND OUR ABILITY TO COMPLY WITH NEWLY-ENACTED REGULATIONS REGARDING PRODUCTS CONTAINING MATERIALS DERIVED FROM ANIMAL SOURCES MAY ADVERSELY AFFECT OUR FUTURE PRODUCT REVENUES; THE GEOGRAPHIC MIX OF TAXABLE INCOME MAY AFFECT OUR OVERALL EFFECTIVE INCOME TAX RATE; OUR ABILITY TO INTEGRATE ACQUIRED BUSINESSES, INCREASE PRODUCT SALES AND GROSS MARGINS, AND CONTROL NON-PRODUCT COSTS MAY AFFECT OUR EARNINGS, AND THE SUCCESS OF OUR PRODUCT DEVELOPMENT EFFORTS AND OUR ABILITY TO SECURE REGULATORY APPROVAL FOR PRODUCTS IN DEVELOPMENT MAY AFFECT THE NUMBER OF NEW PRODUCTS LAUNCHED IN 2007. IN ADDITION, THE ECONOMIC, COMPETITIVE, GOVERNMENTAL, TECHNOLOGICAL AND OTHER FACTORS IDENTIFIED UNDER THE HEADING "FACTORS THAT MAY AFFECT OUR FUTURE PERFORMANCE" INCLUDED IN THE BUSINESS SECTION OF INTEGRA'S ANNUAL REPORT ON FORM 10-K FOR THE YEAR ENDED DECEMBER 31, 2005 AND INFORMATION CONTAINED IN SUBSEQUENT FILINGS WITH THE SECURITIES AND EXCHANGE COMMISSION COULD AFFECT ACTUAL RESULTS.

DISCUSSION OF ADJUSTED FINANCIAL MEASURES

ADJUSTED NET INCOME CONSISTS OF NET INCOME EXCLUDING EQUITY-BASED COMPENSATION CHARGES, ACQUISITION-RELATED CHARGES, CHARGES INCURRED IN CONNECTION WITH THE EXCHANGE OFFER OF CONVERTIBLE NOTES AND THE TERMINATION OF THE INTEREST RATE SWAP AGREEMENT, FACILITY CONSOLIDATION, MANUFACTURING TRANSFER AND SYSTEM INTEGRATION CHARGES, CERTAIN EMPLOYEE TERMINATION AND RELATED COSTS, CHARGES ASSOCIATED WITH DISCONTINUED PRODUCT LINES, AND, ON A QUARTERLY BASIS, INCOME TAX EXPENSE ADJUSTMENTS RELATED TO SIGNIFICANT CHANGES IN THE EFFECTIVE INCOME TAX RATE DURING THE YEAR. ADJUSTED EARNINGS PER DILUTED SHARE ARE CALCULATED BY DIVIDING ADJUSTED NET INCOME FOR DILUTED EARNINGS PER SHARE BY ADJUSTED DILUTED WEIGHTED AVERAGE SHARES OUTSTANDING. BECAUSE ALL EQUITY-BASED COMPENSATION EXPENSE IS ADDED BACK IN THE CALCULATION OF ADJUSTED NET INCOME, THE CALCULATION OF DILUTED WEIGHTED AVERAGE SHARES OUTSTANDING IS ADJUSTED TO EXCLUDE THE BENEFITS OF UNEARNED EQUITY-BASED COMPENSATION COSTS ATTRIBUTABLE TO FUTURE SERVICES AND NOT YET RECOGNIZED IN THE FINANCIAL STATEMENTS. THESE UNEARNED EQUITY-BASED COMPENSATION COSTS ARE TREATED AS PROCEEDS ASSUMED TO BE USED TO REPURCHASE SHARES, BASED ON THE AVERAGE TRADING PRICE OF INTEGRA COMMON STOCK DURING THE PERIOD REPORTED, IN THE CALCULATION OF GAAP DILUTED WEIGHTED AVERAGE SHARES OUTSTANDING.

INTEGRA BELIEVES THAT THE PRESENTATION OF ADJUSTED NET INCOME AND ADJUSTED EARNINGS PER DILUTED SHARE PROVIDES IMPORTANT SUPPLEMENTAL INFORMATION TO MANAGEMENT AND INVESTORS REGARDING NON-CASH EXPENSES AND FINANCIAL AND BUSINESS TRENDS RELATING TO THE COMPANY'S FINANCIAL CONDITION AND RESULTS OF OPERATIONS. FOR FURTHER INFORMATION REGARDING WHY INTEGRA BELIEVES THAT THESE NON-GAAP FINANCIAL MEASURES PROVIDE USEFUL INFORMATION TO INVESTORS, THE SPECIFIC MANNER IN WHICH MANAGEMENT USES THESE MEASURES, AND SOME OF THE LIMITATIONS ASSOCIATED WITH THE USE OF THESE MEASURES, PLEASE REFER TO THE COMPANY'S CURRENT REPORT ON FORM 8-K REGARDING THIS EARNINGS PRESS RELEASE FILED TODAY WITH THE SECURITIES AND EXCHANGE COMMISSION. THIS CURRENT REPORT ON FORM 8-K IS AVAILABLE ON THE SEC'S WEBSITE AT WWW.SEC.GOV OR ON OUR WEBSITE AT WWW.INTEGRA-LS.COM.

INTEGRA LIFESCIENCES HOLDINGS CORPORATION
CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS
(UNAUDITED)

(In thousands, except per share amounts)

	Three Months Ended December 31,		Year Ended December 31,	
	2006	2005	2006	2005
TOTAL REVENUE	\$125,395	\$72,985	\$419,297	\$277,935
COSTS AND EXPENSES				
Cost of product revenues	51,446	28,644	168,314	107,052
Research and development	5,214	2,705	25,732	11,960
Selling, general and administrative	45,936	25,663	157,706	98,273
Intangible asset amortization	2,651	1,059	8,801	4,545
	-----	-----	-----	-----
Total costs and expenses	105,247	58,071	360,553	221,830
	-----	-----	-----	-----
Operating income	20,148	14,914	58,744	56,105
Interest income	201	1,087	2,194	3,900
Interest expense	(2,503)	(1,071)	(10,620)	(4,165)
Other income (expense), net	(178)	(101)	(2,010)	(739)
	-----	-----	-----	-----
Income before income taxes	17,668	14,829	48,308	55,101
Income tax expense	7,537	4,214	18,901	17,907
	-----	-----	-----	-----
Net income	10,131	10,615	29,407	37,194
Add back of after tax interest expense	2	608	2,254	2,440
	-----	-----	-----	-----
Net income for diluted earnings per share	\$ 10,133	\$11,223	\$ 31,661	\$ 39,634
Diluted net income per share	\$ 0.34	\$ 0.33	\$ 0.97	\$ 1.15
Weighted average common shares outstanding for diluted net income per share	30,084	34,081	32,747	34,565
	-----	-----	-----	-----

Listed below are the items included in net income that management excludes in computing the adjusted financial measures referred to in the text of this press release and further described under Discussion of Adjusted Financial Measures.

(In thousands)

	Three Months Ended December 31,		Year Ended December 31,	
	2006	2005	2006	2005
Equity-based compensation	\$ 3,834	--	14,116	--
Acquisition-related charges	903	--	12,093	966
Facility consolidation, manufacturing transfer and system integration charges	--	1,027	717	2,214
Employee termination and related costs	693	1,120	1,114	3,988
Charges associated with convertible debt exchange offer	--	--	1,879	--
Charges associated with termination of interest rate swap	--	--	1,425	--
Charges associated with discontinued product lines	--	--	--	478
Income tax expense (benefit) related to above adjustments	(1,767)	(710)	(8,256)	(2,714)
Quarterly adjustment to income tax expense related to significant changes in the year-to-date expected effective income tax rate (1)	1,246	--	--	--

(1) The above \$1,246 reduction to income tax expense during the fourth quarter of 2006 was made to reflect what the income tax expense would have been (\$8,057) based upon a 34.9% effective income tax rate. The 34.9% effective income tax rate for the fourth quarter of 2006 approximates the year-to-date (full year) effective income tax rate that would have been reported after excluding the 4.2 percentage point impact of the \$5.9 million in-process research and development expense recorded in 2006.

INTEGRA LIFESCIENCES HOLDINGS CORPORATION
RECONCILIATION OF NON-GAAP ADJUSTMENTS - HISTORICAL
(UNAUDITED)

(In thousands, except per share amounts)

	Three Months Ended December 31,		Year Ended December 31,	
	2006	2005	2006	2005
GAAP net income	\$ 10,131	\$ 10,615	\$ 29,407	\$ 37,194
Non-GAAP adjustments:				
Equity-based compensation	3,834	--	14,116	--
Acquisition-related charges	903		12,093	966
Facility consolidation, manufacturing transfer and system integration charges	--	1,027	717	2,214
Employee termination and related costs	693	1,120	1,114	3,988
Charges associated with convertible debt exchange offer	--	--	1,879	--
Charges associated with termination of interest rate swap	--	--	1,425	--
Charges associated with discontinued product lines	--	--	--	478
Income tax expense (benefit) related to above adjustments	(1,767)	(710)	(8,256)	(2,714)
Quarterly adjustment to income tax expense related to significant changes in the year-to-date expected effective income tax rate (1)	1,246	--	--	--
Total of non-GAAP adjustments	4,909	1,437	23,088	4,932
Adjusted net income	\$ 15,040	\$ 12,052	52,495	42,126
Add back of after tax interest expense	2	608	2,254	2,440
Adjusted net income for diluted earnings per share	\$ 15,042	\$ 12,660	54,749	44,566
Weighted average common shares outstanding for diluted net income per share	30,084	34,081	32,747	34,565
Non-GAAP adjustment	86	--	121	--
Adjusted weighted average common shares outstanding for adjusted diluted net income per share	30,170	34,081	32,868	34,565
GAAP diluted net income per share	\$ 0.34	\$ 0.33	\$ 0.97	\$ 1.15
Non-GAAP adjustments detailed above (per share)	\$ 0.16	\$ 0.04	\$ 0.70	\$ 0.14
Adjusted diluted net income per share	\$ 0.50	\$ 0.37	\$ 1.67	\$ 1.29

(1) The above \$1,246 reduction to income tax expense during the fourth quarter of 2006 was made to reflect what the income tax expense would have been (\$8,057) based upon a 34.9% effective income tax rate. The 34.9% effective income tax rate for the fourth quarter of 2006 approximates the year-to-date (full year) effective income tax rate that would have been reported after excluding the 4.2 percentage point impact of the \$5.9 million in-process research and development expense recorded in 2006.

Condensed Balance Sheet Data (in thousands):

	December 31, 2006 -----	December 31, 2005 -----
Cash and marketable securities, including non-current portion	\$ 22,697	\$143,384
Accounts receivable, net	85,018	49,007
Inventory, net	94,387	67,476
Bank line of credit	100,000	--
Demand notes (1)	119,542	--
Long term debt (1)	508	118,378
Stockholders' equity	293,124	289,818

(1) The closing price of Integra's common stock on the issuance date of the new convertible notes, which would be settled on a net share settlement basis upon conversion, was higher than the market price trigger of the new notes. Therefore, the new notes are considered demand debt and are classified as current liabilities on the balance sheet because the holders have the option to convert the new notes at any time.

SOURCE: INTEGRA LIFESCIENCES HOLDINGS CORPORATION