UNITED STATES
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, 2003

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

INDICATE BY CHECK MARK WHETHER THE REGISTRANT IS AN ACCELERATED FILER
/X/ YES / / NO

AS OF NOVEMBER 7, 2003 THE REGISTRANT HAD OUTSTANDING 27,149,060 SHARES OF COMMON STOCK, $.01 PAR VALUE.

INTEGRA LIFESCIENCES HOLDINGS CORPORATION

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PART I. FINANCIAL INFORMATION

Item 1. Financial Statements

INTEGRA LIFESCIENCES HOLDINGS CORPORATION
CONSOLIDATED STATEMENTS OF OPERATIONS
(UNAUDITED)

(In thousands, except per share amounts)

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2003	2002	2003	2002
REVENUES Product revenues	$ 43,467	$ 29,231	$119,834	$ 78,523
Other revenues	3,591	973	6,740	4,038
Total revenues	47,058	30,204	126,574	82,561
COSTS AND EXPENSES Cost of product revenues	18,870	12,611	49,663	31,604
Research and development	2,616	2,345	8,043	6,724
In process research and development		2,322		2,322
Selling and marketing	10,090	6,720	26,748	18,320
General and administrative	3,787	4,189	13,357	10,045
Amortization	773	425	2,112	1,139
Total costs and expenses	36,136	28,612	99,923	70,154
Operating income	10,922	1,592	26,651	12,407
Interest income	734	832	2,343	2,847
Interest expense	(922)	(10)	(1,953)	(39)
Other income (expense), net	309	(11)	1,109	21
Income before income taxes	11,043	2,403	28,150	15,236
Income tax expense	4,210	840	10,461	5,333
Net income	$6,833	$1,563	$ 17,689	$9,903
Basic net income per share	$ 0.24	$ 0.05	$ 0.61	$ 0.34
Diluted net income per share	$ 0.23	$ 0.05	$ 0.58	$ 0.32
Weighted average common shares outstanding:				
Basic	28,981	29,258	28,968	28,933
Diluted	30,286	30,654	30,404	30,740

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

INTEGRA LIFESCIENCES HOLDINGS CORPORATION
CONSOLIDATED BALANCE SHEETS
(UNAUDITED)

(In thousands, except per share amounts)

	September 30, 2003	December 31, 2002
ASSETS		
Current Assets:		
Cash and cash equivalents	$ 83,951	$ 43,583
Short-term investments	31,523	55,278

Accounts receivable, net of allowances of $837 and $1,387	26,961	19,412
Inventories	38,395	28,502
Prepaid expenses and other current assets	5,743	5,498
Total current assets	186,573	152,273
Non-current investments	93,596	33,450
Property, plant, and equipment, net	17,873	16,556
Deferred income taxes, net	24,659	25,218
Identifiable intangible assets, net	51,070	23,091
Goodwill	22,566	22,073
Other assets	6,192	2,007
Total assets	$ 402,529	$ 274,668
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current Liabilities:		
Accounts payable, trade	$ 6,604	$ 3,764
Income taxes payable	532	--
Customer advances and deposits	10,429	7,908
Deferred revenue	3,317	816
Accrued expenses and other current liabilities	11,561	9,433
Total current liabilities	32,443	21,921
Long-term debt	119,911	--
Deferred revenue	406	3,263
Other liabilities	2,714	1,887
Total liabilities	155,474	27,071
Stockholders' Equity:		
Common stock; $0.01 par value; 60,000 authorized shares; 27,582 and 27,204 issued and outstanding at September 30, 2003 and December 31, 2002, respectively	276	272
Additional paid-in capital	289,094	292,007
Treasury stock, at cost; 759 and 106 shares at September 30, 2003 and December 31, 2002, respectively	(17,955) (1,812)	
Other	(6)	(15)
Accumulated other comprehensive income (loss):		
Unrealized gains (losses) on available-for-sale securities	(153)	861
Foreign currency translation adjustment	3,483	1,618
Minimum pension liability adjustment	(1,050)	(1,011)
Accumulated deficit	(26,634)	(44,323)
Total stockholders' equity	247,055	247,597
Total liabilities and stockholders' equity	$ 402,529	$ 274,668

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

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

	(In thousands) Nine Months Ended September 30,	
	2003	2002
OPERATING ACTIVITIES: ~~Net income~~ ~~$17,689 $ 9,903 Adjustments to reconcile net income to net cash provided by operating activities: Depreciation and intangible asset amortization ..... 4,932 3,714 Deferred income tax provision ..... 8,240 4,202 In process research and development..... 2,322 Amortization of discount and premium on investments ..... 1,344 1,471 Gain on sale of assets, net ..... (369) -- Other, net ..... 385 53 Changes in assets and liabilities, net of acquisitions: Accounts receivable ..... (3,900) (1,053) Inventories ..... (1,009) (175) Prepaid expenses and other current assets ..... (234) (550) Non-current~~		

assets ..... (1,051) (42) Accounts payable, accrued expenses and other liabilities ..... 2,969 807 Customer advances and deposits ..... 3,022 (204) Deferred revenue ..... (857) 40 Net cash provided by operating activities ..... 31,161 20,488 INVESTING ACTIVITIES: Proceeds from sales/maturities of investments ..... 109,877 20,940 Purchases of available for sale investments ..... (144,952) (21,227) Cash used in acquisitions, net of cash acquired ..... (42,688) (11,344) Purchases of property and equipment ..... (2,366) (1,646) ---------- Net cash used in investing activities ..... (80,129) (13,277) FINANCING ACTIVITIES: Repayment of note payable ..... (3,600) Proceeds from exercised stock options..... 8,556 1,951 Purchases of treasury stock ..... (35,403) Proceeds from issuance of convertible notes, net ..... 115,963 Net cash provided by (used in) financing activities .... 89,116 (1,649) Effect of exchange rate changes on cash and cash equivalents .... 220 62 Net increase in cash and cash equivalents..... 40,368 5,624 Cash and cash equivalents at beginning of period..... 43,583 44,518 Cash and cash equivalents at end of period..... $83,951 $50,142 ========== ========== Non cash investing and financing activities: Business acquisition costs accrued in liabilities ..... Business acquisition costs accrued in liabilities ..... 982 744 Accrued debt issuance costs ..... 269 The accompanying notes are an integral part of these consolidated financial statements

INTEGRA LIFESCIENCES HOLDINGS CORPORATION
NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS

BASIS OF PRESENTATION

General

In the opinion of management, the September 30, 2003 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 accounting principles generally accepted in the United States 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, 2002 included in the Company's Current Report on Form 8-K dated June 27, 2003. As discussed in that report, in 2003 the Company began to report financial results under a single operating segment--the development, manufacturing, and distribution of medical devices.

Operating results for the three and nine month periods ended September 30, 2003 are not necessarily indicative of the results to be expected for the entire year.

The preparation of consolidated financial statements in conformity with accounting principles generally accepted in the United States 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, 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.

New Accounting Policy

Derivatives

The Company reports all derivatives at their estimated fair value and records changes in fair value in current earnings or defers these changes until a related hedged item is recognized in earnings, depending on the nature and effectiveness of the hedging relationship. The designation of a derivative as a hedge is made on the date the derivative contract is executed. On an ongoing basis, the Company assesses whether each derivative continues to be highly effective in offsetting changes in the fair value or cash flows of hedged items. If and when a derivative is no longer expected to be highly effective, the Company discontinues hedge accounting. All hedge ineffectiveness is included in current period earnings in other income (expense), net.

The Company documents all relationships between hedged items and derivatives. The Company's overall risk management strategy describes the circumstances under which the Company may undertake hedge transactions and enter into derivatives.

The objective of the Company's current risk management strategy is to hedge the risk of changes in fair value attributable to interest rate risk with respect to a portion of its fixed rate debt.

The determination of fair value of derivatives is based on valuation models that use observable market quotes or projected cash flows and the Company's view of the creditworthiness of the derivative counterparty.

Recently Issued Accounting Standards

In May 2003, the Financial Accounting Standards Board ("FASB") issued SFAS No. 150, "Accounting for Certain Instruments with Characteristics of both Liabilities and Equity", which establishes standards for how an issuer classifies and measures certain financial instruments with characteristics of both liabilities and equity. SFAS 150 is effective for financial instruments

entered into or modified after May 31, 2003, and otherwise is effective at the beginning of the first interim period beginning after June 15, 2003. In November 2003, the FASB deferred the effective date of SFAS 150 for certain mandatorily redeemable financial instruments and non-controlling interests. The Company's adoption of the initial recognition and initial measurement provisions of SFAS 150 did not have a material impact on the Company's results of operations or financial position.

In April 2003, the FASB issued SFAS No. 149, "Amendment of Statement 133 on Derivative Instruments and Hedging Activities", which amends and clarifies financial accounting and reporting for derivative instruments, including certain derivative instruments embedded in other contracts, and for hedging activities under SFAS 133. SFAS 149 is effective for contracts entered into or modified after June 30, 2003, and for hedging relationships designated after June 30, 2003. The adoption of SFAS 149 did not have a material impact on the Company's results of operations or financial position.

In November 2002, the Emerging Issues Task Force (EITF) issued EITF 00-21 "Accounting for Revenue Arrangements with Multiple Deliverables". EITF 00-21 addresses when and how an arrangement involving multiple deliverables should be divided into separate units of accounting. EITF 00-21 is effective for revenue arrangements entered into in fiscal periods beginning after June 15, 2003. The Company will continue to evaluate the impact of EITF 00-21 on revenue arrangements it may enter into in the future.

In December 2002, the FASB issued SFAS No. 148, "Accounting for Stock-Based Compensation - Transition and Disclosure". SFAS No. 148 provides alternative methods of transition for a voluntary change to the fair value based method of accounting for stock-based employee compensation and amends certain disclosure requirements of SFAS No. 123 "Accounting for Stock Based Compensation". SFAS No. 148 does not require companies to expense stock options in current earnings. The interim disclosure requirements became effective for the Company beginning with its March 31, 2003 consolidated financial statements.

The Company recognizes employee stock-based compensation using the intrinsic value method prescribed by APB Opinion No. 25 "Accounting for Stock Issued to Employees" and FASB Interpretation No. 44 "Accounting for Certain Transactions Involving Stock Compensation -an interpretation of APB Opinion No. 25".

Had the compensation cost for the Company's stock-based compensation plans been determined based on the fair value at the date of grant consistent with the provisions of SFAS No. 123, the Company's net income and basic and diluted net income per share would have been as follows:

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2003	2002	2003	2002
	(in thousands, except per share amounts)			
Net income: As reported	$ 6,833	$ 1,563	$17,689	$ 9,903
Less: Total stock based employee compensation expense determined under the fair value based method for all awards, net of related tax effects	(1,520)	(1,298)	(4,164)	(3,699)
Pro forma	$ 5,313	$ 265	$13,525	$ 6,204
Net income per share: Basic: As reported	$ 0.24	$ 0.05	$ 0.61	$ 0.34
Pro forma	$ 0.18	$ 0.01	$ 0.47	$ 0.21
Diluted: As reported	$ 0.23	$ 0.05	$ 0.58	$ 0.32
Pro forma	$ 0.18	$ 0.01	$ 0.45	$ 0.20

As options vest over a varying number of years and awards are generally made each year, the pro forma impacts shown above may not be representative of future pro forma expense amounts. The pro forma additional compensation expense was calculated based on the fair value of each option grant using a Black-Scholes model.

2. ACQUISITIONS

In August 2003, the Company acquired substantially all of the assets of Tissue Technologies, Inc., the manufacturer and distributor of the UltraSoft(TM) line of implants for soft tissue augmentation of the facial area. The Company paid $0.5 million in cash at closing and is obligated to pay the seller up to an additional $1.6 million in cash, including contingent consideration based upon a multiple of the Company's sales of the UltraSoft product in the third year following the acquisition. The Company markets the UltraSoft products directly to cosmetic and reconstructive surgeons through its plastic and reconstructive surgery sales force and through a network of distributors. The acquired assets consist primarily of technology, which is being amortized on a straight-line basis over 10 years, and goodwill. Any future contingent consideration paid to the seller will be recorded as additional goodwill.

In March 2003, the Company acquired all of the outstanding capital stock of J. Jamner Surgical Instruments, Inc. (doing business as JARIT(R) Surgical Instruments) ("JARIT") for $42.7 million in cash, including expenses associated with the acquisition and net of $2.1 million of cash acquired, and subject to a working capital adjustment and other adjustments with respect to certain income tax elections. The Company has accrued an additional $1.0 million for the current estimate of the amount payable to the seller under the terms of this purchase price adjustment.

For more than 30 years, JARIT has marketed a wide variety of high quality, reusable surgical instruments to virtually all surgical disciplines. JARIT sells its products to more than 5,200 hospitals and surgery centers worldwide. In the United States, JARIT sells through a nineteen person sales management force that works with over 100 distributor sales representatives.

The acquisition of JARIT has broadened Integra's existing customer base and surgical instrument product offering and has provided an opportunity to achieve operating costs savings, including the procurement of Integra's Ruggles(TM) and Padgett(TM) instruments products directly from the instrument manufacturers.

In connection with this acquisition, the Company recorded approximately $29.5 million of intangible assets, consisting primarily of trade name and customer relationships, which are being amortized on a straight-line basis over lives ranging from 5 to 40 years. The following table summarizes the preliminary fair value of the assets acquired and liabilities assumed in the JARIT acquisition:

Current assets	$ 17,338
Property, plant and equipment	1,285
Intangible assets	29,478
Other non-current assets	104
Total assets acquired	48,205
Current liabilities	2,391
Net assets acquired	$ 45,814

In December 2002, the Company acquired the neurosurgical shunt and epilepsy monitoring business of the Radionics division of Tyco Healthcare Group for $3.5 million in cash, including expenses associated with the acquisition.

In October 2002, the Company acquired all of the outstanding capital stock of Padgett Instruments, Inc., an established marketer of instruments used in reconstructive and plastic surgery, for $9.6 million in cash, including expenses associated with the acquisition. In March 2003, Padgett's distribution operations were consolidated into the Company's distribution center located in Cranbury, New Jersey.

In August 2002, the Company acquired all of the capital stock of the neurosciences division of NMT Medical, Inc. for $5.7 million in cash, including expenses associated with the acquisition. Through this acquisition, the Company added a range of leading differential pressure valves and external ventricular drainage products to its neurosurgical product line.

In July 2002, the Company 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. The purchase price consisted of $2.9 million in cash (including expenses associated with the acquisition) paid at closing, $0.5 million of deferred consideration paid in March 2003, and royalties on future sales of products to be developed.

The results of operations of these acquired businesses have been included in the consolidated financial statements since their respective dates of acquisition.

The following unaudited pro forma financial information assumes that these acquisitions had occurred as of the beginning of each period (in thousands, except per share data):

	Nine Months Ended September 30,		Three Months Ended September 30,
	2003	2002	2002
~~Total revenue~~	~~$132,587~~	~~$121,705~~	~~$ 41,315~~
~~Net income~~	~~18,037~~	~~16,355~~	~~4,024~~
~~Net income per share: Basic~~	~~$ 0.62~~	~~$ 0.57~~	~~$ 0.14~~
~~Diluted~~	~~$ 0.59~~	~~$ 0.53~~	~~$ 0.13~~

The impact of the Tissue Technologies acquisition was not material to these pro forma results.

The pro forma financial results for the nine months ended September 30, 2003 and 2002, and for the three months ended September 30, 2002, respectively, include approximately $0.1 million, $4.1 million and $1.4 million of gains associated with foreign currency forward purchase contracts owned by JARIT. The Company liquidated all of JARIT's foreign currency forward purchase contracts concurrently with the closing of the acquisition.

In August 2002, the Company acquired certain assets, including the NeuroSensor(TM) monitoring system and rights to certain intellectual property, from Novus Monitoring Limited of the United Kingdom for $3.7 million in cash (including expenses associated with the acquisition), an additional $1.5 million to be paid upon Novus' achievement of a product development milestone, and up to an additional $2.5 million payable based upon revenues from Novus' products. The NeuroSensor(TM) system 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 conduct certain clinical studies on the NeuroSensor(TM) system, continue development of a next generation, advanced neuromonitoring product, and design and transfer to Integra a validated manufacturing process for these products. The assets acquired from Novus were accounted for as an asset purchase because the acquired assets did not constitute a business under SFAS No. 141 "Business Combinations".

3. AMENDMENT TO SUPPLY, DISTRIBUTION AND COLLABORATION AGREEMENT WITH ETHICON, INC.

In September 2003, Integra and ETHICON, Inc., a division of Johnson & Johnson, ("ETHICON") entered into an amendment to their Supply, Distribution and Collaboration Agreement, which governs the marketing and distribution rights to INTEGRA(R) Dermal Regeneration Template. ETHICON will continue to market and sell INTEGRA Dermal Regeneration Template through December 31, 2003 under the terms of the original agreement. On January 1, 2004, Integra will assume exclusive responsibility for the sales, marketing and distribution of the INTEGRA product. Under the terms of the amendment, ETHICON agreed to pay Integra $2.0 million on December 31, 2003 in connection with the termination of the agreement.

The Company and ETHICON resolved their disagreement regarding Integra's attainment of certain clinical and regulatory events outlined in the original agreement, and ETHICON agreed in September 2003 to pay $2.5 million to the Company in connection with the attainment of those events. This amount has been recorded as other revenue.

4. INVENTORIES

Inventories consisted of the following:

	September 30, 2003	December 31, 2002
	(in thousands)	
Raw materials	$ 8,439	$ 7,986
Work in process	5,864	3,019
Finished goods	24,092	17,497
	$38,395	$28,502

5. GOODWILL AND OTHER INTANGIBLE ASSETS

Changes in the carrying amount of goodwill for the nine months ended September 30, 2003, were as follows:

Balance at December 31, 2002	$ 22,073
Acquisitions	141
Reduction of Radionics purchase price	(319)
Foreign currency translation	712
Other	(41)
Balance at September 30, 2003	$ 22,566

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

	September 30, 2003		December 31, 2002		Weighted ---	
	Average Life	Cost	Accumulated Amortization	Cost	Accumulated Amortization	
	(in thousands)					
Completed technology	15 years	$ 13,760	$ (3,037)	$ 13,165	$ (2,380)	
Customer relationships	21 years	16,405	(1,783)	4,661	(1,085)	
Trademarks/brand names	38 years	24,804	(870)	7,151	(445)	
All Other	10 years	2,759	(968)	2,601	(577)	
		$ 57,728	$ (6,658)	$ 27,578	$ (4,487)	
Accumulated amortization		(6,658)		(4,487)		
		$ 51,070		$ 23,091		

Excluding the effects of the acquisition of Spinal Specialties, Inc. in November 2003 (see Note 12), annual amortization expense is expected to approximate $2.9 million in 2003, $3.1 million in 2004, $2.9 million in 2005 and 2006, and $2.6 million in 2007. Identifiable intangible assets are initially recorded at fair market value at the time of acquisition generally using an income or cost approach.

6. DEBT

In March 2003, the Company completed a private placement of contingent convertible subordinated notes totaling $100.0 million, due 2008. The Company granted the initial purchasers an option to purchase up to an additional $20.0 million principal amount of notes, of which $5.0 million was exercised in March and the remaining $15.0 million was exercised in April.

The notes bear interest at 2.5 percent per annum, payable semiannually. The Company will pay additional interest ("Contingent Interest") if, at thirty days prior to maturity, Integra's common stock price is greater than $37.56 per share. The Contingent Interest will be payable for each of the last three years the notes remain outstanding in an amount equal to the greater of i) 0.50% of the face amount of the notes and ii) the amount of regular cash dividends paid during each such year on the number of shares of common stock into which each note is convertible. The Company recorded a $365,000 liability related to the estimated fair value of the Contingent Interest obligation at the time the notes were issued. The fair value of the Contingent Interest obligation is marked to its fair value at each balance sheet date, with changes in the fair value recorded to interest expense. At September 30, 2003, the estimated fair value of the Contingent Interest obligation was $458,000.

Debt issuance costs totaled $4.3 million and are being amortized using the straight-line method over the five-year term of the notes.

Holders may convert their notes into shares of Integra common stock at an initial conversion price of $34.15 per share, upon the occurrence of certain conditions, including when the market price of Integra's common stock on the previous trading day is more than 110% of the conversion price.

The notes are general, unsecured obligations of the Company and will be subordinate to any future senior indebtedness of the Company. The Company cannot redeem the notes prior to their maturity. Holders of the notes may require the Company to repurchase the notes upon a change in control.

In September 2003, the Company registered the notes and the shares of common stock issuable upon conversion of the notes with the Securities and Exchange Commission.

Concurrent with the issuance of the notes, the Company used approximately $35.3 million of the proceeds to purchase 1.5 million shares of its common stock.

7. INTEREST RATE SWAP AGREEMENT

In August 2003, the Company entered into an interest rate swap agreement with a $50 million notional amount to hedge the risk of changes in fair value attributable to interest rate risk with respect to a portion of its fixed rate contingent convertible subordinated notes. The Company receives a 2 1/2% fixed rate from the counterparty, payable on a semi-annual basis, and pays to the counterparty a floating rate based on 3 month LIBOR minus 35 basis points, payable on a quarterly basis. The floating rate resets each quarter. The interest rate swap agreement terminates on March 15, 2008, subject to early termination upon the occurrence of certain events, including redemption or conversion of the contingent convertible notes.

The interest rate swap agreement qualifies as a fair value hedge under SFAS No. 133, as amended, "Accounting for Derivative Instruments and Hedging Activities". Accordingly, the interest rate swap is recorded at fair value and changes in fair value are recorded in other income (expense), net. The net amount to be paid or received under the interest rate swap agreement is recorded as a component of interest expense. Interest expense for the three months ended September 30, 2003 reflects a $118,000 reduction in interest expense associated with the interest rate swap. Our effective interest rate on the hedged portion of the notes was 0.77%.

The net fair value of the interest rate swap at inception was $767,000. At September 30, 2003, the net fair value of the interest rate swap decreased $343,000 to $424,000 and this amount is included in other liabilities. In connection with this fair value hedge transaction, the Company recorded a $239,000 net increase in the carrying value of its contingent convertible notes. The $104,000 net difference between changes in the fair value of the interest rate swap and the contingent convertible notes represents the ineffective portion of the hedging relationship, and this amount is recorded in other income.

8. COMPREHENSIVE INCOME

Comprehensive income was as follows:

	Three Months Ended		Nine Months Ended	
	September 30, 2003	September 30, 2002	2003	2002
	(in thousands)			
~~Net income~~	~~$ 6,833~~	~~$ 1,563~~	~~$ 17,689~~	~~$ 9,903~~
~~Foreign currency translation adjustment~~	~~309~~	~~61~~	~~1,865~~	~~1,188~~
~~Unrealized holding gains (losses) on available for sale securities~~	~~(188)~~	~~392~~	~~(405)~~	~~469~~
~~Reclassification adjustment for (gains) losses included in net income~~	~~(109)~~	~~17~~	~~(609)~~	~~17~~
~~Comprehensive income~~	~~$ 6,845~~	~~$ 2,033~~	~~$ 18,540~~	~~$ 11,577~~

9. NET INCOME PER SHARE

Basic and diluted net income per share were as follows:

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2003	2002	2003	2002
	(In thousands, except per share amounts)			
Basic net income per share: - ---------- ---------- Net income				
$ 6,833 $ 1,563 $17,689 $9,903 Dividends on Preferred Stock				
(159)				
Net income available to common stock				
$ 6,833 $ 1,563 $17,689 $9,744 Weighted average common shares outstanding				
28,981 29,258 28,968 28,933 Basic net income per share				
$ 0.24 $ 0.05 $ 0.61 $ 0.34 Diluted net income per share: - ---------- Net income				
$ 6,833 $ 1,563 $17,689 $ 9,903 Dividends on Preferred Stock				
(159)				
Net income available to common stock				
$ 6,833 $ 1,563 $17,689 $ 9,744 Weighted average common shares outstanding - Basic ...	28,981 29,258 28,968 28,933			
Effect of dilutive securities - stock options and warrants				
1,305 1,396 1,436 1,807				
Weighted average common shares outstanding for diluted earnings per share				
30,286 30,654 30,404 30,740 Diluted net income per share				
$ 0.23 $ 0.05 $ 0.58 $ 0.32				

Options and warrants outstanding at September 30, 2003 and 2002, respectively, to purchase approximately 464,000 and 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, 2003 and 2002 because their exercise price exceeded the average market price of the Company's common stock during the period. Notes payable outstanding at September 30, 2003 that are convertible into 3,514,166 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, 2003 because the conditions required to convert the notes were not met. Prior to its conversion on April 16, 2002 into 600,000 shares of common stock, 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.

10. PRODUCT REVENUE AND GEOGRAPHIC INFORMATION

The Company develops, manufactures, and markets medical devices for use primarily in neuro-trauma and neurosurgery, plastic and reconstructive surgery, and general surgery. The Company's product lines include traditional medical devices, such as monitoring and drainage systems, surgical instruments, and fixation systems, as well as innovative tissue repair products that incorporate our proprietary absorbable implant technology.

Product revenues are segregated into the following categories:

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2003	2002	2003	2002
	(in thousands)			
Neuromonitoring products	$ 11,679	$ 9,725	$ 32,763	$ 26,705
Operating room products	13,555	10,195	38,976	26,461
Instruments	13,141	3,517	31,746	11,022
Private label products	5,092	5,794	16,349	14,335
Total product revenues	$ 43,467	$ 29,231	$119,834	$ 78,523

Certain of the Company's products, including the DuraGen(R) Dural Graft products, NeuraGen(TM) Nerve Guide, INTEGRA(R) Dermal Regeneration Template, and BioMend(R) Absorbable Collagen Membrane, contain material derived from bovine tissue. Products that contain materials derived from animal sources, including food as well as pharmaceuticals and medical devices, are increasingly subject to scrutiny from the press and regulatory authorities. These products comprised approximately 27% and 33% of product revenues in the nine month periods ended September 30, 2003 and 2002, respectively. Accordingly, widespread public controversy concerning collagen products, new regulation, or a ban of the Company's products containing material derived from bovine tissue, could have a material adverse effect on the Company's current business or its ability to expand its business.

Product revenues by major geographic area are summarized below:

	United States	Europe	Asia Pacific	Other Foreign	Total
	(in thousands)				
Product revenues:					
Three months ended September 30, 2003	$ 34,443	$ 5,766	$ 1,420	$ 1,838	$ 43,467
Three months ended September 30, 2002	23,604	3,959	878	790	29,231
Nine months ended September 30, 2003	$ 94,811	$ 16,010	$ 4,283	$ 4,730	$ 119,834
Nine months ended September 30, 2002	63,068	9,809	3,220	2,426	78,523

11. COMMITMENTS AND CONTINGENCIES

As consideration for certain technology, manufacturing, distribution and selling rights and licenses, the Company has agreed to pay royalties on the sales of certain of its products. Payments under these agreements were not significant for any of the periods presented.

Various lawsuits, claims, and proceedings are pending or have been settled by the Company. The most significant of those are described below.

In July 1996, the Company 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 the Company's patents. These patents are part of a group of patents granted to The Burnham Institute and licensed by the Company 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 for the Company, finding that Merck KGaA had willfully infringed and induced the infringement of the Company's patents, and awarded $15,000,000 in damages. The Court dismissed Scripps and Dr. Cheresh from the case.

In October 2000, the Court entered judgment in the Company's favor and against Merck KGaA in the case. In entering the judgment, the Court also granted the Company pre-judgment interest of approximately $1,350,000, bringing the total amount 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 the Company 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 Integra each appealed various decisions of the Court to the United States Court of Appeals for the Federal Circuit. In June 2003 the appellate court affirmed the Court's finding of infringement but found that the basis of the jury's calculation of damages was not clear from the trial record. The appellate court remanded the case to the Court for further factual development and a new calculation of damages consistent with the appellate court's decision. The new damages trial has not been scheduled. Integra has not recorded any gain in connection with this matter.

The Company is also subject to various claims, lawsuits and proceedings in the ordinary course of business, including claims by current or former employees and distributors and with respect to its 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 the Company's financial condition. However, it is possible that the Company's results of operations, financial position and cash flows in a particular period could be materially affected by these contingencies.

In September 2001, three subsidiaries of the recently acquired neurosciences division of NMT Medical, Inc. received a tax reassessment notice from the French tax authorities seeking more than $1.5 million in back taxes, interest and penalties. NMT Medical, Inc., the former owner of these entities, 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 payment of the tax, if required.

12. SUBSEQUENT EVENT

On November 1, 2003, the Company acquired all of the outstanding capital stock of Spinal Specialties, Inc. from I-Flow Corporation for approximately $6.0 million in cash, subject to a working capital adjustment. Spinal Specialties assembles and sells custom kits and products for chronic pain management, including the OsteoJect(TM) Bone Cement Delivery System and the ACCU-DISC(TM) Pressure Monitoring System. Spinal Specialties markets its products to anesthesiologists and interventional radiologists through an in-house telemarketing team and a network of distributors.

The determination of the fair value of the assets acquired and liabilities assumed as a result of this acquisition is in progress.

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

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 our consolidated financial statements for the year ended December 31, 2002 included in our Current Report on Form 8-K dated June 27, 2003. As discussed in that report, in 2003 the Company began to report financial results under a single operating segment--the development, manufacturing, and distribution of medical devices.

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 set forth below under the heading "Factors That May Affect Our Future Performance."

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 Management's Discussion and Analysis of Financial Condition and Results of Operations, we provide information regarding growth in product revenues excluding recently acquired product lines, which is a non-GAAP financial measure. A reconciliation of this non-GAAP financial measure to the most comparable GAAP measure is provided in Exhibit 99.1 to this quarterly report.

This non-GAAP financial measure should not be relied upon to the exclusion of GAAP financial measures. Management believes that this non-GAAP financial measure is important supplemental information to investors which reflects an additional way of viewing aspects of our operations that, when viewed with our GAAP results and the accompanying reconciliations, provides a more complete understanding of factors and trends affecting our ongoing business and operations. Management strongly encourages investors to review our financial statements and publicly-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.

General

Integra develops, manufactures, and markets medical devices for use primarily in neuro-trauma and neurosurgery, plastic and reconstructive surgery, and general surgery. Our product lines include traditional medical devices, such as monitoring and drainage systems, surgical instruments and fixation systems, as well as innovative tissue repair products that incorporate our proprietary absorbable implant technology.

To provide better insight into how our growth is distributed across our products, we report revenue by the following product lines:

- - Neuromonitoring products, which include our intracranial monitoring systems, systems for cerebrospinal fluid drainage and cranial access, epilepsy monitoring electrodes and our Integra NeuroSupplies(TM) business;
- - Operating Room products, which include the DuraGen(R) Dural Graft products, NeuraGen(TM) Nerve Guide, and our neurosurgical shunts, carotid shunts and absorbable collagen hemostatic agents;
- - Instruments, which include JARIT(R) Surgical Instruments, Padgett(TM) Instruments, Ruggles(TM) neurosurgical and spinal instruments, and our ultrasonic aspirators; and
- - Private Label products, which include INTEGRA(R) Dermal Regeneration Template, VitaCuff(R) catheter access infection control device, BioPatch(R) Antimicrobial Wound Dressing, and our absorbable collagen membranes and wound dressings and cranial fixation devices and custom cranial plates.

We sell our products directly through various sales forces and through a variety of distribution channels. Our direct sales organizations include the following:

- - Our Integra NeuroSciences(TM) sales force provides neurosurgeons and critical care units with implants, devices, instruments, and systems used in neurosurgery, neuromonitoring, neurotrauma, and related critical care. Integra NeuroSciences' direct marketing effort in the United States and Europe currently involves more than 100 professionals, including direct salespeople (called neurospecialists in the United States), sales managers, and clinical educators who educate and train both our salespeople and customers in the use of our products. In all other markets, Integra NeuroSciences products are sold through a network of distributors.
- - Our JARIT(R) Surgical Instruments sales force markets a wide variety of high quality surgical instruments for use in both traditional and minimally invasive surgery in virtually all surgical applications, including general, plastic, neuro, ear, nose and throat (ENT), cardiovascular, ob-gyn, and ophthalmic surgical procedures. JARIT sells its products in the United States through a nineteen-person sales management force that works with over 100 distributor sales representatives as well as certain original equipment manufacturer accounts. Outside the United States, JARIT sells its products through a network of distributors.
- - Our Plastic and Reconstructive sales force markets a wide variety of high quality, reusable surgical instruments and implants for soft tissue augmentation of the facial area to plastic and reconstructive surgeons, burn surgeons, ENT surgeons, hospitals, surgery centers, and other physicians. We market these products primarily through an eight-person sales force in the United States and through a network of distributors elsewhere. Effective January 1, 2004, we will assume exclusive responsibility for the sales, marketing and distribution of the INTEGRA Dermal Regeneration Template product. Accordingly, it is our goal to increase the size of our Plastic and Reconstructive sales organization to sixteen people by the beginning of 2004.

We market our private label products through distribution partners or OEM customers. Our private label products address large, diverse markets, and we believe that we can develop and promote many of these products more cost-effectively through leveraging distribution partners than through developing them ourselves or selling them through our own direct sales infrastructure. We have partnered with market leaders, such as Johnson & Johnson, Medtronic, Wyeth, and Zimmer for the development and marketing efforts related to many of these products.

On November 1, 2003, we acquired all of the outstanding capital stock of Spinal Specialties, Inc. from I-Flow Corporation for approximately $6.0 million in cash, subject to a working capital adjustment. Spinal Specialties assembles and sells custom kits and products for chronic pain management, including the OsteoJect(TM) Bone Cement Delivery System and the ACCU-DISC(TM) Pressure Monitoring System. Spinal Specialties markets its products to anesthesiologists and interventional radiologists through an in-house telemarketing team and a

network of distributors. We will report sales of Spinal Specialties products as instrument revenues.

Certain of our products, including the DuraGen(R) Dural Graft products, NeuraGen(TM) Nerve Guide, INTEGRA(R) Dermal Regeneration Template, and BioMend(R) Absorbable Collagen Membrane, contain material derived from bovine tissue. Products that contain materials derived from animal sources, including food as well as pharmaceuticals and medical devices, are increasingly subject to scrutiny from the press and regulatory authorities. These products comprised approximately 27% and 33% of product revenues in the nine month periods ended

September 30, 2003 and 2002, respectively. Accordingly, widespread public controversy concerning collagen products, new regulation, or a ban of our products containing material derived from bovine tissue, could have a material adverse effect on our current business or our ability to expand our business.

Acquisitions

Our strategy for growing our business includes the acquisition of complementary product lines and companies. Our acquisitions of the assets of Tissue Technologies, Inc. in August 2003, J. Jamner Surgical Instruments, Inc. ("JARIT") in March 2003, the epilepsy monitoring and neurosurgical shunt business of the Radionics division of Tyco Healthcare Group in December 2002, Padgett Instruments, Inc. in October 2002, certain assets of Novus Monitoring Limited in August 2002, the neurosciences division of NMT Medical, Inc. in August 2002, and Signature Technologies, Inc. in July 2002, may make our financial results for the three and nine month periods ended September 30, 2003 not directly comparable to those of the corresponding prior year periods. Reported product revenues for the three and nine month periods ended September 30, 2003 and 2002 included the following amounts in revenues from acquired product lines:

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2003	2002	2003	2002
	(in thousands)			
Neuromonitoring				
Products acquired during 2003	$	$ --	$ --	$ --
Products acquired during 2002	1,051	606	2,818	606
All other product revenues	10,628	9,119	29,945	26,099
Total Neuromonitoring product revenues	11,679	9,725	32,763	26,705
Operating Room				
Products acquired during 2003	$	$	$	$
Products acquired during 2002	2,310	1,195	7,154	1,195
All other product revenues	11,245	9,000	31,822	25,266
Total Operating Room product revenues	13,555	10,195	38,976	26,461
Instruments				
Products acquired during 2003	$ 7,719	$ --	$15,861	$ --
Products acquired during 2002	1,090	3,245		
All other product revenues	4,332	3,517	12,640	11,022
Total Instruments product revenues	13,141	3,517	31,746	11,022
Private Label				
Products acquired during 2003	$	$	$	$
Products acquired during 2002	673	732	2,191	732
All				

~~other product revenues ..... 4,419 5,062 14,158 13,603 ------- ------- ------- ------- Total Private Label product revenues ..... 5,092 5,794 16,349 14.335 Consolidated Products acquired during 2003 ..... $ 7,719 $ $15,861 $ - - Products acquired during 2002 ..... 5,124 2,533 15,408 2,533 All other product revenues ..... 30,624 26,698 88,565 75,990 ------- ------- ------- ------- Total product revenues ..... 43,467 29,231 119,834 78,523~~

Results of Operations

Third quarter ended September 30, 2003 compared to third quarter ended September 30, 2002

For the quarter ended September 30, 2003, total revenues increased by $16.9 million, or 56%, over the quarter ended September 30, 2002 to $47.1 million. This increase was primarily attributable to an increase in product revenues of $14.2 million, or 49%, over the prior year period. Other revenue increased by $2.6 million primarily due to a $2.5 million event payment from ETHICON for the achievement of various regulatory objectives.

Revenues from product lines acquired since the third quarter of 2002 accounted for $10.3 million of the $14.2 million increase in product revenues over the prior year period. Excluding revenues from acquired product lines, third quarter product revenues grew by $3.9 million, or 15%, over the prior year quarter. Changes in foreign currency exchange rates accounted for $362,000 of this $3.9 million increase and a $533,000 increase in total product revenues. Domestic product revenues increased $10.8 million in the third quarter of 2003 to $34.4 million, or 79% of product revenues, as compared to 81% of product revenues in the third quarter ended September 30, 2002.

Revenues from our neuromonitoring product lines increased $2.0 million, or 20%, over the prior year period primarily as a result of increased sales of our intracranial monitoring products and drainage systems. Our operating room product line revenues increased over the prior year period by $3.4 million, or 33%, largely as a result of growth in sales of our DuraGen(R) Dural Graft Matrix and NeuraGen(TM) Nerve Guide products and sales of neurosurgical shunt products acquired from NMT Medical and Radionics in 2002. Revenues from our instrument product lines increased by $9.6 million, or 274%, principally as a result of revenues from the Padgett and JARIT surgical instrument lines we acquired in 2002 and 2003, respectively. Increased sales of our ultrasonic aspirator products contributed the remainder of the growth in instrument product revenues. Our private label product revenue decreased by $702,000, or 12%, primarily due to a decline in revenues from the Absorbable Collagen Sponge we supply for use in Medtronic's INFUSE bone graft product. Sales of the Absorbable Collagen Sponge are expected to be lower through mid-2004 while Medtronic's existing inventory is consumed. Although sales of certain private label products vary highly from quarter to quarter depending on the timing and size of orders placed by our marketing partners, we do not believe that the variability is as significant on an annual basis.

We expect that our future revenue growth will be driven by our expanded product lines, domestic and international sales and marketing organizations, and distribution channels, the introduction of internally developed and acquired products, and the direct sale by us of the INTEGRA(R) Dermal Regeneration Template product starting in 2004. We also seek to acquire businesses that complement our existing products and operations.

Our product revenues are subject to quarterly fluctuations, based on business conditions and on the availability of funds for capital purchases by hospitals. Our product revenues in the fourth quarter of each calendar year typically benefit from hospitals' utilization of funding available at the end of their fiscal years, our tying of compensation of our sales people to meeting annual quotas, and annual minimum purchase requirements in supply and distribution contracts with our private label customers.

Our gross margin on product revenues was 57% in both the third quarters of 2003 and 2002. A change in our product mix attributable to recent acquisitions, $401,000 of fair value purchase accounting adjustments from the sale of acquired JARIT inventory during the quarter, and temporary inefficiencies resulting from recently completed product manufacturing transitions negatively affected our current period gross margin. We expect these manufacturing transition activities will begin to have a positive effect on our gross margins in 2004. We recorded $225,000 fair value purchase accounting adjustments in the third quarter of 2002.

In September 2003, we and ETHICON amended our Supply, Distribution and Collaboration Agreement for the INTEGRA Dermal Regeneration Template to provide for the return to us on January 1, 2004 of the exclusive right to sell, market and distribute the INTEGRA product. In the fourth quarter of 2003, we expect to record a significant increase in other revenue and other income in connection with this amendment. ETHICON is required to pay $2.0 million to us on December 31, 2003 in connection with the termination of the agreement. Additionally, on December 31, 2003 ETHICON will forfeit all unused advances paid to us for the purchase of inventory, which totaled $9.5 million at September 30, 2003. This amount is recorded in customer advances and deposits. We are also accelerating the amortization of the remaining balance of the upfront license fee paid to us in 1999 over the remaining three months of the amended term. We have been amortizing this amount over the ten-year term of the original agreement.

Total other operating expenses, which excludes cost of product revenue but includes amortization, increased 8% to $17.3 million in the third quarter of 2003, compared to $16.0 million in the third quarter of 2002.

Research and development expenses decreased 44% to $2.6 million in the third quarter of 2003, largely as a result of the $2.3 million in-process research and development charges taken in the third quarter of 2002 in connection with acquisitions. We recently announced our plans to consolidate all of the activities performed in our Corporate Research Center into our San Diego manufacturing facility by the end of 2003. We anticipate that any potential cost savings from this initiative will be reallocated to other areas of our research and development organization and will not reduce our overall research and development spending.

We are obligated to pay $1.5 million to the sellers of the Novus Monitoring Limited assets upon their achievement of a product development milestone. If such payment is made, we estimate that approximately $1.0 million will be recorded as an in-process research and development charge. Currently, we expect that the product development milestone will be achieved in either the fourth quarter of 2003 or in 2004.

Sales and marketing expenses increased 50% over the prior year period to $10.1 million as a result of increased sales commissions and the growth in our marketing, sales support and sales management functions. Sales and marketing expenses were 23% of product revenues in both the third quarter of 2003 and 2002. Sales and marketing expenses are expected to continue to increase as we increase our marketing and sales infrastructure, particularly in the plastic and reconstructive sales organization.

General and administrative expenses decreased 10% to $3.8 million in the quarter. In the third quarter of 2002, we incurred certain costs related to abandoned acquisitions and the integration of the three acquisitions we closed during the quarter and various expenses associated with terminated distribution agreements. During the third quarter of 2003, we continued the facility consolidation initiatives begun earlier this year and transferred our Integra NeuroSupplies distribution operation based in Connecticut to our Integra Signature Technologies facility in Massachusetts. We expect that the benefits of these efforts will be slightly offset by an increase in legal fees over the next twelve months related to the next phase of our litigation with Merck KGaA (see Note 11 to the unaudited consolidated financial statements) and higher insurance costs.

Amortization expense increased $348,000 to $773,000 in the third quarter of 2003 as a result of amortization of intangible assets from recent acquisitions. Excluding the effects of the acquisition of Spinal Specialties, Inc. in November 2003 (see Note 12 to the unaudited consolidated financial statements), amortization expense is expected to remain consistent at approximately $800,000 per quarter in the near term.

In the fourth quarter of 2003, we expect that the significant increase in other revenue and other income resulting from the amendment of the agreement with ETHICON will be partially offset by a significant increase in operating expenses. This expectation is based on our plans to accelerate spending related

to the increase in our plastic and reconstructive surgery sales force by the end of 2003 prior to taking over distribution of the INTEGRA product and to accelerate spending in other unrelated programs.

NON-OPERATING INCOME AND EXPENSES

We recorded net interest expense of $188,000 in the third quarter of 2003, as compared to net interest income of $822,000 in the prior year period, primarily as a result of $1.0 million of interest expense recorded on the contingent convertible subordinated notes we issued earlier this year. Of this amount, approximately $215,000 represents non-cash amortization of debt issuance costs. Debt issuance costs totaled $4.3 million and are being amortized using the straight-line method over the five-year term of the notes.

We will pay additional interest ("Contingent Interest") on our contingent convertible subordinated notes if, at thirty days prior to maturity, Integra's common stock price is greater than $37.56 per share. The fair value of this Contingent Interest obligation is marked to its fair value at each balance sheet date, with changes in the fair value recorded to interest expense. At September 30, 2003, the estimated fair value of the Contingent Interest obligation was $458,000.

In August 2003, we entered into an interest rate swap agreement with a $50.0 million notional amount to hedge the risk of changes in fair value attributable to interest rate risk with respect to a portion of our fixed rate contingent convertible subordinated notes. We receive a 2 1/2% fixed rate from the counterparty, payable on a semi-annual basis, and pay to the counterparty a floating rate based on 3 month LIBOR minus 35 basis points, payable on a quarterly basis. The interest rate swap agreement terminates on March 15, 2008, subject to early termination upon the occurrence of certain events, including

redemption or conversion of the contingent convertible notes.

The interest rate swap agreement qualifies as a fair value hedge under SFAS No. 133, as amended "Accounting for Derivative Instruments and Hedging Activities". The net amount to be paid or received under the interest rate swap agreement is recorded as a component of interest expense. Interest expense for the three months ended September 30, 2003 reflects a $118,000 reduction in interest expense associated with the interest rate swap.

The net fair value of the interest rate swap at inception was $767,000. At September 30, 2003, the net fair value of the interest rate swap decreased $343,000 to $424,000, and this amount is included in other liabilities. In connection with this fair value hedge transaction, we recorded a $239,000 net increase in the carrying value of our contingent convertible notes. The net $104,000 difference between changes in the fair value of the interest rate swap and the contingent convertible notes represents the ineffective portion of the hedging relationship, and this amount is recorded in other income.

Our net other income/expense increased by $320,000 from $11,000 of expense to $309,000 of income and included $109,000 in gains realized on the sale of marketable securities and the $104,000 gain from the ineffective portion of our interest rate swap hedge.

Income tax expense was approximately 38% and 35% of income before income taxes for the third quarters of 2003 and 2002, respectively. Income tax expense for the third quarters of 2003 and 2002 included a deferred income tax provision of $3.2 million and $0.6 million, respectively. The increase in the effective income tax rate in 2003 results primarily from a change in the geographic mix of projected taxable income for 2003, including the effects of the additional revenue associated with the amendment to our distribution agreement with ETHICON.

We reported net income for the third quarter of 2003 of $6.8 million, or $0.23 per diluted share, as compared to net income of $1.6 million, or $0.05 diluted per share, for the prior year quarter.

In periods when the holders of such securities are permitted to exercise their conversion rights, the "if-converted" method will be used to determine the dilutive effect on earnings per share of our 2 1/2% contingent convertible notes, which are convertible into approximately 3.5 million shares of common stock.

Nine-month period ended September 30, 2003 compared to the nine-month period ended September 30, 2002

For the nine months ended September 30, 2003, total revenues increased by $44.0 million, or 53%, over the nine months ended September 30, 2002 to $126.6 million. Product revenues increased by $41.3 million, or 53%, over the prior year period and accounted for nearly all of the growth in total revenues.

Revenues of products acquired since the third quarter of 2002 accounted for $28.7 million of the $41.3 million increase in product revenues over the prior year period. Excluding revenues from acquired product lines, product revenues grew by $12.6 million, or 17%, over the prior year period. Changes in foreign currency exchange rates accounted for $1.2 million of this increase. Domestic product revenues increased $31.7 million during 2003 to $94.8 million, or 79% of product revenues, as compared to 80% of product revenues during 2002.

Revenues from our neuromonitoring product lines increased $6.1 million, or 23%, over the prior year period primarily as a result of increased sales of our intracranial monitoring products and our drainage systems. Our operating room product line revenues increased over the prior year period by $12.5 million, or 47%, largely as a result of growth in sales of our DuraGen(R) Dural Graft Matrix and NeuraGen(TM) Nerve Guide products and sales of neurosurgical shunt products acquired from NMT Medical and Radionics in 2002. Revenues from our instrument product lines increased by $20.7 million, or 188%, principally as a result of revenues from the Padgett and JARIT surgical instrument lines we acquired in 2002 and 2003, respectively. Increased sales of our Selector(R) Integra Ultrasonic Aspirator product line also contributed to the growth in our instrument revenues. Our private label product revenue grew by $2.0 million, or 14%, due in large part to revenues from Integra Signature Technologies, which we acquired in 2002. A decline in revenues from the Absorbable Collagen Sponge we supply for use in Medtronic's INFUSE bone graft product was offset by increased sales of our other private label products.

Our gross margin on product revenues in 2003 was 59% as compared to 60% for the prior year period. A change in our product mix attributable to recent acquisitions, $1.3 million of fair value purchase accounting adjustments from the sale of acquired inventory during the year, and temporary inefficiencies resulting from the recently completed product manufacturing transitions negatively affected the 2003 gross margin. We recorded $225,000 of fair value purchase accounting adjustments in the prior year period.

Other revenue increased by $2.7 million from the prior year to $6.7 million as a

result of increased product development revenue and event payments from ETHICON.

Total other operating expenses, which exclude cost of product revenues but include amortization, increased 30% to $50.3 million during 2003, compared to $38.6 million in the prior year period.

Sales and marketing expenses increased 46% over the prior year period to $26.7 million, as a result of increased sales commissions, the build out of our marketing and sales support and management functions and recent acquisitions. As a percentage of product revenues, sales and marketing expenses declined slightly from 23% in 2002 to 22% in the nine months ending September 30, 2003.

Research and development expenses decreased 11% to $8.0 million in 2003, largely as a result of the $2.3 million of in-process research and development charges taken in the third quarter of 2002 in connection with acquisitions. Offsetting this was an increase in year-to-date research and development spending from operations acquired in the third quarter of 2002.

General and administrative expenses increased 33% to $13.4 million in 2003, due primarily to costs incurred in operating and integrating businesses acquired in 2002 and 2003, increased headcount, and higher insurance costs.

Amortization expense increased $1.0 million during 2003 to $2.1 million, as a result of amortization of intangible assets from recent acquisitions.

NON-OPERATING INCOME AND EXPENSES

We recorded net interest income of $390,000 in the nine months ended September 30, 2003, as compared to net interest income of $2.8 million in the prior year period. This $2.4 million decrease was the result of $2.1 million of interest expense recorded on the contingent convertible notes we issued in 2003 and a continued decline in interest rates earned on our invested cash. Interest expense associated with the contingent convertible notes includes $430,000 of non-cash amortization of debt issuance costs.

Interest expense for the nine months ended September 30, 2003 reflects a $118,000 benefit associated with our interest rate swap.

Our net other income/expense increased by $1.1 million in 2003. This amount included $609,000 in gains realized on the sale of marketable securities and a $104,000 benefit from the ineffective portion of our interest rate swap hedge.

Income tax expense was approximately 37% and 35% of income before income taxes for the nine-month periods ending September 30, 2003 and 2002, respectively. Income tax expense for the nine months ending September 30, 2003 and 2002 included a deferred income tax provision of $8.2 million and $4.2 million, respectively.

We reported net income for the nine-month period ending September 30, 2003 of $17.7 million, or $0.58 per diluted share, as compared to net income of $9.9 million, or $0.32 per diluted share, for the prior year period.

International Product Revenues and Operations

We generate significant revenues outside the United States in euros, British pounds and in U.S. dollar-denominated transactions conducted with customers who generate revenue in currencies other than the U.S. dollar. For those foreign customers who purchase our products in U.S. dollars, currency fluctuations between the U.S. dollar and the currencies in which those customers do business may have an impact on the demand for our products in foreign countries where the U.S. dollar has increased or decreased in value compared to the local currency.

Because we have operations based in Europe and we generate certain revenues and incur certain operating expenses in British pounds and the euro, we will experience currency exchange risk with respect to foreign currency denominated revenues or expenses. Our exposure to currency exchange risk has increased because the recently acquired JARIT business purchases substantially all of its instruments from vendors in Europe in euro-denominated transactions, but generates the majority of its sales in U.S. dollars. Additionally, we are substantially increasing the use of these vendors for purchases of our other instrument product lines. Historically, we have purchased the majority of these instruments through vendors in U.S. dollar-denominated transactions.

Currently, we do not use derivative financial instruments to manage foreign currency risk. As the volume of our business transacted in foreign currencies increases, we will continue to assess the potential effects that changes in foreign currency exchange rates could have on our business. If we believe that this potential impact presents a significant risk to our business, we may enter into derivative financial instruments, including forward contracts to purchase or sell foreign currencies, to mitigate this risk.

In general, we cannot predict the consolidated effects of exchange rate fluctuations upon our future operating results because of the number of currencies involved, the variability of currency exposure and the potential volatility of currency exchange rates.

Our sales to foreign markets may be affected by local economic conditions. Relationships with customers and terms of sale frequently vary by country, and foreign sales often result in longer-term receivables than are typical in the United States.

Product revenues by major geographic area are summarized below:

	United States	Europe	Asia Pacific	Other Foreign	Total
			(in thousands)		
Product revenues:					
~~Nine months ended September 30, 2003~~	~~$ 94,811~~	~~$ 16,010~~	~~$ 4,283~~	~~$ 4,730~~	~~$ 119,834~~
~~Nine months ended September 30, 2002~~	~~63,068~~	~~9,809~~	~~3,220~~	~~2,426~~	~~78,523~~

In the nine months ending September 30, 2003, product revenues from customers outside the United States totaled $25.0 million, or 21% of consolidated product revenues, of which approximately 64% were to European customers. Of this amount, $13.9 million was generated in foreign currencies primarily by our subsidiaries in the United Kingdom, Germany and France.

In the nine months ending September 30, 2002, product revenues from customers outside the United States totaled $15.5 million, or 20% of consolidated product revenue, of which approximately 63% were to European customers. Of this amount, $8.5 million was generated in foreign currencies by our subsidiaries in the United Kingdom, Germany and France.

Liquidity and Capital Resources

Cash provided by operations has recently been and is expected to continue to be our primary means of funding existing operations and capital expenditures. Prior to 2001, we primarily relied on funds generated from private and public offerings of equity securities, research and collaboration funding, and borrowings under a revolving credit facility to fund existing operations and capital expenditures. Since 2001, we have generated positive operating cash flows on an annual basis, including $15.7 million in 2001 and $32.0 million in 2002, and we have generated $31.2 million of operating cash flows in the nine months ending September 30, 2003.

Our principal uses of funds during the nine month period ended September 30, 2003 were $42.7 million for acquisition consideration, $35.4 million for the purchase of treasury stock, $35.1 million for purchases of investments, net of maturities and sales, and $2.4 million for purchases of property and equipment. Principal sources of funds were approximately $116.0 million from the issuance of convertible notes, $31.2 million in operating cash flows and $8.6 million from the issuance of common stock through the exercise of stock options.

In March and April 2003, we received approximately $116.0 million of net proceeds from the sale of $120.0 million of our contingent convertible subordinated notes due 2008. We will pay interest on the notes at an annual rate of 2 1/2% each September 15th and March 15th. We will also pay contingent interest on the notes if, at thirty days prior to maturity, Integra's common stock price is greater than $37.56. The contingent interest will be payable for each of the last three years the notes remain outstanding in an amount equal to the greater of i) 0.50% of the face amount of the notes and ii) the amount of regular cash dividends paid during each such year on the number of shares of common stock into which each note is convertible. Holders of the notes may convert the notes into shares of our common under certain circumstances,

including when the market price of our common stock on the previous trading day is more than $37.56 per share, based on an initial conversion price of $34.15 per share.

The notes are general, unsecured obligations of Integra and will be subordinate to any future senior indebtedness. We cannot redeem the notes prior to their maturity, and the notes' holders may compel us to repurchase the notes upon a change of control.

In August 2003, we entered into an interest rate swap agreement with a $50 million notional amount to hedge the risk of changes in fair value attributable to interest rate risk with respect to a portion of the notes. We receive a 2 1/2% fixed rate from the counterparty, payable on a semi-annual basis, and pay to the counterparty a floating rate based on 3 month LIBOR minus 35 basis points, payable on a quarterly basis. The interest rate swap agreement terminates on March 15, 2008, subject to early termination upon the occurrence of certain events, including redemption or conversion of the contingent convertible notes.

At September 30, 2003, we had cash, cash equivalents and current and non-current investments totaling approximately $209.1 million. Our investments consist almost entirely of highly liquid, interest bearing debt securities. We believe that our cash and marketable securities are sufficient to finance our operations and capital expenditures in the short term. However, given the significant level of liquid assets and our objective to grow by acquisitions and alliances, our financial position and future financial results could change significantly if we were to use a significant portion of our liquid assets.

We are obligated to pay $3.0 million of interest per year on our contingent convertible notes and to repay their principal amount of $120.0 million on March 15, 2008 if the notes are not converted into common stock before that date.

We are contractually obligated to pay the following amounts under the terms of operating lease agreements for our facilities:

2003	$1.9 million
2004	1.6 million
2005	1.0 million
2006	0.8 million
2007	0.8 million
Thereafter	2.0 million

We are obligated to pay Novus an additional $1.5 million upon Novus' achievement of a development milestone and up to an additional $2.5 million based upon revenues from products that either we purchased from Novus or that Novus develops for us. We are also obligated to pay the seller of the Tissue Technologies business up to an additional $1.6 million in cash, including contingent consideration based upon a multiple of our sales of the acquired UltraSoft(TM) products in the third year following the acquisition. We currently estimate that we will pay the seller of the JARIT business an additional $1.0 million in cash consideration based on working capital and other adjustments with respect to certain income tax elections. Additionally, we are obligated to pay royalties based on sales of certain of our products and fees to various group purchasing organizations based on a percentage of sales of certain of our products. We have no other significant future contractual obligations.

In February 2003, our Board of Directors authorized us to repurchase up to an additional 1.0 million shares of our common stock for an aggregate purchase price not to exceed $15 million. We may repurchase shares under this program through February 2004 either in the open market or in privately negotiated transactions. Repurchases under this program are separate and in addition to the 1.5 million shares of common stock repurchased concurrent with the issuance of the contingent convertible notes in March 2003. Through September 30, 2003, we have purchased a de minimus amount of shares of our common stock under this program.

During 2002, we repurchased approximately 100,000 shares of our common stock under a previously authorized share repurchase program.

In November 2003, we paid $6.0 million in cash to acquire the stock of Spinal Specialties, Inc., a subsidiary of I-Flow Corporation.

Use of Estimates and Critical Accounting Policies

The following discussion is an update to our critical accounting policy disclosure as reported under the heading "Use of Estimates and Critical Accounting Policies" in our 2002 Annual Report on Form 10-K.

Derivatives

We report all derivatives at their estimated fair value and record changes in

fair value in current earnings or defer these changes until a related hedged item is recognized in earnings, depending on the nature and effectiveness of the hedging relationship. The designation of a derivative as a hedge is made on the date the derivative contract is executed. On an ongoing basis, we assess whether each derivative continues to be highly effective in offsetting changes in the fair value or cash flows of hedged items. If and when a derivative is no longer expected to be highly effective, we discontinue hedge accounting. All hedge ineffectiveness is included in current period earnings in other income (expense), net.

We document all relationships between hedged items and derivatives. Our overall risk management strategy describes the circumstances under which we may undertake hedge transactions and enter into derivatives. The objective of our current risk management strategy is to hedge the risk of changes in fair value attributable to interest rate risk with respect to a portion of our fixed rate debt.

The determination of fair value of derivatives is based on valuation models that use observable market quotes or projected cash flows and our view of the creditworthiness of the derivative counterparty.

FACTORS THAT MAY AFFECT OUR FUTURE PERFORMANCE

Our Operating Results May Fluctuate.

Our operating results, including components of operating results, such as gross margin on product sales, may fluctuate from time to time, which could affect our stock price. Our operating results have fluctuated in the past and can be expected to fluctuate from time to time in the future. Some of the factors that may cause these fluctuations include:

- the impact of acquisitions;
- the timing of significant customer orders;
- market acceptance of our existing products, as well as products in development;
- the timing of regulatory approvals;
- the timing of payments received and the recognition of those payments as revenue under collaborative arrangements and other alliances;
- expenses incurred and business lost in connection with product field corrections or recalls;
- our ability to manufacture our products efficiently; and
- the timing of our research and development expenditures.

The Industry And Market Segments in Which We Operate Are Highly Competitive, And We May Be Unable to Compete Effectively with Other Companies.

In general, the medical technology industry is characterized by intense competition. We compete with established medical technology and pharmaceutical companies. Competition also comes from early stage companies that have alternative technological solutions for our primary clinical targets, as well as universities, research institutions and other non-profit entities. Many of our competitors have access to greater financial, technical, research and development, marketing, manufacturing, sales, distribution services and other resources than we do. Further, our competitors may be more effective at implementing their technologies to develop commercial products.

Our competitive position will depend on our ability to achieve market acceptance for our products, develop new products, implement production and marketing plans, secure regulatory approval for products under development, and obtain patent protection. We may need to develop new applications for our products to remain competitive. Technological advances by one or more of our current or future competitors could render our present or future products obsolete or uneconomical. Our future success will depend upon our ability to compete effectively against current technology as well as to respond effectively to technological advances. Competitive pressures could adversely affect our profitability. For example, the introduction of a competitively priced onlay dural graft matrix could reduce the sales, or growth in sales, of our DuraGen(R) Dural Graft products. We expect that one or more other companies will introduce such a product within the next two years.

Our largest competitors in the neurosurgery markets are the Medtronic Neurotechnologies division of Medtronic, Inc., the Codman division of Johnson & Johnson, the Aesculap division of B. Braun, and the Valleylab division of Tyco International Ltd. In addition, various of our product lines compete with smaller specialized companies or larger companies that do not otherwise focus on neurosurgery. Our plastic and reconstructive surgery business is small compared to its principal competitors, which include major medical device and wound care companies such as ETHICON Inc., Smith and Nephew, Inamed, Mentor, and Zimmer. Our private label products face diverse and broad competition, depending on the market addressed by the product. Finally, in certain cases our products compete primarily against medical practices that treat a condition without using a device, rather than any particular product, such as autograft tissue as an alternative for INTEGRA(R) Dermal Regeneration Template.

Our Current Strategy Involves Growth Through Acquisitions, Which Requires Us To Incur Substantial Costs And Potential Liabilities For Which We May Never Realize The Anticipated Benefits.

In addition to internal growth, our current strategy involves growth through acquisitions. Since 1999, we have acquired 14 businesses or product lines at a total cost of approximately $114 million.

We may be unable to continue to implement our growth strategy, and our strategy may be ultimately unsuccessful. A significant portion of our growth in revenues has resulted from, and is expected to continue to result from, the acquisition of businesses complementary to our own. We engage in evaluations of potential acquisitions and are in various stages of discussion regarding possible acquisitions, certain of which, if consummated, could be significant to us. Any potential acquisitions may result in material transaction expenses, increased interest and amortization expense, increased depreciation expense and increased operating expense, any of which could have a material adverse effect on our operating results. As we grow by acquisitions, we must integrate and manage the new businesses to realize economies of scale and control costs. In addition, acquisitions involve other risks, including diversion of management resources otherwise available for ongoing development of our business and risks associated with entering new markets with which our marketing and sales force has limited experience or where experienced distribution alliances are not available. Our future profitability will depend in part upon our ability to develop further our resources to adapt to these new products or business areas and to identify and enter into satisfactory distribution networks. We may not be able to identify suitable acquisition candidates in the future, obtain acceptable financing or consummate any future acquisitions. If we cannot integrate acquired operations, manage the cost of providing our products or price our products appropriately, our profitability could suffer. In addition, as a result of our acquisitions of other healthcare businesses, we may be subject to the risk of unanticipated business uncertainties or legal liabilities relating to those acquired businesses for which the sellers of the acquired businesses may not indemnify us. Future acquisitions may also result in potentially dilutive issuances of securities.

To Market Our Products under Development We Will First Need To Obtain Regulatory Approval. Further, If We Fail To Comply With The Extensive Governmental Regulations That Affect Our Business, We Could Be Subject To Penalties And Could Be Precluded From Marketing Our Products.

Our research and development activities and the manufacturing, labeling, distribution and marketing of our existing and future products are subject to regulation by numerous governmental agencies in the United States and in other countries. The Food and Drug Administration (FDA) and comparable agencies in other countries impose mandatory procedures and standards for the conduct of clinical trials and the production and marketing of products for diagnostic and human therapeutic use.

Our products under development are subject to FDA approval or clearance prior to marketing for commercial use. The process of obtaining necessary FDA approvals or clearances can take years and is expensive and full of uncertainties. Our inability to obtain required regulatory approval on a timely or acceptable basis

could harm our business. Further, approval or clearance may place substantial restrictions on the indications for which the product may be marketed or to whom it may be marketed. Further studies, including clinical trials and FDA approvals, may be required to gain approval for the use of a product for clinical indications other than those for which the product was initially approved or cleared or for significant changes to the product. In addition, for products with an approved premarket approval application (PMA), the FDA requires annual reports and may require post-approval surveillance programs to monitor the products' safety and effectiveness. Results of post-approval programs may limit or expand the further marketing of the product.

Another risk of application to the FDA relates to the regulatory classification of new products or proposed new uses for existing products. In the filing of each application, we make a legal judgment about the appropriate form and content of the application. If the FDA disagrees with our judgment in any particular case and, for example, requires us to file a PMA application rather than allowing us to market for approved uses while we seek broader approvals or requires extensive additional clinical data, the time and expense required to obtain the required approval might be significantly increased or approval might not be granted.

Approved products are subject to continuing FDA requirements relating to quality control and quality assurance, maintenance of records, reporting of adverse events and product recalls, documentation, and labeling and promotion of medical devices.

The FDA and foreign regulatory authorities require that our products be manufactured according to rigorous standards. These regulatory requirements may significantly increase our production or purchasing costs and may even prevent us from making or obtaining our products in amounts sufficient to meet market demand. If a third-party manufacturer or we change our approved manufacturing process, the FDA may require a new approval before that process may be used. Failure to develop our manufacturing capability may mean that even if we develop promising new products, we may not be able to produce them profitably, as a result of delays and additional capital investment costs. Manufacturing

facilities, both international and domestic, are also subject to inspections by or under the authority of the FDA. In addition, failure to comply with applicable regulatory requirements could subject us to enforcement action, including product seizures, recalls, withdrawal of clearances or approvals, restrictions on or injunctions against marketing our product or products based on our technology, and civil and criminal penalties. See "Business--Regulation--Government Regulation" in our 2002 Annual Report on Form 10-K.

Certain Of Our Products Contain Materials Derived From Animal Sources And May Become Subject To Additional Regulation.

Certain of our products, including the DuraGen(R) Dural Graft products, the NeuraGen(TM) Nerve Guide, and the INTEGRA(R) Dermal Regeneration Template, contain material derived from bovine tissue. Products that contain materials derived from animal sources, including food as well as pharmaceuticals and medical devices, are increasingly subject to scrutiny in the press and by regulatory authorities. Regulatory authorities are concerned about the potential for the transmission of disease from animals to humans via those materials. This public scrutiny has been particularly acute in Canada, Japan and Western Europe with respect to products derived from cattle, because of concern that materials infected with the agent that causes bovine spongiform encephalopathy, otherwise known as BSE or mad cow disease, may, if ingested or implanted, cause a variant of the human Creutzfeldt-Jakob Disease, an ultimately fatal disease with no known cure. A recent case of BSE discovered in Canada has increased awareness of the issue in North America.

We take great care to provide that our products are safe and free of agents that can cause disease. In particular, the collagen used in the manufacture of our products is derived only from the Achilles tendon of cattle from the United States, where no cases of BSE have been reported. Scientists and regulatory authorities classify the Achilles tendon as having a negligible risk of

containing the agent that causes BSE (an improperly folded protein known as a prion) compared with other parts of the body. Additionally, we use processes in the manufacturing of our products that are believed to inactivate prions. Nevertheless, products that contain materials derived from animals, including our products, may become subject to additional regulation, or even be banned in certain countries, because of concern over the potential for prion transmission. New regulation, or a ban of our products, could have a material effect on our current business or our ability to expand our business.

Lack Of Market Acceptance For Our Products Or Market Preference For Technologies That Compete With Our Products Could Reduce Our Revenues And Profitability.

We cannot be certain that our current products or any other products that we may develop or market will achieve or maintain market acceptance. Certain of the medical indications that can be treated by our devices can also be treated by other medical devices or by medical practices that do not include a device. The medical community widely accepts many alternative treatments, and certain of these other treatments have a long history of use. For example, the use of autograft tissue is a well-established means for repairing the dermis, and it competes for acceptance in the market with the INTEGRA(R) Dermal Regeneration Template.

We cannot be certain that our devices and procedures will be able to replace those established treatments or that either physicians or the medical community in general will accept and utilize our devices or any other medical products that we may develop. For example, we cannot be certain that the medical community will accept the NeuraGen(TM) Nerve Guide over conventional microsurgical techniques for connecting severed peripheral nerves.

In addition, our future success depends, in part, on our ability to develop additional products. Even if we determine that a product candidate has medical benefits, the cost of commercializing that product candidate may be too high to justify development. Competitors may develop products that are more effective, cost less, or are ready for commercial introduction before our products. For example, our sales of shunt products could decline if neurosurgeons increase their use of programmable valves and we fail to introduce a competitive product or our sales of certain catheters may be adversely affected by the recent introduction by other companies of catheters that contain anti-microbial agents intended to reduce the incidence of infection after implantation. If we are unable to develop additional commercially viable products, our future prospects could be adversely affected.

Market acceptance of our products depends on many factors, including our ability to convince prospective collaborators and customers that our technology is an attractive alternative to other technologies, to manufacture products in sufficient quantities and at acceptable costs, and to supply and service sufficient quantities of our products directly or through our distribution alliances. In addition, limited funding available for product and technology acquisitions by our customers, as well as internal obstacles to customer approvals of purchases of our products, could harm acceptance of our products.

The industry is subject to rapid and continuous change arising from, among other things, consolidation and technological improvements. One or more of these factors may vary unpredictably, which could materially adversely affect our competitive position. We may not be able to adjust our contemplated plan of development to meet changing market demands.

Our Intellectual Property Rights May Not Provide Meaningful Commercial Protection For Our Products, Which Could Enable Third Parties To Use Our Technology Or Very Similar Technology And Could Reduce Our Ability To Compete In The Market.

Our ability to compete effectively depends in part, on our ability to maintain the proprietary nature of our technologies and manufacturing processes, which

includes the ability to obtain, protect and enforce patents on our technology and to protect our trade secrets. We own or have licensed patents that cover significant aspects of many of our product lines. However, you should not rely on our patents to provide us with any significant competitive advantage. Others may challenge our patents and, as a result, our patents could be narrowed, invalidated or rendered unenforceable. Competitors may develop products similar to ours that our patents do not cover. In addition, our current and future patent applications may not result in the issuance of patents in the United States or foreign countries. Further, there is a substantial backlog of patent applications at the U.S. Patent and Trademark Office, and the approval or rejection of patent applications may take several years.

Our Competitive Position Depends, In Part, Upon Unpatented Trade Secrets Which We May Be Unable To Protect.

Our competitive position is also dependent upon unpatented trade secrets. Trade secrets are difficult to protect. We cannot assure you that others will not independently develop substantially equivalent proprietary information and techniques or otherwise gain access to our trade secrets, that our trade secrets will not be disclosed, or that we can effectively protect our rights to unpatented trade secrets.
In an effort to protect our trade secrets, we have a policy of requiring our employees, consultants and advisors to execute proprietary information and invention assignment agreements upon commencement of employment or consulting relationships with us. These agreements provide that, except in specified circumstances, all confidential information developed or made known to the individual during the course of their relationship with us must be kept confidential. We cannot assure you, however, that these agreements will provide meaningful protection for our trade secrets or other proprietary information in the event of the unauthorized use or disclosure of confidential information.

Our Success Will Depend Partly On Our Ability To Operate Without Infringing Or Misappropriating The Proprietary Rights Of Others.

We may be sued for infringing the intellectual property rights of others. In addition, we may find it necessary, if threatened, to initiate a lawsuit seeking a declaration from a court that we do not infringe the proprietary rights of others or that their rights are invalid or unenforceable. If we do not prevail in any litigation, in addition to any damages we might have to pay, we would be required to stop the infringing activity or obtain a license. Any required license may be unavailable to us on acceptable terms, or at all. In addition, some licenses may be nonexclusive, and allow our competitors to access the same technology we license. If we fail to obtain a required license or are unable to design our product so as not to infringe on the proprietary rights of others, we may be unable to sell some of our products, which could have a material adverse effect on our revenues and profitability.

It May Be Difficult To Replace Some Of Our Suppliers.

Outside vendors, some of whom are sole-source suppliers, provide key components and raw materials used in the manufacture of our products. Although we believe that alternative sources for many of these components and raw materials are available, any supply interruption in a limited or sole source component or raw material could harm our ability to manufacture our products until a new source of supply is identified and qualified. In addition, an uncorrected defect or supplier's variation in a component or raw material, either unknown to us or incompatible with our manufacturing process, could harm our ability to manufacture products. We may not be able to find a sufficient alternative supplier in a reasonable time period, or on commercially reasonable terms, if at all, and our ability to produce and supply our products could be impaired. We believe that these factors are most likely to affect our Camino(R) and Ventrix(R) lines of intracranial pressure monitors and catheters, which we assemble using many different electronic parts from numerous suppliers. While we are not dependent on sole-source suppliers, if we were suddenly unable to purchase products from one or more of these companies, we could need a significant period of time to qualify a replacement, and the production of any affected products could be disrupted. While it is our policy to maintain sufficient inventory of components so that our production will not be

significantly disrupted even if a particular component or material is not

available for a period of time, we remain at risk that we will not be able to qualify new components or materials quickly enough to prevent a disruption if one or more of our suppliers ceases production of important components or materials.

If Any Of Our Manufacturing Facilities Were Damaged And/Or Our Manufacturing Processes Interrupted, We Could Experience Lost Revenues And Our Business Could Be Seriously Harmed.

We manufacture our products in a limited number of facilities. Damage to our manufacturing, development or research facilities due to fire, natural disaster, power loss, communications failure, unauthorized entry or other events could cause us to cease development and manufacturing of some or all of our products. In particular, our San Diego, California facility that manufactures our Camino(R) and Ventrix(R) product line is as susceptible to earthquake damage, wildfire damage, and power losses from electrical shortages as are other businesses in the Southern California area. Our silicone manufacturing plant in Anasco, Puerto Rico is vulnerable to hurricane damage. Although we maintain property damage and business interruption insurance coverage on these facilities, we may not be able to renew or obtain such insurance in the future on acceptable terms with adequate coverage or at reasonable costs.

We May Be Involved In Lawsuits To Protect Or Enforce Our Intellectual Property Rights, Which May Be Expensive.

In order to protect or enforce our intellectual property rights, we may have to initiate legal proceedings against third parties, such as infringement suits or interference proceedings. Intellectual property litigation is costly, and, even if we prevail, the cost of that litigation could affect our profitability. In addition, litigation is time consuming and could divert management attention and resources away from our business. We may also provoke these third parties to assert claims against us.

We Are Exposed To A Variety Of Risks Relating To Our International Sales And Operations, Including Fluctuations In Exchange Rates, Local Economic Conditions, And Delays In Collection Of Accounts Receivable.

We generate significant revenues outside the United States in euros, British pounds and in U.S. dollar-denominated transactions conducted with customers who generate revenue in currencies other than the U.S. dollar. For those foreign customers who purchase our products in U.S. dollars, currency fluctuations between the U.S. dollar and the currencies in which those customers do business may have an impact on the demand for our products in foreign countries where the U.S. dollar has increased in value compared to the local currency.

Because we have operating subsidiaries based in Europe and we generate certain revenues and incur certain operating expenses in British pounds and the euro, we experience currency exchange risk with respect to those foreign currency denominated revenues and expenses. Since we operate major facilities in the United Kingdom and France and purchase most of our surgical instruments in Germany (most of which we sell in the United States), our foreign currency denominated expenditures are expected to exceed our foreign currency denominated revenues.

Currently, we do not use derivative financial instruments to manage foreign currency risk. As the volume of our business transacted in foreign currencies increases, we will continue to assess the potential effects that changes in foreign currency exchange rates could have on our business. If we believe that this potential impact presents a significant risk to our business, we may enter into derivative financial instruments, including forward contracts to purchase or sell foreign currencies, to mitigate this risk.

In general, we cannot predict the consolidated effects of exchange rate fluctuations upon our future operating results because of the number of currencies involved, the variability of currency exposure and the potential volatility of currency exchange rates.

Our sales to foreign markets may be affected by local economic conditions. Relationships with customers and effective terms of sale frequently vary by country, often with longer-term receivables than are typical in the United States.

Changes In The Health Care Industry May Require Us To Decrease The Selling Price For Our Products Or Could Result In A Reduction In The Size Of The Market For Our Products, Each Of Which Could Have A Negative Impact On Our Financial Performance.

Trends toward managed care, health care cost containment, and other changes in government and private sector initiatives in the United States and other

countries in which we do business are placing increased emphasis on the delivery of more cost-effective medical therapies that could adversely affect the sale and/or the prices of our products. For example:

- major third-party payors of hospital services, including Medicare, Medicaid and private health care insurers, have substantially revised their payment methodologies, which has resulted in stricter standards for reimbursement of hospital charges for certain medical procedures;
- Medicare, Medicaid and private health care insurer cutbacks could create downward price pressure on our products;
- numerous legislative proposals have been considered that would result in major reforms in the U.S. health care system that could have an adverse effect on our business;
- there has been a consolidation among health care facilities and purchasers of medical devices in the United States who prefer to limit the number of suppliers from whom they purchase medical products, and these entities may decide to stop purchasing our products or demand discounts on our prices;
- we are party to contracts with group purchasing organizations that require us to discount our prices for certain of our products and limit our ability to raise prices for certain of our products, particularly surgical instruments;
- there is economic pressure to contain health care costs in international markets;
- there are proposed and existing laws and regulations in domestic and international markets regulating the sales and marketing practices and the pricing and profitability of companies in the health care industry; and
- there have been initiatives by third-party payors to challenge the prices charged for medical products that could affect our ability to sell products on a competitive basis.

Both the pressures to reduce prices for our products in response to these trends and the decrease in the size of the market as a result of these trends could adversely affect our levels of revenues and profitability of sales.

Regulatory Oversight of the Medical Device Industry Might Affect The Manner in Which We May Sell Medical Devices

There are laws and regulations that regulate the means by which companies in the health care industry may market their products to health care professionals and may compete by discounting the prices of their products. Although we exercise care in structuring our sales and marketing practices and customer discount arrangements to comply with those laws and regulations, we cannot assure you that:

- government officials charged with responsibility for enforcing those laws will not assert that our sales and marketing practices or customer discount arrangements are in violation of those laws or regulations; or
- government regulators or courts will interpret those laws or regulations in a manner consistent with our interpretation.

In October 2003 ADVAMED, Inc., the principal U.S. trade association for the medical device industry, promulgated a model "code of conduct" that sets forth standards by which its members should abide in the promotion of their products.

In addition, we have in place policies and procedures for compliance which we believe are as stringent, or more stringent, than those set forth in the ADVAMED code. Nevertheless, we believe that the sales and marketing practices of our industry will be subject to increased scrutiny from government agencies.

Our Business Depends Significantly On Key Relationships With Third Parties, Which We May Be Unable To Establish And Maintain.

Our revenue stream and our business strategy depend in part on our entering into and maintaining collaborative or alliance agreements with third parties concerning product marketing, as well as research and development programs. Our most important alliance is our agreement with the Wyeth BioPharma division of Wyeth for the development of collagen matrices to be used in conjunction with Wyeth BioPharma's recombinant bone protein, a protein that stimulates the growth of bone in humans. Termination of any of our alliances, such as the pending termination of our alliance with Ethicon, Inc., would require us to develop other means to distribute the affected products affected and could adversely affect our expectations for the growth of private label products.

Our ability to enter into agreements with collaborators depends in part on convincing them that our technology can help them achieve their goals and execute their strategies. This may require substantial time, effort and expense on our part with no guarantee that a relationship will result. We may not be able to establish or maintain these relationships on commercially acceptable terms. Our future agreements may not ultimately be successful. Even if we enter into collaborative or alliance agreements, our collaborators could terminate these agreements, or these agreements could expire before meaningful developmental milestones are reached. The termination or expiration of any of these relationships could have a material adverse effect on our business.

Much of the revenue that we may receive under these collaborations will depend upon our collaborators' ability to successfully introduce, market and sell new products derived from our products. Our success depends in part upon the performance by these collaborators of their responsibilities under these agreements. Some collaborators may not perform their obligations when and as we expect. Thus revenues to be derived from collaborations may vary significantly over time and be difficult to forecast. Some of the companies we currently have alliances with or are targeting as potential allies offer products competitive with our products or may develop competitive production technologies or competitive products outside of their collaborations with us that could have a material adverse effect on our competitive position.

In addition, our role in the collaborations is mostly limited to the production aspects. As a result, we may also be dependent on collaborators for other aspects of the development, preclinical and clinical testing, regulatory approval, sales, marketing and distribution of our products. If our current or future collaborators fail to market our products effectively or to develop additional products based on our technology, our sales and other revenues could significantly be reduced.

Finally, we have received and may continue to receive payments from collaborators that may not be immediately recognized as revenue and therefore may not contribute to reported profits until further conditions are satisfied.

We May Have Significant Product Liability Exposure And Our Insurance May Not Cover All Potential Claims.

We are exposed to product liability and other claims in the event that our technologies or products are alleged to have caused harm. We may not be able to obtain insurance for the potential liability on acceptable terms with adequate coverage or at reasonable costs. Any potential product liability claims could exceed the amount of our insurance coverage or may be excluded from coverage

under the terms of the policy. Our insurance may not be renewed at a cost and level of coverage comparable to that then in effect.

We Are Subject To Other Regulatory Requirements Relating To Occupational Health And Safety And The Use Of Hazardous Substances Which May Impose Significant Compliance Costs On Us.

We are subject to regulation under federal and state laws regarding occupational health and safety, laboratory practices, and the use, handling and disposal of toxic or hazardous substances. Our research, development and manufacturing processes involve the controlled use of certain hazardous materials. Although we believe that our safety procedures for handling and disposing of those materials comply with the standards prescribed by the applicable laws and regulations, the risk of accidental contamination or injury from these materials cannot be eliminated. In the event of such an accident, we could be held liable for any damages that result and any related liability could exceed the limits or fall outside the coverage of our insurance and could exceed our resources. We may not be able to maintain insurance on acceptable terms or at all. We may incur significant costs to comply with environmental laws and regulations in the future. We may also be subject to other present and possible future local, state, federal and foreign regulations.

The Loss Of Key Personnel Could Harm Our Business.

We believe our success depends on the contributions of a number of our key personnel, including Stuart M. Essig, our President and Chief Executive Officer. If we lose the services of key personnel, those losses could materially harm our business. We maintain key person life insurance on Mr. Essig.

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, 2002 filed with the Securities and Exchange Commission and those set forth under the heading "Factors That May Affect our Future Performance" in this report. 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 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

We have exposure to financial risk from changes in foreign exchange rates and interest rates.

Foreign Currency Exchange

A discussion of foreign currency exchange risks is provided under the caption "International Product Revenues and Operations" under "Management's Discussion and Analysis of Financial Condition and Results of Operations".

Interest Rate and Credit Risk

We are exposed to the risk of interest rate fluctuations on the fair value and interest income earned on our cash and cash equivalents and investments in available-for-sale marketable debt securities and on the fair value of our contingent convertible notes. A hypothetical 100 basis point movement in interest rates applicable to our cash and cash equivalents and investments in marketable debt securities outstanding at September 30, 2003 would increase or decrease interest income by approximately $2.1 million on an annual basis. We are not subject to material foreign currency exchange risk with respect to these investments.

As previously discussed in "Liquidity and Capital Resources" under "Management's Discussion and Analysis of Financial Condition and Results of Operations", in August 2003 we entered into an interest rate swap agreement with a $50.0 million notional amount to hedge the risk of changes in fair value attributable to interest rate risk with respect to a portion of our fixed rate contingent convertible subordinated notes. We are exposed to the risk of interest rate fluctuations on the cash flows associated with this interest rate swap agreement. A hypothetical 100 basis point movement in interest rates applicable to the interest rate swap agreement would increase or decrease interest expense by approximately $500,000 on an annual basis.

ITEM 4. CONTROLS AND PROCEDURES

We maintain disclosure controls and procedures that are designed to ensure that information required to be disclosed in our Exchange Act reports is recorded, processed, summarized and reported within the time periods specified in the Securities and Exchange Commission's rules and forms and that such information is accumulated and communicated to our management, including our Chief Executive Officer and Senior Vice President, Finance and Treasurer, as appropriate, to allow for timely decisions regarding required disclosure. In designing and evaluating the disclosure controls and procedures, management recognizes that any controls and procedures, no matter how well designed and operated, can provide only reasonable assurance of achieving the desired control objectives, and management is required to apply its judgment in evaluating the cost-benefit relationship of possible controls and procedures.

As required by SEC Rule 13a-15(b), we have carried out an evaluation, under the supervision and with the participation of our management, including our Chief Executive Officer and Senior Vice President, Finance and Treasurer, of the effectiveness of the design and operation of our disclosure controls and procedures as of the end of the quarter covered by this report. Based on the foregoing, our Chief Executive Officer and Senior Vice President, Finance and Treasurer concluded that our disclosure controls and procedures were effective at the reasonable assurance level.

There has been no change in our internal controls over financial reporting during our most recent fiscal quarter that has materially affected, or is reasonably likely to materially affect, our internal controls over financial reporting.

PART II. OTHER INFORMATION

ITEM 6. EXHIBITS AND REPORTS ON FORM 8-K

(a) Exhibits

10.1	Employment Agreement of Gerard Carlozzi dated September 25, 2003
10.2	Amended and Restated Employment Agreement of John B. Henneman, III dated October 31, 2003
31.1	Certification of Principal Executive Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002
31.2	Certification of Principal Financial Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002
32.1	Certification of Principal Executive Officer and Principal Financial Officer Pursuant to 18 U.S.C. Section 1350, as created by Section 906 of the Sarbanes-Oxley Act of 2002
99.1	Reconciliation of non-GAAP financial measures to the most comparable GAAP measure

(b) Reports on Form 8-K

On September 22, 2003 we filed a report on Form 8-K regarding the implementation by Stuart Essig and Keith Bradley of sales plans pursuant to Rule 10b5-1 of the Securities Exchange Act of 1934.

On July 31, 2003 we filed a report on Form 8-K regarding our earnings for the quarter ended June 30, 2003.

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 12, 2003 /s/ Stuart M. Essig

Stuart M. Essig
President and Chief Executive Officer

Date: November 12, 2003 /s/ David B. Holtz

David B. Holtz
Senior Vice President, Finance and Treasurer

Exhibits

10.1	Employment Agreement of Gerard Carlozzi dated September 25, 2003
10.2	Amended and Restated Employment Agreement of John B. Henneman, III dated October 31, 2003
31.1	Certification of Principal Executive Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002
31.2	Certification of Principal Financial Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002
32.1	Certification of Principal Executive Officer and Principal Financial Officer pursuant to 18 U.S.C. Section 1350, as created by Section 906 of the Sarbanes-Oxley Act of 2002
99.1	Reconciliation of non-GAAP financial measures to the most comparable GAAP measure

EXHIBIT 10.1

EMPLOYMENT AGREEMENT

This employment agreement (this "Agreement") is made as of the 25th day of September, 2003 by and between Integra LifeSciences Holdings Corporation, a Delaware Corporation (the "Company") and Gerard S. Carlozzi ("Executive").

Background

Company desires to employ the Executive as the Chief Operating Officer of the Company, and Executive desires to be 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) engaged in willful misconduct that is materially and demonstrably injurious to the Company or any of its subsidiaries; or

(7) conviction or plea of guilty or nolo contendere to a felony or to any other crime involving moral turpitude which conviction or plea is materially and demonstrably injurious to the Company or any of its subsidiaries.

(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 Operating Officer, responsible for the sales department, the marketing department, the research and development department, the clinical education department and the manufacturing operations 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 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, 2004. This Agreement shall be deemed automatically, without further action, to extend for an additional year on December 31, 2004 and each anniversary thereof, unless either the Board provides written notice to Executive of its election not to extend the term, 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 60 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; and provided, further, Executive may serve on the board of directors of Cascade Medical unless and until a conflict of interest arises or the business of the Company competes with the business of Cascade.

5. Compensation. Company shall compensate Executive for his services at a minimum base salary of $300,000 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). The Board may make bonus payments as determined appropriate 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 in accordance with their terms, 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.

6A. Stock Options. The Company shall grant to Executive on or before the first anniversary of this Agreement non-qualified and incentive stock options to purchase no fewer than One Hundred Thousand (100,000) shares of the Company's common stock, par value $.01 per share (the "Common Stock"), at exercise prices equal to the fair market value of the Common Stock on the dates of such grants. All options granted under this provision shall vest 100% within four years from the date of this agreement. The proportion of such options constituting incentive stock options shall be determined by the Company in accordance with its usual policies and applicable law. In the event of any inconsistency between the terms of this Agreement and the Company's prevailing equity incentive plans, the terms of such plans shall govern.

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 four 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 and subject to Executive entering into a valid general release of all claims against the Company, 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), and subject to Executive entering into a valid general release of all claims against the Company, 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) in the event that either the independent public accountants which serve as the auditors of the Company immediately prior to the Change in Control or the Internal Revenue Service determines that any payment, coverage or benefit provided to the Executive is subject to the excise tax imposed by Section 4999 (or any successor provisions) of the Internal Revenue Code of 1986, as amended (the "Code"), the Company shall promptly pay to the Executive, in addition to other payments, coverage or benefit due and owing hereunder or under any other plan, or agreement, an amount determined by multiplying the rate of the excise tax then imposed by Code Section 4999 by the amount of the "excess parachute payment" received by the Executive (determined without regard to any payments made to the Executive pursuant to this section) and dividing the product so obtained by the amount obtained by subtracting the aggregate local, state and Federal income tax rate applicable to the receipt by the Executive of such "excess parachute payment" (taking into account the deductibility for Federal income tax purposes of the payment of state and local income taxes thereon) from the amount obtained by subtracting from 1.00 the rate of the excise tax then imposed by Code Section 4999, it being the intention of the parties hereto that the Executive's net after tax position shall be identical to that which would have obtained had Code Sections 280G and 4999 not been part of the Code. For purposes of the calculations required by this subsection (4) reasonable assumptions and approximations may be made with respect to applicable taxes and reasonable good faith interpretations of the Code may be relied upon; and

(4) 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:

Gerard S. Carlozzi
1421 West Woodbank Way
West Chester, PA 19380

(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

By:_____ _____ _____
Its: President and Chief Executive Officer Gerard S. Carlozzi

EXECUTIVE

EXHIBIT 10.2

AMENDED AND RESTATED EMPLOYMENT AGREEMENT

This amended and restated employment agreement (this "Agreement") is made as of the 31st day of October, 2003 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 Direcetors 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 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. This Agreement shall be deemed automatically, without further action, to extend for an additional year on December 31, 2003 and each anniversary thereof, unless either the Board provides written notice to Executive of its election not to extend the term, or Executive give 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 $350,000 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;

(3) in the event that either the independent public accountants which serve as the auditors of the Company immediately prior to the Change in Control or the Internal Revenue Service determines that any payment, coverage or benefit provided to the Executive is subject to the excise tax imposed by Section 4999 (or any successor provisions) of the Internal Revenue Code of 1986, as amended (the "Code"), the Company shall promptly pay to the Executive, in addition to other payments, coverage or benefit due and owing hereunder or under any other plan, or agreement, an amount determined by multiplying the rate of the excise tax then imposed by Code Section 4999 by the amount of the "excess parachute payment" received by the Executive (determined without regard to any payments made to the Executive pursuant to this section) and dividing the product so obtained by the amount obtained by subtracting the aggregate local, state and Federal income tax rate applicable to the receipt by the Executive of such "excess parachute payment" (taking into account the deductibility for Federal income tax purposes of the payment of state and local income taxes thereon) from the amount obtained by subtracting from 1.00 the rate of the excise tax then imposed by Code Section 4999, it being the intention of the parties hereto that the Executive's net after tax position shall be identical to that which would have obtained had Code Sections 280G and 4999 not been part of the Code. For purposes of the calculations required by this subsection (4) reasonable assumptions and approximations may be made with respect to applicable taxes and reasonable good faith interpretations of the Code may be relied upon; and

(4) 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 31.1

Certification of Principal Executive Officer
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 officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) for the registrant and we have:

   a) designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, 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 and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
   c) disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of registrant's board of directors (or persons performing the equivalent functions):

   a) all significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
   b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: November 12, 2003

/s/ Stuart M. Essig

Stuart M. Essig
Chief Executive Officer

EXHIBIT 31.2

Certification of Principal Financial Officer
Pursuant 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-15(e) and 15d-15(e)) for the registrant and we have:

   a) designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, 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 and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
   c) disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of registrant's board of directors (or persons performing the equivalent functions):

   a) all significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
   b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: November 12, 2003

/s/ David B. Holtz

David B. Holtz
Senior Vice President,
Finance and Treasurer

Exhibit 32.1

Certification of Principal Executive Officer
Pursuant to Section 906 of the
Sarbanes-Oxley Act of 2002

I, Stuart M. Essig, Chief Executive Officer of Integra LifeSciences Holdings Corporation (the "Company"), hereby certify that, to my knowledge:

1. The Quarterly Report on Form 10-Q of the Company for the period ending September 30, 2003 (the "Report") fully complies with the requirement of Section 13(a) or Section 15(d), as applicable, of the Securities Exchange Act of 1934, as amended; and

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

Date: November 12, 2003

By: /s/ Stuart M. Essig

Stuart M. Essig
Chief Executive Officer

Certification of Principal Financial Officer
Pursuant to Section 906 of the
Sarbanes -Oxley Act of 2002

I, David B. Holtz, Senior Vice President, Finance and Treasurer of Integra LifeSciences Holdings Corporation (the "Company"), hereby certify that, to my knowledge:

1. The Quarterly Report on Form 10-Q of the Company for the period ending September 30, 2003 (the "Report") fully complies with the requirement of Section 13(a) or Section 15(d), as applicable, of the Securities Exchange Act of 1934, as amended; and

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

Date: November 12, 2003

By: /s/ David B. Holtz

David B. Holtz
Sr. Vice President,
Finance and Treasurer

Exhibit 99.1

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

A. Excluding revenues from acquired product lines, third quarter product revenues grew by $3.9 million, or 15%, over the prior year quarter.

Quarter Ended September 30,		Increase (Decrease)	
2003	2002	$	%
($ in thousands)			
~~Total product revenues, as reported~~	~~$ 43,467~~	~~$ 29,231~~	~~$14,236~~ ~~49%~~
~~Less: Sales of products acquired in 2003~~	~~7,719~~	~~—~~	~~7,719~~ ~~N/A~~
~~Sales of products acquired in 2002~~	~~5,124~~	~~2,533~~	~~2,591~~ ~~102%~~
~~- Product revenues excluding acquired products~~	~~$ 30,624~~	~~$ 26,698~~	~~$ 3,926~~ ~~15%~~

B. Excluding revenues from acquired product lines, product revenues grew by $12.6 million, or 17%, over the prior year period.

Nine Months Ended September 30,		Increase (Decrease)	
2003	2002	$	%
($ in thousands)			
~~Total product revenues, as reported~~	~~$119,834~~	~~$ 78,523~~	~~$41,314~~ ~~53%~~
~~Less: Sales of products acquired in 2003~~	~~15,881~~	~~—~~	

15,881	N/A			
Sales of products acquired in 2002				
15,314				
2,533				
12,781				
505%				
Product revenues excluding acquired products	$ 88,639	$ 75,990	$12,649	17%