SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, DC 20549

FORM 10-Q

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

FOR THE QUARTERLY PERIOD ENDED JUNE 30, 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 AUGUST 7, 2003 THE REGISTRANT HAD OUTSTANDING 26,714,023 SHARES OF COMMON STOCK, $.01 PAR VALUE.

INTEGRA LIFESCIENCES HOLDINGS CORPORATION

INDEX

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 June 30,		Six Months Ended June 30,	
	2003	2002	2003	2002
REVENUES				
Product revenues	$41,237	$24,773	$76,367	$49,292
Other revenue	1,499	1,668	3,149	3,065
Total revenues	42,736	26,441	79,516	52,357
COSTS AND EXPENSES				
Cost of product revenues	17,090	9,465	30,793	18,993
Research and development	2,777	2,301	5,427	4,379
Selling and marketing	9,082	5,928	16,658	11,600
General and administrative	4,736	2,893	9,570	5,856
Amortization	762	364	1,339	714
Total costs and expenses	34,447	20,951	63,787	41,542
Operating income	8,289	5,490	15,729	10,815
Interest income	826	1,000	1,609	2,015
Interest expense	(1,024)	(7)	(1,031)	(29)
Other income (expense), net	451	55	800	32
Income before income taxes	8,542	6,538	17,107	12,833
Income tax expense	3,124	2,289	6,251	4,493
Net income	$ 5,418	$ 4,249	$10,856	$ 8,340
Basic net income per share	$ 0.19	$ 0.15	$ 0.37	$ 0.28
Diluted net income per share	$ 0.18	$ 0.14	$ 0.36	$ 0.27
Weighted average common shares outstanding:				
Basic	28,484	29,080	28,961	28,770
Diluted	30,061	30,849	30,463	30,783

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

	June 30, 2003	December 31, 2002
ASSETS Current Assets: Cash and cash equivalents	$ 116,153	$ 43,583
Short-term investments	29,516	55,278
Accounts receivable, net of allowances of $1,723 and $1,387	23,722	19,412
Inventories	39,077	28,502
Prepaid expenses and other current assets	4,710	5,498
Total current assets	213,178	152,273
Non-current investments	56,344	33,450
Property, plant, and equipment, net	17,757	16,556
Deferred income taxes, net	26,909	25,218
Identifiable intangible assets, net	51,518	23,091
Goodwill	22,028	22,073
Other assets	4,799	2,007
Total assets	$ 392,533	$ 274,668
LIABILITIES AND STOCKHOLDERS' EQUITY Current Liabilities:		
Accounts payable, trade	4,621	3,764
Income taxes payable	201	--
Customer advances and deposits	10,373	7,908
Deferred revenue	963	816
Accrued expenses and other current liabilities	13,381	9,433
Total current liabilities	29,539	21,921
Long-term debt	119,653	--
Deferred revenue	3,007	3,263
Other liabilities	2,247	1,887
Total liabilities	154,446	27,071
Commitments and contingencies Stockholders' Equity: Common stock; $0.01 par value; 60,000 authorized shares; 27,582 and 27,204 issued and outstanding at June 30, 2003 and December 31, 2002, respectively	276	272
Additional paid-in capital	290,211	292,007
Treasury stock, at cost; 896 and 106 shares at June 30, 2003 and December 31, 2002, respectively	(21,204)	(1,812)
Other	(8)	(15)
Accumulated other comprehensive income (loss): Unrealized gain on available-for-sale securities	144	861
Foreign currency translation adjustment	3,174	1,618
Minimum pension liability adjustment	(1,039)	(1,011)
Accumulated deficit	(33,467)	(44,323)
Total stockholders' equity	238,087	247,597
Total liabilities and stockholders' equity	$ 392,533	$ 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)

	Six Months Ended June 30,	
	2003	2002
OPERATING ACTIVITIES: Net income	$ 10,856	$ 8,340
Adjustments to reconcile net income to net cash provided by operating activities: Depreciation and intangible asset amortization	3,223	2,338
Amortization of debt issuance costs	217	--
Deferred income tax provision	5,027	3,640
Amortization of discount and premium on investments	756	882
Gain on sale of assets, net	(290)	--
Other, net	31	30
Changes in assets and liabilities, net of business acquisitions: Accounts receivable	(749)	(1,476)
Inventories	(1,555)	(670)
Prepaid expenses and other current assets	968	105
Non-current assets	558	(139)
Accounts payable, accrued expenses and other liabilities	1,690	218
Customer advances and deposits	2,965	(781)
Deferred revenue	(609)	(191)
Net cash provided by operating activities	23,088	12,296
INVESTING ACTIVITIES: Proceeds from sales of investments	44,975	--
Proceeds from maturity of investments	34,677	11,157
Purchases of available for sale investments	(74,569)	(13,549)
Cash used in business acquisition, net of cash acquired	(42,155)	(67)
Purchases of property and equipment	(1,449)	(1,103)
Net cash used in investing activities	(38,521)	(3,562)
FINANCING ACTIVITIES: Repayment of note payable	--	(3,600)
Proceeds from issuance of common stock for exercised stock options	2,239	1,480
Purchase of treasury stock	(35,325)	--
Proceeds from reissuance of treasury stock for exercised stock options	4,837	--
Proceeds from issuance of convertible notes, net	116,054	--
Net cash provided by (used in) financing activities	87,805	(2,120)
Effect of exchange rate changes on cash	198	63
Net increase in cash and cash equivalents	72,570	6,677
Cash and cash equivalents at beginning of period	43,583	44,518
Cash and cash equivalents at end of period	$116,153	$ 51,195

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

INTEGRA LIFESCIENCES HOLDINGS CORPORATION
CONSOLIDATED STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY
(UNAUDITED)

In thousands	Preferred Stock	Common Stock	Additional Paid-In Capital	Accumulated Other Comprehensive Income (Loss)	Treasury Stock	Accumulated Deficit	Total Stockholders' Equity
Six months ended June 30, 2003							
Balance, January 1, 2003	$ --	$ 272	$ (1,812)	$ 292,007	$ (15)	$ 1,468	$ (44,323)	$ 247,597
Net income						10,856		10,856
Other comprehensive income				811				811
Repurchase of 1,500 shares of common stock							(35,325)	(35,325)
Issuance of 378 shares of common stock through employee benefit plans		4	2,259		2,263			
Issuance of 710 shares of treasury stock through employee benefit plans				15,933	(10,927)			5,006
Tax benefit related to stock option exercises				6,868				6,868
Amortization of unearned compensation				4	7			11
Balance, June 30, 2003	$ --	$ 276	$(21,204)	$ 290,211	$ (8)	$ 2,279	$ (33,467)	$ 238,087
Six months ended June 30, 2002								
Balance, January 1, 2002	$ 1	$ 261	$ (51)	$ 284,021	$ (37)	$ (539)	$ (79,600)	$ 204,056
Net income						8,340		8,340
Other comprehensive income				1,204				1,204
Conversion of 54 shares of Series C Preferred Stock into 600 shares of common stock	(1)	6	(5)	--				
Issuance of 255 shares of common stock through employee benefit plans		2	1,508		1,510			
Tax benefit related to stock option exercises				25				25
Amortization of unearned compensation				13				13
Balance, June 30, 2002	$ --	$ 269	$ (51)	$ 285,549	$ (24)	$ 665	$ (71,260)	$ 215,148

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 June 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, cash flows, and changes in stockholders equity of the Company. Certain information and footnote disclosures normally included in financial statements prepared in accordance with generally accepted accounting principles have been condensed or omitted in accordance with the instructions to Form 10-Q and Rule 10-01 of Regulation S-X. These unaudited consolidated financial statements should be read in conjunction with the Company's consolidated financial statements for the year ended December 31, 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 six month periods ended June 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 generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amount of assets and liabilities, the disclosure of contingent liabilities, and the reported amounts of revenues and expenses. Significant estimates affecting amounts reported or disclosed in the consolidated financial statements include allowances for doubtful accounts receivable and sales returns, net realizable value of inventories, estimates of future cash flows associated with long-lived asset valuations, depreciation and amortization periods for long-lived assets, valuation allowances recorded against deferred tax assets, loss contingencies, and estimates of costs to complete performance obligations associated with research, licensing, and distribution arrangements for which revenue is accounted for using percentage of completion accounting. These estimates are based on historical experience and on various other assumptions that are believed to be reasonable under the current circumstances. Actual results could differ from these estimates.

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

Recently Issued Accounting Standards

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. The Company's adoption of the initial recognition and initial measurement provisions of SFAS 150 is not expected to 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 Company will adopt SFAS 149 effective July 1, 2003, and does not expect that the provisions of SFAS 149 will have a material impact on the Company's results of operations or financial position.

In January 2003, the Emerging Issues Task Force (EITF) released EITF 00-21 "Accounting for Revenue Arrangements with Multiple Deliverables". EITF 00-21 clarifies the timing and recognition of revenue from certain transactions that include multiple deliverables. EITF 00-21 is effective for revenue arrangements entered into in fiscal periods beginning after June 15, 2003. The Company will

evaluate the impact of EITF 00-21 on revenue arrangements it may enter into in the future, which will need to comply with EITF 00-21.

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.

Employee stock based compensation is recognized 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 June 30,		Six Months Ended June 30,	
	2003	2002	2003	2002
	(in thousands, except per share amounts)			
~~Net income: As reported~~	~~$ 5,418~~	~~$ 4,249~~	~~$10,856~~	~~$8,340~~
~~Less: Total stock-based employee compensation expense determined under the fair value based method for all awards, net of related tax effects~~	~~(1,427)~~	~~(1,289)~~	~~(2,712)~~	~~(2,486)~~
~~Pro forma~~	~~$ 3,991~~	~~$ 2,960~~	~~$8,144~~	~~$5,854~~
~~Net income per share: Basic: As reported~~	~~$ 0.19~~	~~$ 0.15~~	~~$ 0.37~~	~~$ 0.28~~
~~Pro forma~~	~~$ 0.14~~	~~$ 0.10~~	~~$ 0.28~~	~~$ 0.20~~
~~Diluted: As reported~~	~~$ 0.18~~	~~$ 0.14~~	~~$ 0.36~~	~~$ 0.27~~
~~Pro forma~~	~~$ 0.14~~	~~$ 0.10~~	~~$ 0.27~~	~~$ 0.19~~

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.

In July 2002, the FASB issued Statement No. 146, "Accounting for Costs Associated with Exit or Disposal Activities", which nullifies EITF Issue No. 94-3 "Liability Recognition for Certain Employee Termination Benefits and Other Costs to Exit an Activity (including Certain Costs Incurred in a Restructuring)". FAS 146 requires that a liability for a cost associated with an exit or disposal activity be recognized when the liability is incurred, whereas EITF No. 94-3 had recognized the liability at the commitment date to an exit plan. The Company will prospectively adopt the provisions of FAS 146 for exit or disposal activities initiated after January 1, 2003.

2. ACQUISITIONS

On March 17, 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 currently has accrued an additional $1.0 million for the estimated 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 20 person sales management force that works with over 100 distributor sales representatives.

With more than 5,000 instrument patterns and a 98% order fill rate, JARIT has developed a strong reputation as a leading provider of high-quality surgical instruments. JARIT manages its vendor relationships and purchases, packages and labels its products directly from instrument manufacturers through its facility in Germany. The acquisition of JARIT broadens Integra's existing customer base and surgical instrument product offering and provides an opportunity to achieve operating costs savings, including the procurement of Integra's Redmond(TM)-Ruggles(TM) and Padgett Instruments Inc.(R) 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	29,479
Other non-current assets	104
Total assets acquired	48,206
Current liabilities	2,392
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 the respective dates of acquisition.

The following unaudited pro forma financial information assumes that all acquisitions consummated in 2003 and 2002 had occurred as of the beginning of each period (in thousands, except per share data):

Six Months Ended June 30, 2003	Three Months Ended June 30, 2002	2002
Total revenue		

~~..... $85,529 $80,391 $ 40,390 Net income ..... 11,209 12,331 5,984 Net income per share: Basic ..... $ 0.39 $ 0.43 $ 0.21 Diluted..... $ 0.37 $ 0.40 $ 0.19~~

The pro forma financial results for the six months ended June 30, 2003 and 2002, and for the three months ended June 20, 2002, respectively, include approximately $0.1 million, $2.7 million and $1.3 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 September 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. INVENTORIES

Inventories consisted of the following:

June 30, December 31, 2003 2002 ---- - --- (in thousands) ~~Raw materials..... $ 8,393 $ 7,986 Work in process..... 5,609 3,019 Finished goods..... 25,075 17,497 ----------- $ 39,077 $28,502 ======= =======~~

4. GOODWILL AND OTHER INTANGIBLE ASSETS

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

~~Balance at December 31, 2002 ..... $ 22,073 Adjustments to preliminary purchase price allocations ..... (487) Reduction of Radionics purchase price ..... (197) Foreign currency translation ..... 611 Other ..... 28 -------- Balance at June 30, 2003 ..... $ 22,028 ========~~

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

June 30, 2003 December 31, 2002 Weighted -------- ---------- -- ---------- --- Average Accumulated Accumulated Life Cost Amortization Cost Amortization -------- -------- ---------- ---- ---- ---------- (in thousands) ~~Completed technology ..... 15 years~~

~~$ 13,423 $ (2,813) $ 13,165 $ (2,380)~~

~~Customer relationships ..... 21 years 16,396 (1,521) 4,661 (1,085)~~

~~Trademarks/brand names ..... 38 years 24,804 (698) 7,151 (445)~~

~~All Other ..... 10 years 2,774 (847) 2,601 (577)~~

~~$ 57,397 $ (5,879) $ 27,578 $ (4,487)~~

~~Accumulated amortization .. (5,879) (4,487) -~~

~~$ 51,518 $ 23,091~~

Annual amortization expense is expected to approximate $2.9 million in 2003, $3.1 million in 2004, and $2.8 million in each of the years 2005 to 2007. Identifiable intangible assets are initially recorded at fair market value at the time of acquisition generally using an income or cost approach.

5. 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. 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 June 30, 2003, the estimated fair value of the Contingent Interest obligation was $409,000.

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.

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

6. COMPREHENSIVE INCOME

Comprehensive income was as follows:

	Three Months Ended June 30,		Six Months Ended June 30,	
	2003	2002	2003	2002
	(in thousands)			
Net income	$ 5,418	$ 4,249	$ 10,856	$ 8,340
Foreign currency translation adjustment	1,658	1,355	1,528	1,127
Unrealized losses on available-for-sale securities: Unrealized holding loss during the period	(78)	526	(217)	77
Less: reclassification adjustment for gains included in net income	(279)	--	(500)	--
Comprehensive income	$ 6,719	$ 6,130	$ 11,667	$ 9,544

7. NET INCOME PER SHARE

Basic and diluted net income per share were as follows:

	Three Months Ended June 30,		Six Months Ended June 30,	
	2003	2002	2003	2002
	(In thousands, except per share amounts)		(In thousands, except per share amounts)	
Basic net income per share:				
Net income	$ 5,418	$ 4,249	$10,856	$8,340
Dividends on Preferred Stock	--	(24)	--	(159)
Net income available to common stock	$ 5,418	$ 4,225	$10,856	$8,181
Weighted average common shares outstanding	28,484	29,080	28,961	28,770
Basic net income per share	$ 0.19	$ 0.15	$ 0.37	$ 0.28
Diluted net income per share:				
Net income	$ 5,418	$ 4,249	$10,856	$8,340
Dividends on Preferred Stock	--	(24)	--	(159)
Net income available to common stock	$ 5,418	$ 4,225	$10,856	$8,181
Weighted average common shares outstanding - Basic	28,484	29,080	28,961	28,770
Effect of dilutive securities - stock options and warrants	1,577	1,769	1,502	2,013
Weighted average common shares outstanding for diluted earnings per share	30,061	30,849	30,463	30,783
Diluted net income per share	$ 0.18	$ 0.14	$ 0.36	$ 0.27

Options and warrants outstanding at June 30, 2003 and 2002, respectively, to purchase 659,000 and 627,000 shares of common stock were excluded from the computation of diluted net income per share for the three and six month periods ended June 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 June 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 six month periods ended June 30, 2003 because the conditions required to convert the notes were not met.

8. 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, general surgery, and soft tissue repair. 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, such as the DuraGen(R) Dural Graft Matrix, the NeuraGen(TM) Nerve Guide, and the INTEGRA(R) Dermal Regeneration Template, that incorporate the Company's proprietary absorbable implant technology.

Product revenues are segregated into the following categories:

Three Months Ended June 30,		Six Months Ended June 30,	
2003	2002	2003	2002
(in thousands)			
Neuromonitoring products	$ 10,552	$ 8,398	$ 21,084	$ 16,980
Operating room products	12,833	8,394	25,421	16,266
Instruments	12,358	3,682	18,605	7,505
Private label products	5,494	4,299	11,257	8,541
Total product revenues	$ 41,237	$ 24,773	$ 76,367	$ 49,292

Products, including food as well as pharmaceuticals and medical devices, that contain materials derived from animal sources are increasingly subject to scrutiny in the press and by regulatory authorities. Certain of the Company's products, including DuraGen(R) Dural Graft Matrix, NeuraGen(TM) Nerve Guide, INTEGRA(R) Dermal Regeneration Template, and BioMend(R) Absorbable Collagen Membrane, contain material derived from bovine tissue. These products comprised approximately 28% and 33% of product revenues in the six month periods ended June 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 significant 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 June 30, 2003 ...	$ 33,105	$ 5,721	$ 1,186	$ 1,225	$ 41,237
Three months ended June 30, 2002 ...	20,092	2,826	1,103	752	24,773
Six months ended June 30, 2003	$				

~~60,367 $~~
~~10,722 $~~
~~2,644 $~~
~~2,634 $~~
~~76,367~~
~~Six months ended June 30, 2002~~
~~.....~~
~~39,464~~
~~5,850~~
~~2,342~~
~~1,636~~
~~49,292~~

9. 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 Appeal 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 trial 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.

10. SUBSEQUENT EVENT

On August 12, 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 will receive a 2 1/2% fixed rate from the counterparty, payable on a semi-annual basis, and will 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 Company will account for the interest rate swap as a fair value hedge in accordance with SFAS No. 133, as amended "Accounting for Derivative Instruments and Hedging Activities".

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, general surgery and soft tissue repair. 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, such as the DuraGen(R) Dural Graft Matrix, the NeuraGen(TM) Nerve Guide and the INTEGRA(R) Dermal Regeneration Template, 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 DuraGen Dural Graft Matrix, NeuraGen Nerve Guide, and our neurosurgical shunts, carotid shunts and absorbable collagen hemostatic agents;
- - Instruments, which include JARIT(R) Surgical Instruments, Padgett Instruments, Redmond(TM)-Ruggles(TM) neurosurgical and spinal instruments, and our ultrasonic aspirators; and
- - Private Label products, which include INTEGRA 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 twenty-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 Integra Padgett Instruments sales force markets a wide variety of high quality, reusable surgical instruments to plastic and reconstructive surgeons, burn surgeons, ENT surgeons, hospitals, surgery centers, and other physicians. Padgett markets its surgical instruments primarily through an eight-person sales force in the United States. Outside the United States, Padgett sells its products through a network of distributors.
- - Integra NeuroSupplies(TM) distributes disposables and supplies used in the diagnosis and monitoring of neurological disorders. We market these products through an annual catalog primarily to neurologists, hospitals, sleep clinics, and other physicians in the United States.

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 Centerpulse, for the development and marketing efforts related to many of these products.

Products, including food as well as pharmaceuticals and medical devices, that contain materials derived from animal sources are increasingly subject to scrutiny in the press and by regulatory authorities. Certain of the Company's products, including DuraGen(R) Dural Graft Matrix, NeuraGen(TM) Nerve Guide,

INTEGRA(R) Dermal Regeneration Template, and BioMend(R) Absorbable Collagen Membrane, contain material derived from bovine tissue. These products comprised approximately 28% and 33% of product revenues in the six month periods ended June 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 significant adverse effect on the Company's current business or its ability to expand its business.

Acquisitions

Our strategy for growing our business includes the acquisition of complementary product lines and companies. Our acquisitions of 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 September 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 six month periods ended June 30, 2003 not directly comparable to those of the corresponding prior year periods.

Reported product revenues for the three and six month periods ended June 30, 2003 and 2002 included the following amounts in revenues from acquired product lines:

	Three Months Ended June 30,		Six Months Ended June 30,	
	2003	2002	2003	2002
	(in thousands)			
~~Neuromonitoring~~				
~~Products acquired during 2003~~	~~$ --~~	~~$ --~~	~~$ --~~	~~$ --~~
~~Products acquired during 2002~~	~~845~~	~~1,767~~	~~--~~	~~--~~
~~All other product revenues~~	~~9,707~~	~~8,398~~	~~19,317~~	~~16,980~~
~~Total Neuromonitoring product revenues~~	~~10,552~~	~~8,398~~	~~21,084~~	~~16,980~~
~~Operating Room~~				
~~Products acquired during 2003~~	~~$ --~~	~~$ --~~	~~$ --~~	~~$ --~~
~~Products acquired during 2002~~	~~2,424~~	~~4,770~~	~~--~~	~~--~~
~~All other product revenues~~	~~10,409~~	~~8,394~~	~~20,651~~	~~16,266~~
~~Total Operating Room product revenues~~	~~12,833~~	~~8,394~~	~~25,421~~	~~16,266~~
~~Instruments~~				
~~Products acquired during 2003~~	~~$ 7,010~~	~~$ --~~	~~$ 8,142~~	~~$ --~~
~~Products acquired during 2002~~	~~1,099~~	~~2,155~~	~~--~~	~~--~~
~~All other product revenues~~	~~4,249~~	~~3,682~~	~~8,308~~	~~7,505~~
~~Total Instruments product revenues~~	~~12,358~~	~~3,682~~	~~18,605~~	~~7,505~~
~~Private Label~~				
~~Products acquired during 2003~~				

~~.....~~	~~$ --~~	~~$ --~~	~~$ --~~				
~~Products acquired during 2002~~							
~~.....~~	~~799 --~~	~~1,518 --~~	~~All other product revenues~~				
~~.....~~	~~4,695~~	~~4,299~~	~~9,739~~	~~8,541~~			
~~Total Private Label product revenues .....~~	~~5,494~~	~~4,299~~	~~11,257~~	~~8,541~~			
~~Consolidated Products acquired during 2003~~							
~~.....~~	~~$ 7,010~~	~~$ --~~	~~$ 8,142~~	~~$ --~~			
~~Products acquired during 2002~~							
~~.....~~	~~5,167 --~~	~~10,210 --~~	~~All other product revenues~~				
~~.....~~	~~29,060~~	~~24,773~~	~~58,015~~	~~49,292~~			
~~Total product revenues .....~~	~~41,237~~	~~24,773~~	~~76,367~~	~~49,292~~			

Results of Operations

Second quarter ended June 30, 2003 compared to second quarter ended June 30, 2002

For the quarter ended June 30, 2003, total revenues increased by $16.3 million, or 62%, over the quarter ended June 30, 2002 to $42.7 million. Product revenues increased by $16.5 million, or 66%, over the prior year period and accounted for all of the growth in total revenues.

Revenues from product lines acquired since the second quarter of 2002 accounted for $12.2 million of the $16.5 million increase in product revenues over the prior year period. Excluding revenues from acquired product lines, second quarter product revenues grew by $4.3 million, or 17%, over the prior year quarter. Changes in foreign currency exchange rates accounted for $382,000 of this $4.3 million increase. Domestic product revenues increased $13.0 million in the second quarter of 2003 to $33.1 million, or 80% of product revenues, as compared to 81% of product revenues in the second quarter ended June 30, 2002.

Each of our product lines contributed to our revenue growth over the prior year quarter. Revenues from our neuromonitoring product lines increased $2.2 million, or 26%, over the prior year period primarily as a result of increased sales of both our existing drainage systems and those acquired from NMT Medical in 2002 and our intracranial monitoring products. Our operating room product line revenues increased over the prior year period by $4.4 million, or 53%, largely as a result of sales of neurosurgical shunt products acquired from NMT Medical and Radionics in 2002 and continued growth in sales of our DuraGen(R) Dural Graft Matrix and NeuraGen(TM) Nerve Guide. Revenues from our instrument product lines increased by 236%, principally as a result of revenues from the Padgett and JARIT surgical instrument lines we acquired in 2002 and 2003. Increased sales of our Redmond(TM)-Ruggles(TM) instruments and Selector(R) Integra Ultrasonic Aspirator product line also contributed to the growth in our instrument revenues. Our private label product revenue grew by 28%, due in large part to revenues from Integra Signature Technologies, which we acquired in 2002. Revenues from our collagen-based private label products increased slightly from the prior year period as a decline in revenue from the Absorbable Collagen Sponge we supply for use in Medtronic's INFUSE(TM) bone graft product offset an increase in revenue from our other collagen-based private label products. Sales of the Absorbable Collagen Sponge are expected to be lower through mid 2004 while Medtronic's existing inventory is consumed.

We expect that our expanded product lines, distribution channels and domestic sales force, continued implementation of our direct sales strategy in Europe and introduction of internally developed and acquired products will drive our future revenue growth. We also seek to acquire businesses that complement our existing businesses and products.

Our revenues are subject to quarterly fluctuations, based on business conditions and on the availability of funds for capital purchases by hospitals. Our 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 in the second quarter of 2003 was 59%, three percentage points below that of the second quarter of 2002, largely as a result of the negative impact of $514,000 of fair value purchase accounting adjustments for acquired inventory sold during the quarter and a change in our product mix attributable to our acquisition of JARIT Surgical Instruments. We expect the remaining $400,000 of inventory fair value purchase accounting adjustments associated with acquired inventory to be charged to cost of product revenue in the third quarter of 2003. We recorded no fair value purchase accounting adjustments in the second quarter of 2002.

Future gross margins are expected to benefit from our recently completed cost saving initiatives, which include the following:

- Increased utilization of our Biot, France manufacturing facility with the transfer of the acquired Radionics product lines;
- the transfer of assembly operations for certain of our drainage systems

and cranial access kits from our recently shutdown Exton, Pennsylvania assembly plant to our Plainsboro, New Jersey and Anasco, Puerto Rico facilities;
- the transfer of assembly operations for our Camino(R) and Ventrix(R) product line monitors from our San Diego, California facility to our manufacturing facility based in Andover, UK; and
- sourcing our Redmond(TM)-Ruggles(TM)and Padgett instrument lines through the JARIT procurement operations in Germany.

Other revenue, which consists primarily of development funding from development and distribution partners and license and distribution revenues, decreased by $169,000 from the prior year quarter to $1.5 million, as a $511,000 decrease in licensing and distribution fees offset a $431,000 increase in product development revenue. The decrease in licensing and distribution fees reflects the effect of a $500,000 event payment we received from Johnson & Johnson in the second quarter of 2002.

Total other operating expenses, which excludes cost of product revenue but includes amortization, increased 51% to $17.4 million in the second quarter of 2003, compared to $11.5 million in the second quarter of 2002. As a percentage of total revenue, total other operating expenses declined two percentage points from the prior year period to 41%.

Sales and marketing expenses increased 53% over the prior year period to $9.1 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 from 24% in the second quarter of 2002 to 22% in the second quarter of 2003. Contributing to this decline was the impact of JARIT, whose sales and marketing cost structure was lower as a percentage of its product revenues than that of our Integra NeuroSciences and Integra Padgett sales organizations. Additionally, we incurred higher recruiting and training costs in the first half of 2002 from the large expansion of the Integra NeuroSciences(TM) sales force. Because a large portion of sales and marketing expenses is comprised of sales commissions, our sales and marketing costs are expected to remain relative consistent as a percentage of product revenues.

Research and development expenses increased 21% to $2.8 million in the second quarter of 2003, largely as a result of research and development activity in recently acquired businesses and the development of our next generation ultrasonic aspirator product line, which is expected to be completed in 2004. We recently announced our plans to consolidate many of the activities performed in our Corporate Research Center into our San Diego manufacturing facility. We anticipate that any potential cost savings from this initiative will be reallocated to other areas of our research and development and not a reduction in 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 2004.

General and administrative expenses increased 64% to $4.7 million in the quarter, due primarily to costs incurred in operating and integrating businesses acquired in 2002 and 2003 and the additional facilities acquired since the prior year period. We expect that the rate of increase of general and administrative expenses will slow as we begin to realize the benefits of recently completed facility consolidations and continue to rationalize other operations, including

our recently announced plans to consolidate our Integra NeuroSupplies distribution operations based in Connecticut into our Integra Signature Technologies facility in Massachusetts. Slightly offsetting these expected benefits is an expected increase in legal fees over the next twelve months related to the next phase of our litigation with Merck KGaA (see Note 9 to the unaudited consolidated financial statements) and higher insurance costs.

We expect to incur severance, facility closure, and other costs associated with the restructuring and facility consolidation activities planned for the remainder of 2003. We currently estimate that this amount will not exceed $400,000 and that most of these costs will be incurred in the third quarter of 2003.

Amortization expense increased $109% to $762,000 in the second quarter of 2003, as a result of amortization of intangible assets from recent acquisitions. In the near term, amortization expense is expected to remain consistent at approximately $800,000 per quarter.

NON-OPERATING INCOME AND EXPENSES

We recorded net interest expense of $198,000 in the second quarter of 2003, as compared to net interest income of $1.0 million 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. For the remainder of 2003, we expect that interest expense associated with our contingent convertible subordinated notes will exceed the interest income we earn on the larger cash and marketable securities balances on hand.

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. 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 June 30, 2003, the estimated fair value of the Contingent Interest obligation was $409,000. This represents a $45,000 increase from the initial fair value estimate and this increase was recorded in interest expense for the second quarter of 2003.

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

Other income increased by $396,000 to $451,000 and included $280,000 in gains realized on the sale of marketable securities. The remaining increase was primarily attributable to higher foreign currency-based transaction gains driven by the weakness in the U.S. dollar against the euro during the second quarter of 2003.

Income tax expense was approximately 36.6% and 35% of income before income taxes for the second quarter of 2003 and 2002, respectively. Income tax expense for the second quarter of 2003 and 2002 included a deferred income tax provision of $2.4 million and $1.8 million, respectively. The increase in the effective income tax rate in 2003 is based on our expectation that a greater proportion of taxable income in 2003 will be generated in higher tax jurisdictions.

We reported net income for the second quarter of 2003 of $5.4 million, or $0.18 per diluted share, as compared to net income of $4.2 million, or $0.14 diluted per share, for the prior year quarter.

In future periods, the "if-converted" method will be used to determine the dilutive effect on earnings per share of our 2 1/2% contingent convertible notes due 2008 in periods when the holders of such securities are permitted to exercise their conversion rights. See Note 5 to the unaudited consolidated

financial statements appearing elsewhere in this report and "Liquidity and Capital Resources" below for a further discussion of the notes.

Six-month period ended June 30, 2003 compared to the six-month period ended June 30, 2002

For the six months ended June 30, 2003, total revenues increased by $27.2 million, or 52%, over the six months ended June 30, 2002 to $79.5 million. Product revenues increased by $27.1 million, or 55%, over the prior year period and accounted for substantially all of the growth in total revenues.

Revenues of products acquired since the second quarter of 2002 accounted for $18.4 million of the $27.1 million increase in product revenues over the prior year period. Excluding revenues from acquired product lines, product revenues grew by $8.7 million, or 18%, over the prior year period. Changes in foreign currency exchange rates accounted for $807,000 of this increase. Domestic product revenues increased $20.9 million during 2003 to $60.4 million, or 79% of product revenues, as compared to 80% of product revenues during 2002.

Each of our product lines contributed to our revenue growth over the prior year period. Revenues from our neuromonitoring product lines increased $4.1 million, or 24%, over the prior year period primarily as a result of increased sales of both our existing drainage systems and those acquired from NMT Medical in 2002 and our intracranial monitoring products. Our operating room product line revenues increased over the prior year period by $9.2 million, or 56%, largely as a result of sales of neurosurgical shunt products acquired from NMT Medical and Radionics in 2002 and continued growth in sales of our DuraGen(R) Dural Graft Matrix and NeuraGen(TM) Nerve Guide. Revenues from our instrument product lines increased by 148%, principally as a result of revenues from the Padgett and JARIT surgical instrument lines we acquired in 2002 and 2003. Increased

sales of our Redmond(TM)-Ruggles(TM) instruments and Selector(R) Integra Ultrasonic Aspirator product line also contributed to the growth in our instrument revenues. Our private label product revenue grew by 32%, due in large part to revenues from Integra Signature, which we acquired in 2002.

Our gross margin on product revenues in 2003 was 60% as compared to 61% for the prior year period. The decrease was largely the result of the negative effect of approximately $860,000 of fair value purchase accounting adjustments for acquired inventory sold in 2003 and a change in our product mix attributable to our acquisition of JARIT Surgical Instruments. We recorded approximately $40,000 of fair value purchase accounting adjustments in the prior year period.

Other revenue increased by $84,000 from the prior year to $3.1 million, as a $986,000 increase in product development revenue was largely offset by a $766,000 decrease in licensing and distribution fees and a $146,000 decrease in government grant funding. The decrease in licensing and distribution fees reflects the effect of $750,000 in event payments we received from Johnson & Johnson in the six months ended June 30, 2002.

Total other operating expenses, which exclude cost of product revenues but include amortization, increased 46% to $33.0 million during 2003, compared to $22.5 million in the prior year period. As a percentage of total revenue, total other operating expenses declined two percentage points from the prior year period to 41%.

Sales and marketing expenses increased 44% over the prior year period to $16.7 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 24% in 2002 to 22% in the six months ending June 30, 2003. Contributing to this decline was the impact of JARIT, whose sales and marketing cost structure

was lower as a percentage of its product revenues than that of our Integra NeuroSciences and Integra Padgett sales organizations. Additionally, we incurred higher recruiting and training costs in the first half of 2002 from the large expansion of the Integra NeuroSciences(TM) sales force.

Research and development expenses increased 24% to $5.4 million in 2003, largely as a result of research and development activity in businesses acquired in 2002 and the development of a next generation ultrasonic aspirator product line.

General and administrative expenses increased 63% to $9.6 million in 2003, due primarily to costs incurred in operating and integrating businesses acquired in 2002 and 2003. We expect that the rate of increase of general and administrative expenses will slow as we complete the integration of our acquired businesses and consolidate certain of our existing facilities.

Amortization expense increased 88% during 2003 to $1.3 million, as a result of amortization of intangible assets from recent acquisitions.

NON-OPERATING INCOME AND EXPENSES

We recorded net interest income of $578,000 in the six months ended June 30, 2003, as compared to net interest income of $2.0 million in the prior year period. This $1.4 million decrease was the result of a continued decline in interest rates earned on our invested cash and the $1.0 million of interest expense on the contingent convertible notes we issued in 2003.

In the six month period ended June 30, 2003, we realized a $500,000 gain on the sale of available-for-sale securities. This gain was reported in other income (expense), net.

Income tax expense was approximately 36.5% and 35% of income before income taxes for the six-month periods ending June 30, 2003 and 2002, respectively. Income tax expense for the six months ending June 30, 2003 and 2002 included a deferred income tax provision of $5.0 million and $3.6 million, respectively. The increase in the effective income tax rate in 2003 is based on our expectation that a greater proportion of taxable income in 2003 will be generated in higher tax jurisdictions.

We reported net income for the six-month period ending June 30, 2003 of $10.9 million, or $0.36 per diluted share, as compared to net income of $8.3 million, or $0.27 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 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. We expect our exposure to currency exchange risk to increase in the future 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 remaining instrument product lines (Redmond(TM)-Ruggles(TM),

Padgett). 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 effective 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:~~					
~~Six months ended June 30, 2003~~	~~$ 60,367~~	~~10,722~~	~~2,644~~	~~2,634~~	~~76,367~~
~~Six months ended June 30, 2002~~	~~39,464~~	~~5,850~~	~~2,342~~	~~1,636~~	~~49,292~~

In the six months ending June 30, 2003, product revenues from customers outside the United States totaled $16.0 million, or 21% of consolidated product revenue, of which approximately 67% were to European customers. Of this amount, $8.3 million was generated in foreign currencies primarily by our foreign-based

subsidiaries in the United Kingdom, Germany and France.

In the six months ending June 30, 2002, product revenues from customers outside the United States totaled $9.8 million, or 20% of consolidated product revenue, of which approximately 60% were to European customers. Of this amount, $3.0 million was generated in foreign currencies by our foreign-based 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 line 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 generated $23.1 million of operating cash flows in the six months ending June 30, 2003.

Our principal uses of funds during the six month period ended June 30, 2003 were $42.2 million for acquisition consideration, $35.3 million for the purchase of treasury stock and $1.4 million for purchases of property and equipment. Principal sources of funds were approximately $116.1 million from the issuance of convertible notes, $23.1 million in operating cash flows and $7.1 million from the issuance of common stock through the exercise of stock options.

In March and April 2003, we received approximately $116.1 million of net proceeds from the sale of $120 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 them 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.

On August 12, 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 will receive a 2 1/2% fixed rate from the counterparty, payable on a semi-annual basis, and will 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. We will account for the interest rate swap as a fair value hedge in accordance with SFAS No. 133, as amended "Accounting for Derivative Instruments and Hedging Activities".

We used approximately $35.3 million of the proceeds from the notes offering to repurchase 1.5 million shares of our common stock.

At June 30, 2003, we had cash, cash equivalents and current and non-current investments totaling approximately $202.0 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 for interest per year on our contingent convertible notes and to repay their principal amount of $120.0 million on March 15, 2008. We are contractually obligated to pay the following amounts under the terms of operating lease agreements for our facilities:

2003	$2.0 million

2004	1.7 million
2005	0.9 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 Novus' products. Additionally, we are obligated to pay royalties based on sales of certain of our products, including $0.2 million in future guaranteed minimum royalty payments to the seller of a business we acquired in 2001, 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 1,000,000 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 June 30, 2003, we did not repurchase any 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.

FACTORS THAT MAY AFFECT OUR FUTURE PERFORMANCE

Our Operating Results May Fluctuate.

Our operating results 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, implement production and marketing plans, secure regulatory approval for products under development, obtain patent protection and secure adequate capital resources. 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 Matrix. 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 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 12 businesses or product lines at a total cost of approximately $107 million.

We may be unable to continue to implement our growth strategy, and this 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 Matrix 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.

Accordingly, new regulation, or a ban of our products, could have a significant adverse 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 may interfere with the widespread acceptance in the market for 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 of competitive products 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 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 distribution alliances are our agreement with Ethicon, Inc., a division of Johnson & Johnson, relating to INTEGRA(R) Dermal Regeneration Template, and 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 these alliances would require us to develop other means to distribute the affected products and could adversely affect our expectations for the growth of private label products.

Ethicon has not been successful in selling the minimum amounts of INTEGRA(R) Dermal Regeneration Template specified in its agreement with us. In addition, we have notified Ethicon that certain clinical and regulatory events have been achieved under the agreement and that payments for the achievement of those events is due to us. Ethicon has informed us that it disagrees that the clinical and regulatory events in question have been achieved, and that it does not intend to make the payments we have demanded. In addition, Ethicon has informed us that if we do not agree to substantial amendments to its agreement with us, it will consider alternatives that may include exercising its right to terminate the agreement.

The agreement requires Ethicon to give us notice one year in advance of a termination of the agreement, during which time Ethicon is required to continue to comply with the terms of the contract. At the end of that period, Ethicon may be required to pay additional amounts based on the termination provisions of the agreement and is required to cooperate in the transfer of the business back to Integra. Additionally, Ethicon may apply the value of any minimum payments in excess of actual product purchases against future purchases of products for sale on a non-exclusive basis for a specified period of time.

If Ethicon does terminate the agreement or if we determine that Ethicon is in breach of the agreement and we terminate the agreement, there is no assurance that we will be able to recover the money that we believe Ethicon is obligated to pay us under the agreement. If Ethicon does give us notice that it will terminate the agreement, it is possible that Ethicon will diminish its sales and marketing efforts for the product during the one-year notice period and that its sales will decline as a result. In addition, we may not be successful in sustaining or restoring the sales of the INTEGRA(R) Dermal Regeneration Template at current levels after the termination date. Finally, if Ethicon terminates the agreement it is possible that we may become involved in litigation with Ethicon, which could also impair our ability to sell products under our other agreements with Ethicon, including the BioPatch(R) and Instat(R) 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 as we expect. 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.

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 time 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 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, And Limit The Means By Which We May Discount 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;
o there is economic pressure to contain health care costs in international markets;
o 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
o 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.

In addition, 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:

o 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
o government regulators or courts will interpret those laws or regulations in a manner consistent with our interpretation.

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 June 30, 2003 would increase or decrease interest income by approximately $2.0 million on an annual basis. We are not subject to material foreign currency exchange risk with respect to these investments.

On August 12, 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 contingent convertible notes. We will receive a 2 1/2% fixed rate from the counterparty, payable on a semi-annual basis, and will pay to the counterparty a floating rate based on 3 month LIBOR minus 35 basis points, payable on a quarterly 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 1. LEGAL PROCEEDINGS

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

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

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

Merck KGaA and we each appealed various decisions of the Court to the United States Court of Appeal 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 trial court for further factual development and a new calculation of damages consistent with the appellate court's decision. The date of the new damages trial has not yet been determined.

We have not recorded any gain in connection with this matter.

ITEM 2. CHANGES IN SECURITIES AND USE OF PROCEEDS

On April 16, 2003, we issued and sold, in a private placement, $15.0 million aggregate principal amount of 2 1/2% Contingent Convertible Subordinated Notes due March 15, 2008. The notes are convertible into our common stock at a conversion rate of 29.2847 shares of common stock per $1,000 principal amount of notes, which is equivalent to an initial conversion price of approximately $34.15 per share. Conversion of the notes is subject to certain conditions, including when the market price of our common stock on the previous trading day is more than 110% of the conversion price. In addition to fixed interest at the rate of 2 1/2% per year, the notes also pay contingent interest under certain circumstances. See Note 5 to our unaudited financial statements.

We sold the notes to Credit Suisse First Boston LLC, Banc of America Securities LLC, and U.S. Bancorp Piper Jaffray Inc. in reliance upon the private placement exemption afforded by Section 4(2) of the Securities Act of 1933, as amended. The initial purchasers offered and sold the notes to "qualified institutional buyers" under Rule 144A of the Securities Act of 1933, as amended. We have

agreed to file a registration statement under the Securities Act to permit registered resales of the notes and of the common stock issuable upon their conversion.

The aggregate offering price of the notes was $15.0 million, 100% of the principal amount thereof plus accrued interest from March 31, 2003. We received aggregate net proceeds of approximately $14.6 million, the difference between the aggregate offering price of the notes and the initial purchasers' discount

of $450,000 million, or 3% of the principal amount of the notes.

ITEM 4. SUBMISSION OF MATTTERS TO A VOTE OF SECURITY HOLDERS

The Company's Annual Meeting of Stockholders was held on May 21, 2003 and in connection therewith, management solicited proxies pursuant to Regulation 14A under the Securities Exchange Act of 1934, as amended. An aggregate of 25,985,421 shares of the Company's common stock was outstanding and entitled to a vote at the meeting. At the meeting the following matters (not including ordinary procedural matters) were submitted to a vote of the holders of the common stock, with the results indicated below:

1. Election of directors to serve until the 2004 Annual Meeting. The following persons, all of whom were serving as directors and were management's nominees for election, were elected. There was no solicitation in opposition to such nominees. The tabulation of votes was as follows:

Nominee	For	Withheld
David C. Auth	23,085,975	172,942
Keith Bradley	23,085,975	172,942
Richard E. Caruso	20,391,705	2,867,212
Stuart M. Essig	20,402,220	2,856,697
Neal Moszkowski	23,085,975	172,942
James M. Sullivan	23,085,975	172,942

2. Approval of the Company's 2003 Equity Incentive Plan. The Company's 2003 Equity Incentive Plan was approved. The tabulation of votes was as follows:

For	Against	Abstentions
16,058,447	7,189,893	10,577

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

For	Against	Abstentions
22,641,026	614,936	2,955

ITEM 6. EXHIBITS AND REPORTS ON FORM 8-K

(a) Exhibits

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 June 27, 2003 we filed a report on Form 8-K to update pro forma information related to our March 17, 2003 acquisition of all of the issued and outstanding capital stock of J. Jamner Surgical Instruments, Inc. and to report the results of our annual meeting of stockholders.

On June 27, 2003, we filed a report on Form 8-K to update portions of our Annual Report on Form 10-K for the year ended December 31, 2002 to reflect our change to a single operating segment and to remove certain non-GAAP disclosures.

On June 18, 2003, we filed a report on Form 8-K regarding the ruling of the United States Court of Appeals for the Federal Circuit in the case of Integra LifeSciences (et. al.) vs. Merck KGaA, et. al.

On April 25, 2003 we filed a report on Form 8-K regarding our earnings for the quarter ended March 31, 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: August 14, 2003 /s/ Stuart M. Essig

Stuart M. Essig
President and Chief Executive Officer

Date: August 14, 2003 /s/ David B. Holtz

David B. Holtz
Senior Vice President, Finance and Treasurer

Exhibits

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 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: August 14, 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: August 14, 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 three and six month periods ended June 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: August 14, 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 three and six month period ended June 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: August 14, 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:

1. In discussing increases in product revenues in the second quarter ended June 30, 2003 vs. the second quarter ended June 30, 2002, we state the following:

"Excluding revenues from acquired product lines, second quarter product revenues grew by $4.3 million, or 17%, over the prior year quarter."

	Quarter Ended June 30,		Increase	
	2003	2002	$	%
	($ in thousands)			
~~Total product revenues, as reported~~	~~$ 41,237~~	~~$ 24,773~~	~~$16,464~~	~~66%~~
~~Less: Sales of products acquired in 2003~~	~~7,010~~	~~--~~	~~7,010~~	~~N/A~~
~~Sales of products acquired in 2002~~	~~5,167~~	~~--~~	~~5,167~~	~~N/A~~
~~Product revenues excluding acquired products~~	~~$ 29,060~~	~~$ 24,773~~	~~$ 4,287~~	~~17%~~

2. In discussing increases in product revenues for the six month period ended June 30, 2003 vs. the six month period ended June 30, 2002, we state the following:

"Excluding revenues from acquired product lines, product revenues grew by $8.7 million, or 18%, over the prior year period."

	Six Months Ended June 30,		Increase	
	2003	2002	$	%
	($ in thousands)			
~~Total product revenues, as~~				

reported $ 76,367 $ 49,292 $27,075 55% Less: Sales of products acquired in 2003 8,142 -- 8,142 N/A Sales of products acquired in 2002 10,210 -- 10,210 N/A ---------- ---------- ---------- - Product revenues excluding acquired products $ 58,015 $ 49,292 $ 8,723 18%