



## Integra LifeSciences Announces First Quarter 2004 Financial Results

PLAINSBORO, N.J., April 27, 2004 (PRIMEZONE) -- Integra LifeSciences Holdings Corporation (Nasdaq:IART) today reported net income of \$7.4 million, or \$0.24 per share, for the first quarter of 2004, compared to net income of \$5.4 million, or \$0.18 per share, in the first quarter of 2003, an increase of 37% over the prior year period.

Total revenues in the first quarter of 2004 increased by \$15.7 million to \$52.4 million, a 43% increase over the first quarter of 2003, as product revenues increased by \$16.3 million to \$51.4 million and other revenues decreased by \$0.6 million to \$1.0 million. Excluding recently acquired product lines, first quarter 2004 product revenues increased by \$7.3 million, or 22%, over the prior year period.

Operating income for the period was \$11.7 million, a 58% increase over the first quarter of 2003.

"I am pleased with our performance in the first quarter," said Stuart M. Essig, Integra's President and Chief Executive Officer. "During the quarter, we successfully resumed direct selling of our INTEGRA®; Dermal Regeneration Template through our Plastic and Reconstructive Surgery sales force. We also completed two acquisitions, which enhanced our extensive instrument product offering."

On January 1, 2004 we resumed the direct marketing, sale and distribution of our INTEGRA®; Dermal Regeneration Template. During 2003, we doubled the size of our Plastic and Reconstructive Surgery sales force in anticipation of the termination of our distribution agreement with ETHICON, Inc. for this product. Our larger sales force gave us the capacity to sell the INTEGRA product directly from the beginning of the quarter.

In January we also acquired the R&B instrument business from R&B Surgical Solutions and the Sparta disposable critical care devices and surgical instruments business from Fleetwood Medical, Inc. The R&B instrument line is a complete line of high-quality handheld surgical instruments used in neuro- and spinal surgery that we market through our JARIT sales channel. The Sparta product line includes products used in plastic and reconstructive, ENT, neuro, ophthalmic and general surgery. We market these product lines primarily to hospitals and physicians through a catalog and a network of distributors.

Our revenues for the periods were as follows:

|                          | Three Months    |          |             |
|--------------------------|-----------------|----------|-------------|
|                          | Ended March 31, |          | % Increase/ |
|                          | 2004            | 2003     | (Decrease)  |
|                          | ----            | ----     | -----       |
| Product Revenue:         |                 |          |             |
| Neuromonitoring products | \$11,198        | \$10,532 | 6%          |
| Operating room products  | 18,332          | 12,588   | 46%         |
| Instruments              | 16,043          | 6,247    | 157%        |
| Private label products   | 5,862           | 5,763    | 2%          |
|                          | -----           | -----    | -----       |
| Total Product Revenue    | 51,435          | 35,130   | 46%         |
| Other revenue            | 1,008           | 1,650    | (39%)       |
|                          | -----           | -----    | -----       |
| Total Revenue            | \$52,443        | \$36,780 | 43%         |

Continued strong growth in sales of our DuraGen®; and DuraGen Plus™ Dural Graft Matrix products and direct selling of the INTEGRA®; Dermal Regeneration Template accounted for the increase in operating room product revenues. Sales of recently acquired product lines contributed \$9.0 million of the year-over-year increase in instrument revenues. The increase in our private label product revenues attributable to the Absorbable Collagen Sponge we supply for use in Medtronic's INFUSE bone graft product was offset by the removal of INTEGRA Dermal Regeneration Template revenues from this category for inclusion in operating room revenues.

Acquisitions contributed significantly to our product revenue growth. Revenues from product lines acquired since the beginning of the first quarter of 2003 accounted for \$10.1 million of product revenues in the current period. Excluding recently acquired product lines and changes in foreign currency exchange rates, first quarter 2004 product revenues increased by \$6.3 million, or 19%, over the prior year period.

Gross margin on product revenues in the first quarter of 2004 was 61%. Our gross margin was positively affected by changes in the mix of our products sold during the quarter and the resumption of direct sales of INTEGRA Dermal Regeneration Template.

Research and development expense increased slightly from \$2.7 million in the first quarter of 2003 to \$2.8 million in 2004. Sales and marketing expense increased by \$3.6 million to \$11.2 million in the first quarter of 2004 due to the expansion of our direct sales organizations and because we owned JARIT for the entire current period compared to a portion of the prior year period. As a percentage of product revenues, sales and marketing expense remained constant at 22% in both periods. General and administrative expense increased \$1.0 million in the first quarter of 2004 to \$5.9 million.

We reported net interest income of \$57,000 in the first quarter of 2004, as compared to net interest income of \$776,000 in the prior year period. This change resulted primarily from interest expense associated with the \$120.0 million of contingent convertible subordinated notes that we issued in 2003.

The Company generated \$10.9 million in cash flows from operations in the first quarter of 2004.

The Company's cash and investments totaled \$212.1 million at March 31, 2004.

We are updating our expectations for revenues, gross margin and earnings per share for 2004 and 2005. We expect total revenues of between \$215 million and \$220 million in 2004 and \$250 million and \$260 million in 2005. Consolidated gross margin is expected to be 61% and 63% of product revenues in 2004 and 2005, respectively. Excluding a potential in-process research and development charge related to a \$1.5 million milestone payment that may become due in connection with a product development agreement, we expect our earnings to be within a range of \$1.08 to \$1.14 per share in 2004 and \$1.35 and \$1.40 per share in 2005. Our guidance for the second quarter of 2004 is for total revenues in the range of \$51 million to \$53 million and earnings per share of \$0.24 to \$0.25. In accordance with our usual practice, our expectations for 2004 and 2005 financial performance do not include the impact of acquisitions or other strategic corporate transactions that have not yet closed.

We have scheduled a conference call for 9:00 am EST tomorrow, April 28, 2004, to discuss the financial results for the first quarter of 2004 and to further discuss forward-looking financial guidance. The call is open to all listeners and will be followed by a question and answer session. Access to the live call is available by dialing (973) 935-8512 or through a listen-only webcast via a link provided on the home page of Integra's website at [www.Integra-LS.com](http://www.Integra-LS.com). A replay of the conference call will be accessible starting one hour following the live event. Access to the replay is available through May 12, 2004 by dialing (973) 341-3080 (access code 4664385) or through the webcast accessible on our home page.

Integra LifeSciences Holdings Corporation is a diversified medical technology company that develops, manufactures, and markets medical devices for use in a variety of applications. The primary applications for our products are neuro-trauma and neurosurgery, plastic and reconstructive surgery and general surgery. Integra is a leader in applying the principles of biotechnology to medical devices that improve patients' quality of life. Our corporate headquarters are in Plainsboro, New Jersey, and we have research, manufacturing and distribution facilities located throughout the world. We have approximately 1,000 employees. Please visit our website at (<http://www.Integra-LS.com>).

This news release contains forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995. Forward-looking statements include, but are not limited to, statements concerning future financial performance, including projections for revenues, gross margins, earnings per share and cash flows. Such forward-looking statements involve risks and uncertainties that could cause actual results to differ materially from predicted or expected results. Among other things, our ability to maintain relationships with customers of acquired entities, physicians' willingness to adopt our recently launched and planned products and our ability to secure regulatory approval for products in development may adversely affect our future product revenues; our ability to increase sales and product volumes may adversely affect our future gross margins; our ability to integrate acquired businesses, increase product sales and gross margins, and control non-product costs may affect our earnings per share; and our future net income results and our ability to effectively manage working capital may affect our future cash flows. In addition, the economic, competitive, governmental, technological and other factors identified under the heading "Factors That May Affect Our Future Performance" included in the Business section of Integra's Annual Report on Form 10-K for the year ended December 31, 2003 and information contained in subsequent filings with the Securities and Exchange Commission could affect actual results.

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

These non-GAAP financial measures should not be relied upon to the exclusion of GAAP financial measures. Management

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

INTEGRA LIFESCIENCES HOLDINGS CORPORATION  
CONSOLIDATED FINANCIAL RESULTS  
(In thousands, except per share data)  
(UNAUDITED)

Statement of Operations Data:

|   | Three Months    |          |
|---|-----------------|----------|
|   | Ended March 31, |          |
|   | 2004            | 2003     |
|   | ----            | ----     |
| Product revenues                                      | \$51,435        | \$35,130 |
| Other revenues  | 1,008           | 1,650    |
|   | -----           | -----    |
| Total revenues  | 52,443          | 36,780   |
| Cost of product revenues                              | 20,001          | 13,703   |
| Research and development                              | 2,823           | 2,650    |
| Sales and marketing                                   | 11,151          | 7,576    |
| General and administrative                            | 5,856           | 4,834    |
| Amortization  | 883             | 577      |
|   | -----           | -----    |
| Total costs and expenses                              | 40,714          | 29,340   |
| Operating income                                      | 11,729          | 7,440    |
| Interest income, net                                  | 57              | 776      |
| Other income (expense), net                           | (17)            | 349      |
|   | -----           | -----    |
| Income before income taxes                            | 11,769          | 8,565    |
| Provision for income taxes                            | 4,331           | 3,127    |
|   | -----           | -----    |
| Net income  | \$7,438         | \$5,438  |
| Diluted earnings per share                            | \$0.24          | \$0.18   |
| Diluted weighted average<br>common shares outstanding | 30,859          | 30,869   |

Condensed Balance Sheet Data:

|   | March 31, | December 31, |
|---|-----------|--------------|
|   | 2004      | 2003         |
|   | ----      | ----         |
| Cash and marketable securities, including non-current portion | \$212,081 | \$206,743    |
| Accounts receivable, net                                      | 30,322    | 28,936       |
| Inventory, net  | 44,894    | 41,046       |
| Total assets  | 421,341   | 412,526      |
| Current liabilities   | 19,694    | 20,618       |
| Long-term debt  | 119,742   | 119,257      |
| Total liabilities   | 143,124   | 143,996      |
| Stockholders' equity  | 278,217   | 268,530      |

Reconciliation of non-GAAP financial measures to the most comparable GAAP measure:

A. Growth in product revenues excluding recently acquired product lines

Excluding recently acquired product lines, first quarter 2004 product revenues increased by \$7.3 million, or 22%, over the prior year period.

| Quarter Ended | Increase   |
|---------------|------------|
| March 31,     | (Decrease) |

|  | 2004              | 2003      | \$       | %     |
|--|-------------------|-----------|----------|-------|
|  | -----             | -----     | -----    | ----- |
|  | (\$ in thousands) |           |          |       |
| Total product revenues,<br>as reported                 | \$ 51,435         | \$ 35,130 | \$16,305 | 46%   |
| Less: Product revenues<br>acquired in 2004 and<br>2003 | 10,123            | 1,142     | 8,981    | 786%  |
|  | -----             | -----     | -----    | ----- |
| Product revenues<br>excluding acquired<br>products     | \$ 41,312         | \$ 33,988 | \$ 7,324 | 22%   |

B. Growth in product revenues excluding recently acquired product lines and changes in foreign currency exchange rates  
Excluding recently acquired product lines and changes in foreign currency exchange rates, first quarter 2004 product revenues increased by \$6.3 million, or 19%, over the prior year period.

|  | Quarter Ended     |           | Increase   |       |
|--|-------------------|-----------|------------|-------|
|  | March 31,         |           | (Decrease) |       |
|  | 2004              | 2003      | \$         | %     |
|  | -----             | -----     | -----      | ----- |
|  | (\$ in thousands) |           |            |       |
| Total product revenues,<br>as reported   | \$ 51,435         | \$ 35,130 | \$16,305   | 46%   |
| Less: Product revenues<br>acquired in 2004 and<br>2003   | 10,123            | 1,142     | 8,981      | 786%  |
| Impact of changes in<br>foreign currency<br>exchange rates   | 1,007             | --        | 1,007      | N/A   |
|  | -----             | -----     | -----      | ----- |
| Product revenues<br>excluding acquired<br>products and<br>changes in foreign<br>currency exchange<br>rates | \$ 40,305         | \$ 33,988 | \$ 6,317   | 19%   |

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