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 MARCH 31, 2002

COMMISSION FILE NUMBER 0-26224

INTEGRA LIFESCIENCES HOLDINGS CORPORATION
(EXACT NAME OF REGISTRANT AS SPECIFIED IN ITS CHARTER)

DELAWARE (STATE OR OTHER JURISDICTION OF INCORPORATION OR ORGANIZATION)	51-0317849 (I.R.S. EMPLOYER IDENTIFICATION NO.)
311 ENTERPRISE DRIVE PLAINSBORO, NEW JERSEY (ADDRESS OF PRINCIPAL EXECUTIVE OFFICES)	08536 (ZIP CODE)

(609) 275-0500
(REGISTRANT'S TELEPHONE NUMBER, INCLUDING AREA CODE)

INDICATE BY CHECK MARK WHETHER THE REGISTRANT: (1) HAS FILED ALL REPORTS REQUIRED TO BE FILED BY SECTION 13 OR 15(D) OF THE SECURITIES EXCHANGE ACT OF 1934 DURING THE PRECEDING 12 MONTHS (OR FOR SUCH SHORTER PERIOD THAT THE REGISTRANT WAS REQUIRED TO FILE SUCH REPORTS), AND (2) HAS BEEN SUBJECT TO SUCH FILING REQUIREMENTS FOR THE PAST 90 DAYS.
/X/ - YES / / - NO

AS OF MAY 10, 2002 THE REGISTRANT HAD OUTSTANDING 26,930,670 SHARES OF COMMON STOCK, PAR VALUE $.01 PER SHARE.

INTEGRA LIFESCIENCES HOLDINGS CORPORATION
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PART I. FINANCIAL INFORMATION

Item 1. Financial Statements

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

In thousands, except per share amounts

	March 31, 2002	December 31, 2001
ASSETS		
Current Assets:		
Cash and cash equivalents	$ 46,764	$ 44,518
Short-term investments	42,952	22,183
Accounts receivable, net of allowances of $665 and $964	14,828	14,024
Inventories	24,013	24,177
Prepaid expenses and other current assets	2,690	2,898
Total current assets	131,247	107,800
Noncurrent investments	42,657	64,335
Property, plant, and equipment, net	11,436	11,662
Deferred income taxes, net	8,457	10,243
Identifiable intangible assets, net	15,181	16,898
Goodwill	15,835	14,627
Other assets	1,954	2,023
Total assets	$ 226,767	$ 227,588
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current Liabilities:		
Short-term debt	$ --	$ 3,576
Accounts payable, trade	2,995	2,924
Income taxes payable	1,567	1,481
Customer advances and deposits	3,736	4,843
Deferred revenue	868	772
Accrued expenses and other current liabilities	4,920	5,550
Total current liabilities	14,086	19,146
Deferred revenue	3,776	3,949
Other liabilities	442	437
Total liabilities	18,304	23,532
Commitments and contingencies		
Stockholders' Equity:		
Preferred stock; $0.01 par value; 15,000 authorized shares; 54 Series C Convertible shares issued and outstanding at March 31, 2002 and December 31, 2001, $6,480 including a 10% annual cumulative dividend liquidation preference	1	1
Common stock; $0.01 par value; 60,000 authorized shares; 26,277 and 26,129 issued and outstanding at March 31, 2002 and December 31, 2001, respectively	263	261
Additional paid-in capital	285,006	284,021
Treasury stock, at cost; 6 shares at March 31, 2002 and December 31, 2001, respectively	(51)	(51)
Other	(31)	(37)
Accumulated other comprehensive loss	(1,216)	(539)
Accumulated deficit	(75,509)	(79,600)
Total stockholders' equity	208,463	204,056
Total liabilities and stockholders' equity	$ 226,767	$ 227,588

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

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

(In thousands, except per share amounts)

	Three Months Ended March 31, 2002	2001
REVENUES		
Product sales	$ 24,430	$ 20,284
Other revenue	1,486	1,400
Total revenue	25,916	21,684
COSTS AND EXPENSES		
Cost of product sales	9,528	8,594
Research and development	1,822	2,073
Selling and marketing	5,672	4,751
General and administrative	3,219	3,204
Amortization	350	680
Total costs and expenses	20,591	19,302
Operating income	5,325	2,382
Interest income (expense), net	993	(78)
Other income (expense), net	(23)	(62)
Income before income taxes	6,295	2,242
Income tax expense	2,204	246
Net income	4,091	1,996
Basic net income per share	$ 0.14	$ 0.08
Diluted net income per share	$ 0.13	$ 0.07
Weighted average common shares outstanding		
Basic	28,460	19,618
Diluted	30,717	21,849

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

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

(In thousands)

	Three Months Ended March 31, 2002	Three Months Ended March 31, 2001
OPERATING ACTIVITIES:		
Net income	$ 4,091	$ 1,996
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	1,166	1,431
Deferred tax provision	1,858	--
Amortization of discount and premium on investments	413	--
Other, net	30	(11)
Changes in assets and liabilities, net of business acquisitions:		
Accounts receivable	(834)	393
Inventories	125	(2,212)
Prepaid expenses and other current assets	202	(99)
Non-current assets	52	301
Accounts payable, accrued expenses and other liabilities	(377)	342
Customer advances and deposits	(1,107)	2,390
Deferred revenue	(77)	19
Net cash provided by operating activities	5,542	4,550
INVESTING ACTIVITIES:		
Proceeds from sale/maturity of investments	4,564	--
Purchases of available-for-sale investments	(4,523)	(2,891)
Cash used in business acquisition, net of cash acquired	(69)	--
Purchases of property and equipment	(630)	(396)
Net cash used in investing activities	(658)	(3,287)
FINANCING ACTIVITIES:		
Net proceeds from revolving credit facility	--	770
Repayment of term loan	--	(625)
Repayment of note payable	(3,576)	(1,540)
Proceeds from exercised stock options and warrants	951	1,434
Net cash (used in) provided by financing activities	(2,625)	39
Effect of exchange rate changes on cash	(13)	4
Net increase in cash and cash equivalents	2,246	1,306
Cash and cash equivalents at beginning of period	44,518	14,086
Cash and cash equivalents at end of period	$ 46,764	$ 15,392

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

1. BASIS OF PRESENTATION

GENERAL

In the opinion of management, the March 31 unaudited consolidated financial statements contain all adjustments (consisting only of normal recurring accruals) which the Company considers necessary for a fair presentation of the financial position, results of operations and cash flows 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. These unaudited consolidated financial statements should be read in conjunction with the Company's consolidated financial statements for the year ended December 31, 2001 included in the Company's Annual Report on Form 10-K. Operating results for the three-month period ended March 31, 2002 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 October 2001, the Financial Accounting Standards Board (FASB) issued Statement of Financial Accounting Standards No. 144, "Accounting for the Impairment or Disposal of Long-Lived Assets" (Statement 144). Statement 144 supercedes Statement of Financial Accounting Standards No 121 "Accounting for the Impairment of Long-Lived Assets and for Long-Lived Assets to Be Disposed Of". Statement 144 applies to all long-lived assets, including discontinued operations, and consequently amends Accounting Principles Board Opinion No. 30, "Reporting Results of Operations Reporting the Effects of Disposal of a Segment of a Business". The Company adopted Statement 144 on January 1, 2002. The adoption of Statement 144 had no impact on the Company's financial statements.

1. BASIS OF PRESENTATION (CONTINUED)

RECENTLY ISSUED ACCOUNTING STANDARDS

In July 2001, the FASB issued Statements of Financial Accounting Standards No. 141, "Business Combinations" (Statement 141), and No. 142, "Goodwill and Other Intangible Assets" (Statement 142).

Statement 141 requires that all business combinations initiated after June 30, 2001, be accounted for using the purchase method of accounting and further clarifies the criteria to recognize intangible assets separately from goodwill. The Company determined that its assembled workforce intangible asset does not meet the criteria for recognition as a separate identifiable intangible asset and thus, effective January 1, 2002, reclassified the net book value of its assembled workforce intangible asset into goodwill.

Under Statement 142, goodwill and indefinite-lived intangible assets are no longer amortized, but are reviewed for impairment at the reporting unit level annually, or more frequently if impairment indicators arise. Separable intangible assets that are not deemed to have an indefinite life will continue to be amortized over their useful lives. The Company reassessed the useful lives of its identifiable intangible assets and determined that they continue to be appropriate. As required by Statement 142, the Company amortized through December 31, 2001 all goodwill acquired prior to July 1, 2001. Effective January 1, 2002, the Company ceased amortization of all goodwill. The implementation of Statement 142 is expected to reduce amortization expense by approximately $1.0 million in 2002.

If the non-amortization provisions of Statement 142 had been applied for all of 2001, net income for the three months ended March 31, 2001 would have been as follows:

	2001 (in thousands)
Net income, as reported	$ 1,996
Add: Goodwill amortization	147
Assembled workforce amortization	29
Net income, as adjusted	$ 2,172
Net income per share, as adjusted	
Basic	$ 0.09
Diluted	$ 0.08

The Company is currently conducting its initial impairment review for goodwill and will complete this analysis by June 30, 2002. Although management does not expect that this analysis will indicate an impairment of goodwill, any such impairment would be reflected as a cumulative effect of accounting change.

2. INVENTORIES

Inventories consisted of the following:

	March 31, 2002	December 31, 2001
	(in thousands)	
Raw materials	$ 6,633	$ 7,559
Work-in process	3,956	3,493
Finished goods	13,424	13,125
	$24,013	$24,177

3. GOODWILL AND OTHER INTANGIBLE ASSETS

Changes in the carrying amount of reporting unit goodwill for the three months ended March 31, 2002, were as follows:

	Integra NeuroSciences	Integra LifeSciences	Total
		(in thousands)	
Goodwill, net of accumulated amortization at December 31, 2001	$ 13,815	$ 812	$ 14,627
Reclassification of assembled workforce intangible, net of accumulated amortization	1,245	30	1,275
Foreign currency translation	(1)	(66)	(67)
Goodwill at March 31, 2002	$ 15,059	$ 776	$ 15,835

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

	March 31, 2002		December 31, 2001	
	(in thousands)			
	Cost	Accumulated Amortization	Cost	Accumulated Amortization
Technology	$ 11,179	$ (1,704)	$ 11,255	$ (1,516)
Customer base	3,567	(768)	3,575	(674)
Trademarks	1,715	(334)	1,715	(305)
Assembled work force	--	--	1,581	(306)
Other	1,822	(296)	1,824	(251)
	$ 18,283	$ (3,102)	$ 19,950	$ (3,052)
Accumulated amortization	(3,102)		(3,052)	
	$ 15,181		$ 16,898	

Amortization expense is expected to approximate $1.4 million annually in each of the next five years.

4. INCOME TAXES

Income tax expense was approximately 35% and 11% of pre-tax income for the three months ended March 31, 2002 and 2001, respectively. Income tax expense for the three months ended March 31, 2002 included a deferred income tax provision of $1.9 million, or 29.5% of pre-tax income, of which $77,000 was recorded as a credit to additional paid-in capital for the tax benefit generated through the exercise of stock options. The effective rate for the quarter ended March 31, 2001 reflects the utilization of our net operating loss carryforwards during the period. In the quarter ended December 31, 2001, we reversed a portion of the valuation allowance recorded against the deferred tax assets related to these net operating loss carryforwards.

5. COMPREHENSIVE INCOME

Comprehensive income for the three months ended March 31 was as follows:

	2002	2001
	(in thousands)	
Net income	$ 4,091	$ 1,996
Unrealized losses on investments	(449)	(14)
Foreign currency translation adjustment	(228)	(331)
Comprehensive income	$ 3,414	$ 1,651

6. NET INCOME PER SHARE

Basic and diluted net income per share for the three months ended March 31 were as follows:

	2002	2001
	(In thousands, except per share amounts)	
Basic net income per share:		
Net income	$ 4,091	$ 1,996
Dividends on Preferred Stock	(135)	(385)
Net income available to common stock	$ 3,956	$ 1,611
Weighted average common shares outstanding	28,460	19,618
Basic net income per share	$ 0.14	$ 0.08
Diluted net income per share:		
Net income	$ 4,091	$ 1,996
Dividends on Preferred Stock	(135)	(385)
Net income available to common stock	$ 3,956	$ 1,611
Weighted average common shares outstanding	28,460	19,618
Effect of dilutive securities - stock options and warrants	2,257	2,231
Weighted average common shares outstanding for diluted earnings per share	30,717	21,849
Diluted net income per share	$ 0.13	$ 0.07

Options to purchase 10,222 shares of common stock and preferred stock convertible into 600,000 shares of common stock at March 31, 2002 were excluded from the computation of diluted net income per share for the three months ended March 31, 2002 because their exercise or conversion would have been antidilutive. Options to purchase 146,000 shares of common stock and preferred stock convertible into 3,218,000 shares of common stock at March 31, 2001 were excluded from the computation of diluted net income per share for the three months ended March 31, 2001 because their exercise or conversion would have been antidilutive. The exercise price of the options excluded from the computation of diluted net income per share for each of the periods ended March 31 exceeded the average market price of the common stock for the applicable period.

7. DIVISION AND GEOGRAPHIC INFORMATION

Integra's business is divided into two divisions: Integra NeuroSciences and Integra LifeSciences.

The Integra NeuroSciences division is a leading provider of implants, devices, and systems used in neurosurgery, neurotrauma, and related critical care and a distributor of disposables and supplies used in the diagnosis and monitoring of neurological disorders. The Integra LifeSciences division develops and manufactures a variety of medical products and devices, including products based on the Company's proprietary tissue regeneration technology that are used to treat soft tissue and orthopedic conditions.

Integra NeuroSciences sells primarily through a direct sales force in the United States and Europe and through a network of distributors elsewhere throughout the world. For the majority of the products manufactured by the Integra LifeSciences division, the Company has partnered with market leaders for the development and marketing efforts related to these products.

As a result of the acquisitions of NeuroSupplies, Inc. (renamed Integra NeuroSupplies, Inc.) in December 2001, and GMSmbH and Satelec Medical in April 2001, the Company's division financial results for quarters ended March 31, 2002 and 2001 may not be directly comparable. Reported product sales in the Integra NeuroSciences division for the quarter ended March 31, 2002 included $2.0 million in sales of product lines acquired since March 31, 2001.

Selected financial information on the Company's business divisions is reported below:

	Integra NeuroSciences	Integra LifeSciences	Total Reportable Segments
		(in thousands)	
First quarter ended March 31, 2002			
Product sales	$ 19,795	$ 4,635	$ 24,430
Total revenue	19,823	6,093	25,916
Operating expenses	14,606	3,658	18,264
Operating income	5,217	2,435	7,652
Depreciation included in segment operating expenses	554	247	801
First quarter ended March 31, 2001			
Product sales	$ 15,786	$ 4,498	$ 20,284
Total revenue	16,064	5,620	21,684
Operating expenses	11,858	4,697	16,555
Operating income	4,206	923	5,129
Depreciation included in segment operating expenses	417	298	715

7. DIVISION AND GEOGRAPHIC INFORMATION (CONTINUED)

A reconciliation of the amounts reported for total reportable segments to the consolidated financial statements is as follows:

	Three Months Ended March 31, 2002	Three Months Ended March 31, 2001
	(in thousands)	
Operating expenses:		
Total reportable segments	$ 18,264	$ 16,555
Plus: Corporate general and administrative expenses	1,977	2,067
Amortization	350	680
Consolidated total operating expenses.	$ 20,591	$ 19,302
Operating income:		
Total reportable segments	$ 7,652	$ 5,129
Less: Corporate general and administrative expenses	1,977	2,067
Amortization	350	680
Consolidated operating income	$ 5,325	$ 2,382

Product sales consisted of the following:

	Three Months Ended March 31, 2002	Three Months Ended March 31, 2001
	(in thousands)	
Integra NeuroSciences:		
Neuro intensive care unit	$ 7,241	$ 6,578
Neuro operating room	10,092	8,238
Other NeuroSciences products	2,462	970
Total product sales	19,795	15,786
Integra LifeSciences:		
Tissue repair products	$ 2,121	$ 1,790
Other medical devices	2,514	2,708
Total product sales	4,635	4,498
Consolidated product sales	$ 24,430	$ 20,284

Product sales by major geographic area are summarized below:

	United States	Europe	Asia Pacific	Other Foreign	Total
			(in thousands)		
Three months ended March 31,					
2002	$ 19,283	$ 3,023	$ 1,240	$ 884	$ 24,430
2001	15,554	2,513	1,135	1,082	20,284

8. LEGAL MATTERS

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.

This case went to trial in February 2000. In March, 2000, a jury returned a unanimous verdict for the Company and awarded $15,000,000 in damages, finding that Merck KGaA had willfully infringed and induced the infringement of the Company's patents. 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 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 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 have each appealed various decisions of the Court. We expect the court of appeals to hear arguments in the appeal during 2002 and to issue its opinion during 2003. Post-judgment interest continues to accrue at the rate of approximately $20,000 per week. Integra has not recorded any gain in connection with this favorable judgment.

The Company is also subject to other claims and lawsuits in the ordinary course of our business, including claims by employees or former employees and with respect to our products. In the opinion of management, such other claims are either adequately covered by insurance or otherwise indemnified, and are not expected, individually or in the aggregate, to result in a material adverse effect on the Company's financial condition. The Company's financial statements do not reflect any material amounts related to possible unfavorable outcomes of the matters above or others. 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.

9. SUBSEQUENT EVENT

On April 15, 2002, the Company notified the holders of the 54,000 shares of Series C Preferred Stock of its intention to redeem these shares on May 31, 2002 for $6.6 million. On April 16, 2002, all of the holders of the Series C Preferred Stock exercised their right to convert their shares into 600,000 shares of common stock prior to the redemption.

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 in our 2001 Annual Report on Form 10-K filed with the Securities and Exchange Commission. This discussion and analysis contains forward-looking statements that involve risks, uncertainties and assumptions. The 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 under the heading "Risk Factors" contained in our 2001 Annual Report on Form 10-K.

GENERAL

Integra is a global, diversified medical device company that develops, manufactures, and markets medical devices, implants and biomaterials primarily for use in neurosurgery, orthopedics and soft tissue repair. Our business is divided into two divisions: Integra NeuroSciences(TM) and Integra LifeSciences(TM).

Our Integra NeuroSciences division is a leading provider of implants, devices, and systems used in neurosurgery, neurotrauma, and related critical care and a distributor of disposables and supplies used in the diagnosis and monitoring of neurological disorders. Integra NeuroSciences sells primarily through a direct sales force of more than 80 people in the United States, the United Kingdom, Germany and France.

Our Integra LifeSciences division develops and manufactures a variety of medical products and devices, including products based on our proprietary tissue regeneration technology that are used to treat soft tissue and orthopedic conditions. For the majority of the products manufactured by the Integra LifeSciences division, we have partnered with market leaders for the development and marketing efforts related to these products. These non-neurosurgical products address large, diverse markets, and we believe that they can be promoted more cost-effectively through leveraging marketing partners than through developing a sales infrastructure ourselves. We have strategic alliances with Ethicon, a division of Johnson & Johnson, the Genetics Institute division of Wyeth, Medtronic Sofamor Danek, and Sulzer Dental.

ACQUISITIONS

As a result of the acquisitions of NeuroSupplies, Inc. (renamed Integra NeuroSupplies, Inc.) in December 2001, and GMSmbH and Satelec Medical in April 2001, our division financial results for quarters ended March 31, 2002 and 2001 may not be directly comparable. Reported product sales in the Integra NeuroSciences division for the quarter ended March 31, 2002 included $2.0 million in sales of product lines acquired in 2001.

	Quarter Ended March 31, 2002	Quarter Ended March 31, 2001
	(IN THOUSANDS)	
Integra NeuroSciences		
Products acquired in 2001(1)	$ 2,002	$ --
All other product sales	17,793	15,786
Total Integra NeuroSciences product sales	19,795	15,786
Integra LifeSciences		
Products acquired in 2001	$ --	$ --
All other product sales	4,635	4,498
Total Integra LifeSciences product sales	4,635	4,498
Consolidated product sales	$ 24,430	$ 20,284

(1) Excludes sales of the LICOX(R) product in those territories where Integra NeuroSciences had exclusive distribution rights to the product prior to our acquisition of GMSmbH.

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS (CONTINUED)

RESULTS OF OPERATIONS

For the quarter ended March 31, 2002, total revenues increased 20% over the quarter ended March 31, 2001 to $25.9 million, led by a 20% increase in product sales to $24.4 million. Domestic product sales increased $3.7 million in the quarter ended March 31, 2002 to $19.3 million, or 79% of product sales, as compared to 77% of product sales in the prior year quarter. Growth in total revenues and product sales for the quarter ended March 31, 2002 was led by the Integra NeuroSciences division, which reported a $3.8 million increase in total revenues to $19.8 million, a 23% increase over the prior year quarter. The Integra LifeSciences division reported a $0.5 million increase in total revenues to $6.1 million, an 8% increase over the quarter ended March 31, 2001.

Consolidated gross margin on product sales improved by three percentage points to 61% for the quarter ended March 31, 2002, which is ahead of our stated target of 60% for the full year 2002. This improvement in gross margins reflects an improved sales mix of higher margin products and an increase in capacity utilization as compared to the quarter ended March 31, 2001.

Net income for the quarter ended March 31, 2002 was $4.1 million, or $0.13 per share, as compared to net income of $2.0 million, or $0.07 per share, reported in the prior year quarter. Net income improved primarily as a result of the increase in revenues and the improved gross margin. Offsetting this was an increase in our effective tax rate from 11% in the quarter ended March 31, 2001 to a 35% rate recorded in 2002. The effective rate for the quarter ended March 31, 2001 reflects the utilization of our net operating loss carryforwards during the period. In the quarter ended December 31, 2001, we reversed a portion of the valuation allowance recorded against the deferred tax assets related to these net operating loss carryforwards, which is expected to result in an ongoing effective tax rate of 35%. Our actual cash tax rate is expected to be in the 6% to 8% range in 2002. Had our effective tax rate been 35% in 2001, reported earnings would have been $0.05 per share in the quarter ended March 31, 2001.

The following discussion of divisional financial results excludes corporate general and administrative expenses and amortization of intangible assets, which are not included in the measurement of divisional operating results.

INTEGRA NEUROSCIENCES DIVISION

	Quarter Ended March 31, 2002	2001
	(in thousands)	
Product sales:		
- Neuro intensive care unit	$ 7,241	$ 6,578
- Neuro operating room	10,092	8,238
- Other NeuroSciences products	2,462	970
Total product sales	19,795	15,786
Other revenue	28	278
Total revenue	19,823	16,064
Cost of product sales	7,228	6,048
Gross margin as a percentage of product sales	63%	62%
Research and development expenses	883	688
Sales and marketing expenses	5,483	4,310
General and administrative expenses	1,012	812
Operating income	$ 5,217	$ 4,206

Product sales in the Integra NeuroSciences division increased $4.0 million in the quarter ended March 31, 2002 to $19.8 million, a 25% increase over the prior year quarter. This increase included $2.0 million in sales of products acquired in 2001. This growth has been generated through acquisitions, new product launches, and increased direct sales and marketing efforts, both domestically and in Europe.

The increase in sales of neuro intensive care unit products included $0.3 million in sales of products acquired in 2001. Neuro operating room product sales increased $1.9 million to $10.1 million, and included $0.4 million in sales of acquired products. The sales growth in neuro operating room products was led by increased sales of the DuraGen(R) Dural Graft Matrix, offset by a decline in sales of hydrocephalus management shunt products. The weak comparison to the prior year quarter in our hydrocephalus line is due primarily to a large international tender that occurred in the quarter ended March 31, 2001. The increase in sales of other neuro products included $1.3 million in sales of acquired products. The decrease in other revenues was the result of decreased royalty revenues from an agreement that expired at the end of September 2001.

Gross margin on product sales increased one percentage point to 63% in the quarter ended March 31, 2002 primarily as a result of a continued improvement in sales mix.

Future sales growth is expected to be driven by our planned increase in the domestic sales force, the continued implementation of our direct sales strategy in Europe and from recently launched and acquired products.

The increase in research and development expenses in the quarter ended March 31, 2002 was primarily related to the development of a new collagen hemostatic device for use in neurosurgical procedures. Sales and marketing spending in the quarter ended March 31, 2002 increased as a result of the continued expansion in the domestic and international sales force. Sales and marketing expenses approximated 28% and 27% of product sales in the quarters ended March 31, 2002 and 2001, respectively. The increase in general and administrative expenses was primarily related to the businesses acquired in 2001.

INTEGRA LIFESCIENCES DIVISION

	Quarter Ended March 31, 2002	2001
	(in thousands)	
Product sales:		
- Tissue repair products	$ 2,121	$ 1,790
- Other medical devices	2,514	2,708
Total product sales	4,635	4,498
Other revenue	1,458	1,122
Total revenue	6,093	5,620
Cost of product sales	2,300	2,546
Gross margin as a percentage of product sales	50%	43%
Research and development expenses	939	1,385
Sales and marketing expenses	189	441
General and administrative expenses	230	325
Operating income	$ 2,435	$ 923

Product sales in the Integra LifeSciences division increased $0.1 million in the quarter ended March 31, 2002 to $4.6 million, a 3% increase over the prior year quarter. This growth was generated primarily by a $0.3 million increase in sales of tissue repair products, or 18% growth over the prior year quarter, offset by a $0.2 million decline in sales of other medical devices. Product sales for the quarter ended March 31, 2002 were negatively affected by reduced orders for the VitaCuff(R) infection control product from one of our OEM customers. This customer's orders were approximately $0.4 million less in the quarter ended March 31, 2002, as compared to their average quarterly orders over the previous two years. While we expect this shortfall will also affect the quarter ended June 30, 2002, we expect that sales of the VitaCuff(R) product will improve in the second half of this year.

Gross margin on product sales increased seven percentage points to 50% in the quarter ended March 31, 2002 primarily as a result of a significant increase in capacity utilization and increased sales of higher margin orthopedic products.

Other revenue consists of i) research and development funding from strategic partners and government grants, ii) license, distribution, and other event-related revenues from strategic partners and other third parties, and iii) product royalty income. The $0.3 million increase in other revenue in the quarter ended March 31, 2002 was primarily related to a $0.5 million event payment from the Ethicon division of Johnson & Johnson for the achievement of a clinical and regulatory objective for the INTEGRA(R) Dermal Regeneration Template in the quarter ended March 31, 2002, offset by a decrease in grant revenue.

The decrease in research and development expenses in the quarter ended March 31, 2002 was primarily related to the completion of a grant program in the quarter ended March 31, 2001, and is consistent with the decrease in grant revenue in the quarter ended March 31, 2002 as compared to the prior year quarter. Sales and marketing activities decreased in the quarter ended March 31, 2002 primarily due to the elimination of distributor commissions. Sales and marketing activities in the Integra LifeSciences division are primarily the responsibility of our strategic marketing partners and distributors.

CORPORATE EXPENSES AND AMORTIZATION

	Quarter Ended March 31, 2002	2001
	(in thousands)	
Total divisional operating costs and expenses	$ 18,264	$ 16,555
Corporate general and administrative expenses	1,977	2,067
Amortization	350	680
Consolidated total operating expenses	$ 20,591	$ 19,302

Amortization expense decreased $0.3 million in the quarter ended March 31, 2002 to $0.3 million as a result of the implementation of Statement of Financial Accounting Standard No 142 (Statement 142) in January 2002. The implementation of Statement 142 had a favorable impact on earnings of $0.2 million, or approximately $0.01 per share, in the quarter ended March 31, 2002.

We reported operating earnings before interest, taxes, depreciation and amortization (EBITDA) of $6.5 million in the quarter ended March 31, 2002, as compared to $3.8 million in the prior year quarter. Operating EBITDA represents operating income before depreciation and amortization.

NON-OPERATING INCOME AND EXPENSES

We raised $113.4 million in a follow-on public offering of 4.7 million shares of common stock in August 2001 and subsequently used $9.3 million to repay all outstanding indebtedness. Accordingly, net interest income increased $1.1 million in the quarter ended March 31, 2002 to $1.0 million.

INCOME TAXES

Income tax expense was approximately 35% and 11% of pre-tax income for the quarters ended March 31, 2002 and 2001, respectively. Income tax expense for the quarter ended March 31, 2002 included a deferred income tax provision of $1.9 million, or 29.5% of pre-tax income, of which $77,000 was recorded as a credit to additional paid-in capital for the tax benefit generated through the exercise of stock options.

INTERNATIONAL PRODUCT SALES AND OPERATIONS

Product sales by major geographic area are summarized below:

	United States	Europe	Asia Pacific	Other Foreign	Total
			(in thousands)		
Quarter ended March 31,					
2002	$ 19,283	$ 3,023	$ 1,240	$ 884	$ 24,430
2001	15,554	2,513	1,135	1,082	20,284

In the quarter ended March 31, 2002, sales to customers outside the United States totaled $5.1 million, or 21% of consolidated product sales, of which approximately 59% were to European customers. Of this amount, $2.1 million of these sales were generated in foreign currencies from our foreign-based subsidiaries in the United Kingdom, Germany and France. In the quarter ended March 31, 2001, sales to customers outside the United States totaled $4.7 million, or 23% of consolidated product sales, of which approximately 53% were to European customers. Of this amount, $1.3 million of these sales were generated in foreign currencies from our subsidiary based in the United Kingdom.

Our international sales and operations are subject to the risk of foreign currency fluctuations, both in terms of exchange risk related to transactions conducted in foreign currencies and the price of our products in those markets for which sales are denominated in the U.S. dollar. We expect that our establishment of a direct sales and marketing infrastructure in the United Kingdom, Germany and France in 2001 and our recent transfer of certain distributor accounts to our operations in the United Kingdom will cause our sales denominated in foreign currencies to continue to increase in the future.

LIQUIDITY AND CAPITAL RESOURCES

Historically, we have funded our operations primarily through private and public offerings of equity securities, product revenues, research and collaboration funding, borrowings under a revolving credit line and cash acquired in connection with business acquisitions and dispositions. Since 1999, we have substantially reduced our net use of cash from operations and, in 2001, we generated positive operating cash flows on an annual basis for the first time. For the quarter ended March 31, 2002, we generated $5.5 million in cash flows from operations.

Our principal uses of funds in the quarter ended March 31, 2002 were $3.6 million for repayment of debt and $0.6 million for purchases of property and equipment. Principal sources of funds were approximately $5.5 million in operating cash flows and $1.0 million from the issuance of common stock through the exercise of stock options.

At March 31, 2002, we had cash, cash equivalents and current and non-current investments totaling approximately $132.4 million and no outstanding debt. Investments consist almost entirely of highly-liquid, interest bearing debt securities. Given the significant level of liquid assets and our objective to grow by acquisition and alliances, our financial position and future financial results could change significantly if we were to complete a business acquisition by utilizing a significant portion of our liquid assets.

In February 2002, our Board of Directors reauthorized our share repurchase program. Under the program, we may repurchase up to 500,000 shares of our common stock for an aggregate purchase price not to exceed $15 million. Shares may be repurchased under this program through December 31, 2002 either in the open market or in privately negotiated transactions. We did not repurchase any shares of our common stock under this program in 2001 or in the quarter ended March 31, 2002.

OTHER MATTERS

A valuation allowance of $34.4 million is recorded against net deferred tax assets. However, we may recognize a deferred income tax benefit in future periods if we determine that all or a portion of the remaining deferred tax assets can be realized.

On April 15, 2002, we notified the holders of the 54,000 shares of Series C Preferred Stock of our intention to redeem these shares on May 31, 2002 for $6.6 million. On April 16, 2002, all of the holders of the Series C Preferred Stock exercised their right to convert their shares into 600,000 shares of common stock prior to the redemption.

PART II. OTHER INFORMATION

Item 6. Exhibits and Reports on Form 8-K

(a) Exhibits

None

(b) Reports on Form 8-K

A Report on Form 8-K was filed on March 13, 2002, which reported under the caption "Item 5. Other Events" that the Company's Board of Directors had reauthorized the Company's share repurchase program.

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: May 15, 2002

/S/ STUART M. ESSIG

Stuart M. Essig
President and Chief Executive Officer

Date: May 15, 2002

/S/ DAVID B. HOLTZ

David B. Holtz
Senior Vice President, Finance and Treasurer