INTEGRA LIFESCIENCES HOLDINGS CORP

FORM 10-Q
(Quarterly Report)

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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, 2004

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 MAY 4, 2004 THE REGISTRANT HAD OUTSTANDING 28,560,804 SHARES OF COMMON STOCK, $.01 PAR VALUE.

INTEGRA LIFESCIENCES HOLDINGS CORPORATION

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PART I. FINANCIAL INFORMATION

Item 1. Financial Statements

INTEGRA LIFESCIENCES HOLDINGS CORPORATION
CONSOLIDATED STATEMENTS OF OPERATIONS
(UNAUDITED)

(In thousands, except per share amounts)

	Three Months Ended March 31, 2004	2003
REVENUES		
Product revenues	$ 51,435	$ 35,130
Other revenue	1,008	1,650
Total revenues	52,443	36,780
COSTS AND EXPENSES		
Cost of product revenues	20,001	13,703
Research and development	2,823	2,650
Selling and marketing	11,151	7,576
General and administrative	5,856	4,834
Amortization	883	577
Total costs and expenses	40,714	29,340
Operating income	11,729	7,440
Interest income	928	783
Interest expense	(871)	(7)
Other income (expense), net	(17)	349
Income before income taxes	11,769	8,565
Income tax expense	4,331	3,127
Net income	7,438	5,438
Basic net income per share	$ 0.25	$ 0.18
Diluted net income per share	$ 0.24	$ 0.18
Weighted average common shares outstanding		
Basic	29,704	29,438
Diluted	30,859	30,869

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

	March 31, 2004	December 31, 2003
ASSETS		
Current Assets:		
Cash and cash equivalents	$ 76,052	$ 78,979
Short-term investments	30,118	29,567
Accounts receivable, net of allowances of $1,779 and $2,025	30,322	28,936
Inventories	44,894	41,046
Prepaid expenses and other current assets	8,354	9,365
Total current assets	189,740	187,893
Non-current investments	105,911	98,197
Property, plant, and equipment, net	20,213	20,072
Deferred income taxes, net	18,471	21,369
Identifiable intangible assets, net	52,974	52,435
Goodwill	28,135	26,683
Other assets	5,695	5,877
Total assets	$ 421,139	$ 412,526
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current Liabilities:		
Accounts payable, trade	6,878	7,947
Accrued expenses and other current liabilities	12,816	12,671
Total current liabilities	19,694	20,618
Long-term debt	119,742	119,257
Other liabilities	3,688	4,121
Total liabilities	143,124	143,996
Commitments and contingencies		
Stockholders' Equity:		
Common stock; $0.01 par value; 60,000 authorized shares; 28,734 and 28,611 issued at March 31, 2004 and December 31, 2003, respectively	287	286
Additional paid-in capital	288,620	286,716
Treasury stock, at cost; 219 shares at March 31, 2004 and December 31, 2003	(5,236)	(5,236)
Other	(3)	(5)
Accumulated other comprehensive income (loss):		
Unrealized gain on available-for-sale securities	408	63
Foreign currency translation adjustment	5,229	5,400
Minimum pension liability adjustment	(1,266)	(1,232)
Accumulated deficit	(10,024)	(17,462)
Total stockholders' equity	278,015	268,530
Total liabilities and stockholders' equity	$ 421,139	$ 412,526

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

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

(In thousands)

	Three Months Ended March 31,	
	2004	2003
OPERATING ACTIVITIES:		
Net income	$ 7,438	$ 5,438
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	2,162	1,477
Deferred income tax provision	3,159	2,585
Amortization of discount and premium on investments	587	436
Other, net	(13)	(213)
Changes in assets and liabilities, net of business acquisitions:		
Accounts receivable	(1,129)	(1,225)
Inventories	(3,327)	(250)
Prepaid expenses and other current assets	481	545
Non-current assets	20	385
Accounts payable, accrued expenses and other liabilities	1,472	(351)
Net cash provided by operating activities	10,850	8,827
INVESTING ACTIVITIES:		
Proceeds from sales/maturities of available-for-sale investments	54,518	48,157
Purchases of available-for-sale investments	(62,834)	(21,349)
Cash used in business acquisition, net of cash acquired	(3,890)	(42,443)
Purchases of property and equipment	(2,875)	(542)
Net cash used in investing activities	(15,081)	(16,177)
FINANCING ACTIVITIES:		
Proceeds from exercised stock options and warrants	1,236	2,215
Purchase of treasury stock	--	(35,325)
Proceeds from issuance of convertible notes, net	--	101,850
Net cash provided by financing activities	1,236	68,740
Effect of exchange rate changes on cash	68	116
Net increase (decrease) in cash and cash equivalents	(2,927)	61,506
Cash and cash equivalents at beginning of period	78,979	43,583
Cash and cash equivalents at end of period	$ 76,052	$105,089

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

BASIS OF PRESENTATION

General

In the opinion of management, the March 31, 2004 unaudited consolidated financial statements contain all adjustments (consisting only of normal recurring adjustments) necessary for a fair presentation of the financial position, results of operations and cash flows of the Company. Certain information and footnote disclosures normally included in financial statements prepared in accordance with 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, 2003 included in the Company's Annual Report on Form 10-K. Operating results for the three-month period ended March 31, 2004 are not necessarily indicative of the results to be expected for the entire year.

The preparation of consolidated financial statements in conformity with accounting principles generally accepted in the United States requires management to make estimates and assumptions that affect the reported amount of assets and liabilities, the disclosure of contingent liabilities, and the reported amounts of revenues and expenses. Significant estimates affecting amounts reported or disclosed in the consolidated financial statements include allowances for doubtful accounts receivable and sales returns, net realizable value of inventories, estimates of future cash flows associated with long-lived asset valuations, depreciation and amortization periods for long-lived assets, valuation allowances recorded against deferred tax assets, and loss contingencies. 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 December 2003, the FASB reissued FASB Interpretation No. 46 (FIN 46R), "Consolidation of Variable Interest Entities, an Interpretation of Accounting Research Bulletin No. 51" with certain modifications and clarifications. Applications of this guidance was effective for interests in certain variable interest entities commonly referred to as special purpose entities and for variable interest entities created or acquired after February 1, 2003 as of December 31, 2003. Application for all other types of variable interest entities created after February 1, 2003 is required for the period ended after March 15, 2004 unless previously applied. The Company adopted the revised interpretation of FIN 46 and it did not have a material effect on the Company's financial position or results of operations.

Equity-Based Compensation

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

Had the compensation cost for the Company's stock option 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 March 31, 2004	2003
	(in thousands, except per share amounts)	
Net income:		
As reported	$ 7,438	$ 5,438
Less: Total stock-based employee compensation expense determined under the fair value-based method for all awards, net of related tax effects	(1,470)	(1,202)
Pro forma	$ 5,968	$ 4,236
Net income per share:		
Basic:		
As reported	$ 0.25	$ 0.18
Pro forma	$ 0.20	$ 0.14
Diluted:		
As reported	$ 0.24	$ 0.18
Pro forma	$ 0.19	$ 0.14

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 the Black-Scholes model.

2. BUSINESS ACQUISITIONS

In January 2004, the Company acquired the R&B instrument business from R&B Surgical Solutions, LLC for approximately $2.0 million in cash. The R&B instrument line is a complete line of high-quality handheld surgical instruments used in neuro- and spinal surgery. The Company markets these products through its JARIT sales organization. In connection with this acquisition, the Company recorded, on a preliminary basis, approximately $1.5 million of intangible assets and goodwill. The acquired intangible assets are being amortized on a straight-line basis over lives ranging from 5 to 20 years. If the Company had consummated this acquisition as of the beginning of 2003, its operating results would not have been materially different from those herein.

In January 2004, the Company acquired the Sparta disposable critical care devices and surgical instruments business from Fleetwood Medical, Inc. for approximately $1.6 million in cash. The Sparta product line includes products used in plastic and reconstructive, ear, nose and throat (ENT), neuro, ophthalmic and general surgery. The Company sells the Sparta products through a direct marketing organization and an existing distributor network. In connection with this acquisition, the Company recorded, on a preliminary basis, approximately $1.6 million of intangible assets and goodwill. The acquired intangible assets are being amortized on a straight-line basis over 5 years. If the Company had consummated this acquisition as of the beginning of 2003, its operating results would not have been materially different from those herein.

In November 2003, the Company acquired all of the outstanding capital stock of Spinal Specialties, Inc. for $6.4 million in cash. Spinal Specialties markets its products primarily to anesthesiologists and interventional radiologists through an in-house telemarketing team and a network of distributors.

In August 2003, the Company acquired substantially all of the assets of Tissue Technologies, Inc. The Company paid $0.6 million in cash and is obligated to pay the seller up to an additional $1.5 million in contingent consideration based upon a multiple of the Company's sales of the UltraSoft product in the third year following the acquisition.

In March 2003, the Company acquired all of the outstanding capital stock of J. Jamner Surgical Instruments, Inc. (doing business as JARIT(R) Surgical Instruments) ("JARIT") for $43.5 million in cash. In the United States, JARIT sells through a 20 person sales management force that works with over 100 distributor sales representatives.

The results of operations of acquired businesses are included in the consolidated financial statements since the respective dates of acquisition.

The following unaudited pro forma financial information assumes that the Spinal Specialties and JARIT acquisitions had occurred as of the beginning of 2003 (in thousands, except per share data):

	For the Three Months Ended March 31, 2003
Total revenue	$43,908
Net income	5,862
Net income per share:	
Basic	$ 0.20
Diluted	$ 0.19

3. INVENTORIES

Inventories consisted of the following:

	March 31, 2004	December 31, 2003
	(in thousands)	
Raw materials	$10,226	$ 9,738
Work-in process	6,098	5,069
Finished goods	28,570	26,239
	$44,894	$41,046

4. GOODWILL AND OTHER INTANGIBLE ASSETS

Changes in the carrying amount of goodwill for the three months ended March 31, 2004, were as follows:

Balance at December 31, 2003	$ 26,683
R&B acquisition	413
Sparta acquisition	1,309
Foreign currency translation	(270)
Balance at March 31, 2004	$ 28,135

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

	Weighted Average Life	March 31, 2004 Cost	March 31, 2004 Accumulated Amortization	December 31, 2003 Cost	December 31, 2003 Accumulated Amortization
		(in thousands)			
Completed technology	15 years	$ 15,115	$ (3,575)	$ 15,062	$ (3,337)
Customer relationships	21 years	16,848	(2,325)	16,755	(2,053)
Trademarks/brand names	38 years	26,128	(1,215)	25,235	(1,017)
All Other	10 years	3,292	(1,294)	2,909	(1,119)
		$ 61,383	$ (8,409)	$ 59,961	$ (7,526)
Accumulated amortization ..		(8,409)		(7,526)	
		$ 52,974		$ 52,435	

Excluding the effects of the Berchtold and Mayfield acquisitions in April and May 2004, respectively, (see Note 9), annual amortization expense is expected to approximate $3.4 million in 2004, $3.3 million in 2005, $3.2 million in 2006, $2.9 million in 2007, and $2.5 million in 2008. Identifiable intangible assets are initially recorded at fair market value at the time of acquisition generally using an income or cost approach.

5. COMPREHENSIVE INCOME

Comprehensive income was as follows:

	Three Months Ended March 31, 2004	Three Months Ended March 31, 2003
	(in thousands)	
Net income	$ 7,438	$ 5,438
Foreign currency translation adjustment	(205)	(130)
Unrealized holding gains (losses) on available-for-sale securities, net of tax	345	(139)
Reclassification adjustment for gains included in net income	--	(221)
Comprehensive income	$ 7,578	$ 4,948

6. NET INCOME PER SHARE

Basic and diluted net income per share were as follows:

	Three Months Ended March 31, 2004	Three Months Ended March 31, 2003
	(In thousands, except per share amounts)	
Basic net income per share:		
Net income available to common stock	$ 7,438	$ 5,438
Weighted average common shares outstanding	29,704	29,438
Basic net income per share	$ 0.25	$ 0.18
Diluted net income per share:		
Net income available to common stock	$ 7,438	$ 5,438
Weighted average common shares outstanding - Basic	29,704	29,438
Effect of dilutive securities - stock options and warrants	1,155	1,431
Weighted average common shares for diluted earnings per share	30,859	30,869
Diluted net income per share	$ 0.24	$ 0.18

Options outstanding at March 31, 2004 and 2003, respectively, to purchase approximately 35,000 and 771,000 shares of common stock were excluded from the computation of diluted net income per share for the three month periods ended March 31, 2004 and 2003 because their exercise price exceeded the average market price of the Company's common stock during the period.

Notes payable outstanding at March 31, 2004 and 2003 that were convertible into 3.5 million and 3.1 million shares of common stock were excluded from the computation of diluted net income per share for the three month periods ended March 31, 2004 and 2003, respectively, because the conditions required to convert the notes were not met.

Holders have the right to convert their notes into shares of the Company's common stock at any time prior to their maturity, if any of the following conditions is met:
- the last sale price of the Company's common stock on the trading day prior to the conversion date was 110% or more of the conversion price on such trading day;
- the Company distributes to holders of its common stock certain rights entitling them to purchase common stock at less than the last sale price of our common stock on the day preceding the declaration for such distribution;
- the Company distributes to holders of its common stock assets, debt, securities or certain rights to purchase its securities, which distribution has a per share value exceeding 10% of the last sale price of the Company's common stock on the day preceding the declaration of such distribution; or
- the Company becomes a party to a consolidation, merger or sale of all or substantially all of its assets or a change in control occurs pursuant to which the Company's common stock would be converted into cash, stock or other property that is not common equity interests traded on a national securities exchange or quoted on the Nasdaq National Market;

Holders may also convert their notes into shares of the Company's common stock as follows:

- at any time prior to March 15, 2006 after any 5 consecutive trading-day period in which the average trading prices for the notes for that 5 trading-day period was less than 103% of the average conversion value for the notes during that period; or
- at any time on or after March 15, 2006 and prior to maturity after any 5 consecutive trading-day period in which the average trading prices for the notes for that 5 trading-day period was less than 97% of the average conversion value for the notes during that period (however, holders may not convert their notes on or after March 15, 2006 if, at the time of the calculation, the closing sale price of shares of the Company's common stock is between the then current conversion price on the notes and 110% of the then current conversion price on the notes.)

7. PRODUCT REVENUE AND GEOGRAPHIC INFORMATION

Integra develops, manufactures, and markets medical devices for use primarily in neuro-trauma and neurosurgery, plastic and reconstructive surgery, and general surgery. The Company's product lines include monitoring and drainage systems, surgical instruments, fixation systems, and innovative tissue repair products that incorporate the Company's proprietary absorbable implant technology. The Company reports its financial results under a single operating segment - the development, manufacturing, and distribution of medical devices.

Product revenues are segregated into the following categories

	Three Months Ended March 31,	
	2004	2003
	(in thousands)	
Monitoring products	$ 11,198	$ 10,532
Operating room products	18,332	12,588
Instruments	16,043	6,247
Private label products	5,862	5,763
Total product revenues	$ 51,435	$ 35,130

Beginning in 2004, the Company includes the sales of INTEGRA(R) Dermal Regeneration Template in operating room product revenues. In the prior year period, these product sales were included in private label product revenues.

Certain of the Company's products, including the DuraGen(R) Dural Graft products, NeuraGen(TM) Nerve Guide, INTEGRA(R) Dermal Regeneration Template, INTEGRA(TM) Bi-Layer Matrix Wound Dressing, and BioMend(R) Absorbable Collagen Membrane, contain material derived from bovine tissue. Products that contain materials derived from animal sources, including food as well as pharmaceuticals and medical devices, are increasingly subject to scrutiny from the press and regulatory authorities. These products comprised approximately 32% of product revenues in the three month periods ended March 31, 2004 and 2003. Accordingly, widespread public controversy concerning collagen products, new regulation, or a ban of the Company's products containing material derived from bovine tissue, could have a material adverse effect on the Company's current business or its ability to expand its business.

Product revenues by major geographic area are summarized below:

	United States	Europe	Asia Pacific	Other Foreign	Total
	(in thousands)				
Product revenues:					
Three months ended March 31, 2004	$ 40,386	$ 7,248	$ 1,829	$ 1,972	$ 51,435
Three months ended March 31, 2003	27,262	5,001	1,458	1,409	35,130

8. COMMITMENTS AND CONTINGENCIES

As consideration for certain technology, manufacturing, distribution and selling rights and licenses granted to Integra, the Company has agreed to pay royalties on the sales of products that are commercialized relative to the granted rights and licenses. Royalty payments under these agreements by the Company 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, Integra filed a patent infringement lawsuit in the United States District Court for the Southern District of California (the "Trial 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 the Company's patents. These patents are part of a group of patents granted to The Burnham Institute and licensed by Integra 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 the Company's favor and awarded Integra $15.0 million in damages, finding that Merck KGaA had willfully infringed and induced the infringement of Integra's patents. The Trial Court dismissed Scripps and Dr. Cheresh from the case.

In October 2000, the Trial Court entered judgment in Integra's favor and against Merck KGaA in the case. In entering the judgment, the Trial Court also granted to the Company pre-judgment interest of approximately $1.4 million, bringing the total award to approximately $16.4 million, 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 Trial Court entered orders in favor of Integra 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 the Company each appealed various decisions of the Trial Court to the United States Court of Appeals for the Federal Circuit (the "Circuit Court"). The Circuit Court affirmed the Trial Court's finding that Merck KGaA had infringed Integra's patents. The Circuit Court also held that the basis of the jury's calculation of damages was not clear from the trial record, and remanded the case to the Trial Court for further factual development and a new calculation of damages consistent with the Circuit Court's decision.

The Company expects the Trial Court to begin new hearings on damages in the summer of 2004. Integra has not recorded any gain in connection with this matter.

Three of the French subsidiaries that the Company acquired from the neurosciences division of NMT Medical, Inc. received a tax reassessment notice from the French tax authorities seeking in excess of 1.7 million euros 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 liabilities on behalf of each of these subsidiaries.

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

9. SUBSEQUENT EVENTS

In April 2004, the Company acquired Berchtold Medizin-Elektronik GmbH from Berchtold Holding Company for approximately $5.0 million in cash subject to a working capital adjustment. Berchtold Medizin-Elektronik, based in Tuttlingen, Germany, manufactures and markets the Elektrotom(R) line of electrosurgery generators and the Sonotom(R) ultrasonic surgical aspirator as well as a broad line of related handpieces, instruments and disposables used in many surgical procedures including neurosurgery. The acquired business generated approximately $6.5 million in revenues for the year ended December 31, 2003, primarily in foreign currency denominated transactions. The Company plans to market these products through an international distributor network. This acquisition will allow the Company to continue to expand its European operations through an existing infrastructure through which its can sell its other products directly into Germany and to offer additional market leading devices to the European and international markets.

In May 2004, the Company acquired the surgical business from Schaerer Mayfield USA, Inc. for approximately $20.0 million in cash subject to a working capital adjustment. The acquired business generated approximately $10.3 million in revenues for the year ended December 31, 2003. The products purchased include the Mayfield(R) Cranial Stabilization and Positioning Systems and the BUDDE(R) Halo Retractor System used in head surgery. Mayfield systems are the market leader in the United States, and have been used by neurosurgeons for over thirty years. This acquisition allows Integra to continue to broaden and strengthen the product lines offered by its well-trained and experienced sales group. The Mayfield and BUDDE product lines, which are sold to hospitals and physicians, will be sold in the United States through the Integra NeuroSciences direct sales organization and through distributors internationally. Mayfield's five sales and marketing employees will join Integra's growing sales and marketing teams.

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

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

The following discussion and analysis of our financial condition and results of operations should be read in conjunction with our consolidated financial statements and the related notes thereto appearing elsewhere in this report and our consolidated financial statements for the year ended December 31, 2003 included in our Annual Report on Form 10-K.

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."

GENERAL

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

Our business is organized into product groups and distribution channels. Our product groups include implants and other devices for use in the operating room, monitoring systems for the measurement of various parameters in tissue (such as pressure, temperature, and oxygen), hand-held and ultrasonic surgical instruments, and private label products that we manufacture for other medical device companies.

Our distribution channels include a sales organization that we employ to call on neurosurgeons, another employed sales force to call on plastic and reconstructive surgeons, and networks of third-party distributors that we manage. We invest substantial resources and management effort to develop our sales organizations, and we believe that we compete very effectively in this aspect of our business.

We manufacture most of the operating room, monitoring and private label products that we sell in various plants located in the United States, Puerto Rico, France, the United Kingdom and Germany. We also manufacture the ultrasonic surgical instruments that we sell, but we source most of our hand-held surgical instruments through specialized third-party vendors.

We believe that we have a particular advantage in the development, manufacture and sale of specialty tissue repair products derived from bovine collagen. We develop and build these products in our manufacturing facility in Plainsboro, New Jersey. Taken together, these products accounted for approximately 32% of product revenues in the three months ended March 31, 2004 and 2003.

We manage these multiple product groups and distribution channels on a centralized basis. Accordingly, we report our financial results under a single operating segment - the development, manufacturing, and distribution of medical devices.

Our objective is to build a customer-focused and profitable medical device company by developing or acquiring innovative medical devices and other products to sell through our sales channels. Our strategy therefore entails substantial growth in product revenues both through internal means - through launching new and innovative products and selling existing products more intensively - and by acquiring existing businesses or product lines.

We aim to achieve this growth in revenues while maintaining strong financial results. While we pay attention to any meaningful trend in our financial results, we pay particular attention to measurements that tend to support the view that our profitability can grow for a period of years. These measurements include revenue growth from products developed internally or acquired, gross margins on products revenues, which we hope to increase to more than 65% over a period of several years, operating margins, which we hope to increase substantially from the level we reported in 2003, and earnings per fully diluted share of common stock.

ACQUISITIONS

Our strategy for growing our business includes the acquisition of complementary product lines, technologies, and companies. Our acquisitions of the R&B and Sparta instrument businesses in January 2004, Spinal Specialties, Inc. in November 2003, the Tissue Technologies, Inc. business in August 2003, and J. Jamner Surgical Instruments, Inc. ("JARIT") in March 2003, may make our financial results for the three month period ended March 31, 2004 not directly comparable to those of the corresponding prior year period.

Reported product revenues for the three month periods ended March 31, 2004 and 2003 included the following amounts in revenues from product lines acquired since January 1, 2003:

(in thousands)	Three Months Ended March 31, 2004	2003
Total Monitoring product revenues	$11,198	$10,532
Total Operating Room product revenues	18,332	12,588
Instruments		
Products acquired during 2004	$ 336	$ --
Products acquired during 2003	9,787	1,142
All other product revenues	5,920	5,105
Total Instruments product revenues	16,043	6,247
Total Private Label product revenues	5,862	5,763
Consolidated		
Products acquired during 2004	$ 336	$ --
Products acquired during 2003	9,787	1,142
All other product revenues	41,312	33,988
Total product revenues	51,435	35,130

RESULTS OF OPERATIONS

QUARTER ENDED MARCH 31, 2004 COMPARED TO QUARTER ENDED MARCH 31, 2003

Total Revenues And Gross Margin On Product Revenues:

For the quarter ended March 31, 2004, total revenues increased by $15.7 million, or 43%, over the quarter ended March 31, 2003 to $52.4 million. This increase was primarily attributable to an increase in product revenues of $16.3 million, or 46%, over the prior year period. Other revenue decreased by $0.6 million due to the termination of the ETHICON distribution and development agreement in December 2003.

Revenues from product lines acquired since the first quarter of 2003 accounted for $9.0 million of the $16.3 million increase in product revenues over the prior year period. Changes in foreign currency exchange rates also accounted for $1.0 million of the increase in product revenues. Domestic product revenues increased $13.1 million in the first quarter of 2004 to $40.4 million, or 79% of product revenues, as compared to 78% of product revenues in the first quarter ended March 31, 2003.

Revenues from our monitoring product lines increased $0.7 million, or 6%, over the prior year period primarily as a result of increased sales of our intracranial monitoring products and drainage systems. Our operating room product line revenues increased over the prior year period by $5.7 million, or 46%. This increase is largely the result of growth in sales of our DuraGen(R) and DuraGen Plus(TM) Dural Graft Matrix products and the inclusion of INTEGRA(R) Dermal Regeneration Template sales in the operating room category. Prior to our resuming the direct sale and marketing of the INTEGRA product on January 1, 2004, we reported sales of the INTEGRA product to ETHICON, Inc. in the private label category.

Revenues from our instrument product lines increased by $9.8 million, or 157%, principally as a result of revenues from the JARIT surgical instrument line and Spinal Specialties product line we acquired in 2003. We also experienced growth over the prior year period in each of our existing instrument product lines. Our private label product revenue increased by $0.1 million, or 2%, over the prior year period as increased revenues from the Absorbable Collagen Sponge we supply for use in Medtronic's INFUSE bone graft product offset by the removal of INTEGRA Dermal Regeneration Template revenues from this category for inclusion in operating room product revenues. Although sales of certain private label products vary highly from quarter to quarter depending on the timing and size of orders placed by our marketing partners, we do not believe that the variability is as significant on an annual basis.

We have generated our product revenue growth through acquisitions, new product launches and increased direct sales and marketing efforts both domestically and in Europe. We expect that our future revenue growth will be driven by our expanded domestic sales force, the continued implementation of our direct sales strategy in Europe and from internally developed and acquired products. We also intend to continue to acquire businesses that complement our existing businesses and products.

Our gross margin on product revenues was 61% in both the quarter ended March 31, 2004 and the prior year period. The current quarter's gross margin benefited from strong growth in our higher margin products sold during the quarter and the resumption of direct sales of INTEGRA Dermal Regeneration Template which was offset by the full period impact of JARIT's instrument sales.

Other Operating Expenses:

The following is a summary of other operating expenses as a percent of product revenues:

(in thousands)	Three Months Ended March 31, 2004	2003
Research and development	5 %	8 %
Selling and marketing	22 %	22 %
General and administrative	11 %	14 %

Total other operating expenses, which exclude cost of product revenue but include amortization, increased 32% to $20.7 million in the first quarter of 2004, compared to $15.6 million in the first quarter of 2003.

Research and development expenses increased approximately $0.2 million to $2.8 million in the first quarter of 2004. The savings that resulted from closing our San Diego research center were offset by increased spending on new product development and clinical studies.

The decline in research and development expenses as a percentage of product revenues in the first quarter of 2004 is primarily related to the significant increase in hand-held instrument product revenues as a proportion of our total revenues. By their nature, our hand-held instrument product lines require less research and development and depend on sales and marketing efforts to support continued growth. Research and development expenses on products other than our traditional hand-held instruments was 7% of product revenues in the first quarter of 2004, as compared to 8% in the first quarter of 2003.

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.

Sales and marketing expenses increased 47% over the prior year period to $11.2 million as a result of the expansion of our direct sales organizations and because we owned JARIT for the entire current period compared to a portion of the prior year period. Sales and marketing expenses were 22% of product revenues in both the quarter ending March 31, 2004 and the prior year period.

General and administrative expenses increased $1.0 million to $5.9 million in the quarter, largely as a result of increases in professional fees.

Amortization expense increased approximately $300,000 to approximately $900,000 in the first quarter of 2004 as a result of amortization of intangible assets from recent acquisitions.

Non-Operating Income And Expenses

In the first quarter of 2004, we recorded $871,000 in interest expense associated with the $120 million of contingent convertible subordinated notes we issued in March and April of 2003 and a related interest rate swap agreement.

Our reported interest expense includes $205,000 of non-cash amortization of debt issuance costs. Debt issuance costs totaled $4.1 million and are being amortized using the straight-line method over the five-year term of the notes.

We will pay additional interest ("Contingent Interest") on our convertible notes under certain conditions. 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. In the first quarter of 2004, the change in the estimated fair value of the Contingent Interest obligation increased interest expense by $102,000.

In August 2003, we entered into an interest rate swap agreement with a $50.0 million notional amount to hedge the risk of changes in fair value attributable to interest rate risk with respect to a portion of our fixed rate convertible notes. The interest rate swap agreement qualifies as a fair value hedge under SFAS No. 133, as amended "Accounting for Derivative Instruments and Hedging Activities". The net amount to be paid or received under the interest rate swap agreement is recorded as a component of interest expense. Interest expense for the three months ended March 31, 2004 reflects a $210,000 reduction in interest expense associated with the interest rate swap.

The net fair value of the interest rate swap at December 31, 2003 was $1,072,000. At March 31, 2004, the net fair value of the interest rate swap decreased $509,000 to $563,000, and this amount is included in other liabilities. In connection with this fair value hedge transaction, during the first quarter of 2004, we recorded a $467,000 net increase in the carrying value of our convertible notes. The net $42,000 difference between changes in the fair value of the interest rate swap and the contingent convertible notes represents the ineffective portion of the hedging relationship, and this amount is recorded in other income.

Our net other income/expense decreased by $366,000 from $349,000 of income in the first quarter of 2003 to $17,000 of expense in the first quarter of 2004. In the first quarter of 2003, we recorded $221,000 of gains realized on the sale of marketable securities.

Income tax expense was approximately 36.8% and 36.5% of income before income taxes for the first quarters of 2004 and 2003, respectively. Income tax expense for the first quarters of 2004 and 2003 included a deferred income tax provision of $3.2 million and $2.6 million, respectively. The increase in the effective income tax rate in 2004 results primarily from a change in the geographic mix of projected taxable income for 2004.

We reported net income for the first quarter of 2004 of $7.4 million, or $0.24 per diluted share, as compared to net income of $5.4 million, or $0.18 diluted per share, for the prior year quarter.

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

International Product Revenues and Operations

Because we have operations based in Europe and we generate revenues and incur operating expenses in euros and British pounds, we have currency exchange risk with respect to those foreign currency denominated revenues or expenses.

In the first quarter of 2004, the cost of products we manufactured in our European facilities or purchased in foreign currencies exceeded our foreign currency-denominated revenues. We expect this imbalance to continue. We currently do not hedge our exposure to foreign currency risk. Accordingly, a weakening of the dollar against the euro and British pound could negatively affect future gross margins and operating margins. We will continue to assess the potential effects that changes in foreign currency exchange rates could have on our business. If we believe this potential impact presents a significant risk to our business, we may enter into derivative financial instruments to mitigate this risk.

Additionally, we generate significant revenues outside the United States, a portion of which are U.S. dollar-denominated transactions conducted with customers who generate revenue in currencies other than the U.S. dollar. As a result, 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.

Our sales to foreign markets may be affected by local economic conditions, regulatory or political considerations, the effectiveness of our sales representatives and distributors, local competition, and changes in local medical practice.

Relationships with customers and effective terms of sale frequently vary by country, often with 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:					
Three months ended March 31, 2004	$ 40,386	$ 7,248	$ 1,829	$ 1,972	$ 51,435
Three months ended March 31, 2003	27,262	5,001	1,458	1,409	35,130

In the three months ending March 31, 2004, product revenues from customers outside the United States totaled $11.0 million, or 21% of consolidated product revenues, of which approximately 66% were to European customers. Of this amount, $8.1 million was generated in foreign currencies primarily by our subsidiaries in the Europe.

In the three months ending March 31, 2003, product revenues from customers outside the United States totaled $7.9 million, or 22% of consolidated product revenue, of which approximately 64% were to European customers. Of this amount, $4.1 million was generated in foreign currencies by our subsidiaries in Europe.

LIQUIDITY AND CAPITAL RESOURCES

Cash and Marketable Securities

At March 31, 2004, we had cash, cash equivalents and current and non-current investments totaling approximately $212.1 million. Our investments consist almost entirely of highly liquid, interest bearing debt securities. We believe that our cash and marketable securities are sufficient to finance our operations and capital expenditures in the short term. However, given the significant level of liquid assets and our objective to grow by acquisitions and alliances, our financial position and future financial results could change significantly if we were to use a significant portion of our liquid assets.

Cash Flows

Cash provided by operations has recently been and is expected to continue to be our primary means of funding existing operations and capital expenditures. We have generated positive operating cash flows on an annual basis, including $32.0 million in 2002, $34.8 million in 2003, and $10.9 million of operating cash flows in the three months ending March 31, 2004. Operating cash flows for the quarter ending March 31, 2003, were $8.8 million.

Our principal uses of funds during the three month period ended March 31, 2004 were $3.9 million for acquisition consideration, $8.3 million for purchases of investments, net of maturities and sales, and $2.9 million for purchases of property and equipment. In addition to the $10.9 million in operating cash flows, we received $1.2 million from the issuance of common stock through the exercise of stock options during the period.

Working Capital

At March 31, 2004 and December 31, 2003, working capital was $170.0 million and $167.3 million, respectively. The increase in working capital was primarily due to additional investments in inventory to support our growth in product revenues and higher accounts receivable balances related to increased sales, offset by a net use of cash in the first quarter of 2004.

Convertible Debt and Related Hedging Activities

We have outstanding $120.0 million of 2 1/2% contingent convertible subordinated notes due 2008. We are obligated to pay $3.0 million of interest per year on the notes and to repay their principal amount on March 15, 2008, if the notes are not converted into common stock before that date. 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, subject to certain conditions.

We also have outstanding 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 convertible notes. We receive a 2 1/2% fixed rate from the counterparty, payable on a semi-annual basis, and pay to the counterparty a floating rate based on 3 month LIBOR minus 35 basis points, payable on a quarterly basis. The interest rate swap agreement terminates on March 15, 2008, subject to early termination upon the occurrence of certain events, including redemption or conversion of the contingent convertible notes.

Share Repurchase Plans

In March 2004, our Board of Directors authorized us to repurchase up to 1.5 million shares of our common stock for an aggregate purchase price not to exceed $40.0 million. We may repurchase shares under this program through March 2005 either in the open market or in privately negotiated transactions. We did not repurchase any shares of common stock during the first quarter of 2004.

Dividend Policy

We have not paid any cash dividends on our common stock since our formation. Any future determinations to pay cash dividends on our common stock will be at the discretion of our Board of Directors and will depend upon our financial condition, results of operations, cash flows, and other factors deemed relevant by the Board of Directors.

Requirements and Capital Resources

We believe that our cash and marketable securities are sufficient to finance our operations and capital expenditures in the near term. In 2004, we expect to increase cash outlays for capital expenditures as compared to 2003, primarily because of an estimated $4.3 million of expenditures associated with information system upgrades.

Given the significant level of liquid assets and our objective to grow by acquisition and alliances, our financial position could change significantly if we were to complete a business acquisition by utilizing a significant portion of our liquid assets.

Currently, we do not have any existing borrowing capacity or other credit facilities in place to raise significant amounts of capital if such a need arises.

Contractual Obligations and Commitments

Under certain agreements, we are required to make payments based on sales levels of certain products or if specific development milestones are achieved.

In April 2004, we acquired the Berchtold Medizin-Elektronik GmbH from Berchtold Holding Company for approximately $5.0 million in cash subject to a working capital adjustment. Berchtold Medizin-Elektronik, based in Tuttlingen, Germany, manufactures and markets the Elektrotom(R) line of electrosurgery generators and the Sonotom(R) ultrasonic surgical aspirator as well as a broad line of related handpieces, instruments and disposables used in many surgical procedures including neurosurgery.

In May 2004, we acquired the surgical business from Schaerer Mayfield USA, Inc. for approximately $20.0 million in cash subject to a working capital adjustment. The products purchased include the Mayfield(R)Cranial Stabilization and Positioning Systems and the BUDDE(R) Halo Retractor System used in head surgery.

FACTORS THAT MAY AFFECT OUR FUTURE PERFORMANCE

Our Operating Results May Fluctuate.

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

|X| the impact of acquisitions;
|X| the timing of significant customer orders; |X| market acceptance of our existing products, as well as products in development;
|X| the timing of regulatory approvals; |X| the timing of payments received and the recognition of those payments as revenue under collaborative arrangements and other alliances; |X| changes in the rate of exchange between the U.S. dollar, the euro and the British pound;
|X| expenses incurred and business lost in connection with product field corrections or recalls;
|X| our ability to manufacture our products efficiently; and |X| the timing of our research and development expenditures.

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

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

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

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, many of our product lines compete with smaller specialized companies or larger companies that do not otherwise focus on neurosurgery. Our plastic and reconstructive surgery business is small compared to its principal competitors, which include major medical device and wound care companies such as the ETHICON division of Johnson & Johnson, Smith and Nephew, Inamed, Mentor, and Zimmer. Our private label products face diverse and broad competition, depending on the market addressed by the product. Finally, in certain cases our products compete primarily against medical practices that treat a condition without using a device, rather than any particular product, such as autograft tissue as an alternative for the INTEGRA(R) Dermal Regeneration Template, our duraplasty products, and the NeuraGen(TM) Nerve Guide.

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 18 businesses or product lines at a total cost of approximately $123 million.

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

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

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

Our products under development are subject to FDA approval or clearance prior to marketing for commercial use. The process of obtaining necessary FDA approvals or clearances can take years and is expensive and full of uncertainties. Our inability to obtain required regulatory approval on a timely or acceptable basis could harm our business. Further, approval or clearance may place substantial restrictions on the indications for which the product may be marketed or to whom it may be marketed. Further studies, including clinical trials and FDA approvals, may be required to gain approval for the use of a product for clinical indications other than those for which the product was initially approved or cleared or for significant changes to the product. In addition, for products with an approved 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.

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

Certain of our products, including the DuraGen(R) Dural Graft products, the NeuraGen(TM) Nerve Guide, and the INTEGRA(R) Dermal Regeneration Template, contain material derived from bovine tissue. Products that contain materials derived from animal sources, including food as well as pharmaceuticals and medical devices, are increasingly subject to scrutiny in the press and by regulatory authorities. Regulatory authorities are concerned about the potential for the transmission of disease from animals to humans via those materials. This public scrutiny has been particularly acute in 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. Recent cases of BSE discovered in Canada and the United States have 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 deep flexor tendon of cattle from the United States that are less than 24 months old. The World Health Organization classifies different types of cattle tissue for relative risk of BSE transmission. Deep flexor tendon, the sole source of our collagen, is in the lowest risk category for BSE transmission (the same category as milk, for example), and is therefore considered to have a negligible risk of containing the agent that causes BSE (an improperly folded protein known as a prion). 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. Significant new regulation, or a ban of our products, could have a material effect on our current business or our ability to expand our business.

The European Union has recently announced that new medical devices containing tissues of animal origin will have to conform to new requirements, and existing medical devices containing animal tissue must be re-assessed between April 1, 2004 and September 30, 2004. If the required documentation is not submitted, received and approved, by September 30, 2004, existing EC Certificates will become invalid. We plan to submit all documents required for a re-assessment of our products within the schedule required by the European Union.

In addition, we have been notified that Japan has issued new regulations regarding medical devices that contain tissue of animal origin. Among other regulations, Japan may require that the tendon used in the manufacture of medical devices sold in Japan originate in a country that has never had a case of BSE. Currently, we source all of our tendon from the United States. If we cannot secure and qualify a source of tendon from a country that has never had a case of BSE, we may not be permitted to sell our collagen hemostatic agents and products for oral surgery in Japan after September 2004. We do not currently sell our dural or skin repair products in Japan.

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

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

competes for acceptance in the market with the INTEGRA(R) Dermal Regeneration Template.

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

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

Market acceptance of our products depends on many factors, including our ability to convince prospective collaborators and customers that our technology is an attractive alternative to other technologies, to manufacture products in sufficient quantities and at acceptable costs, and to supply and service sufficient quantities of our products directly or through our distribution alliances. In addition, limited funding available for product and technology acquisitions by our customers, as well as internal obstacles to customer approvals of purchases of our products, could harm acceptance of our products. The industry is subject to rapid and continuous change arising from, among other things, consolidation and technological improvements. One or more of these factors may vary unpredictably, which could materially adversely affect our competitive position. We may not be able to adjust our contemplated plan of development to meet changing market demands.

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

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

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

Our competitive position also depends upon unpatented trade secrets. Trade secrets are difficult to protect. We cannot assure you that others will not independently develop substantially equivalent proprietary information and

techniques or otherwise gain access to our trade secrets, that our trade secrets will not be disclosed, or that we can effectively protect our rights to unpatented trade secrets.

In an effort to protect our trade secrets, we have a policy of requiring our employees, consultants and advisors to execute proprietary information and invention assignment agreements upon commencement of employment or consulting relationships with us. These agreements provide that, except in specified circumstances, all confidential information developed or made known to the individual during the course of their relationship with us must be kept confidential. We cannot assure you, however, that these agreements will provide meaningful protection for our trade secrets or other proprietary information in the event of the unauthorized use or disclosure of confidential information.

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

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

It May Be Difficult To Replace Some Of Our Suppliers.

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

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

We manufacture our products in a limited number of facilities. Damage to our manufacturing, development or research facilities due to fire, natural disaster,

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

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

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 operations based in Europe and we generate revenues and incur operating expenses in euros and British pounds, we experience currency exchange risk with respect to those foreign currency-denominated revenues and expenses. In 2003, the cost of products we manufactured in our European facilities or purchased in foreign currencies exceeded our foreign currency-denominated revenues. We expect this imbalance to continue into 2004. We currently do not hedge our exposure to foreign currency risk. Accordingly, a further weakening of the dollar against the euro and British pound could negatively affect future gross margins and operating margins.

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 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, regulatory or political considerations, the effectiveness of our sales representatives and distributors, local competition, and changes in local medical practice. 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 Reduce The Size Of The Market For Our Products, Either 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:

|X| 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; |X| Medicare, Medicaid and private health care insurer cutbacks could create downward price pressure on our products; |X| 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; |X| 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;
|X| we are party to contracts with group purchasing organizations that require us to discount our prices for certain of our products and limit our ability to raise prices for certain of our products, particularly surgical instruments;
|X| there is economic pressure to contain health care costs in international markets;
|X| there are proposed and existing laws, regulations and industry policies in domestic and international markets regulating the sales and marketing practices and the pricing and profitability of companies in the health care industry; and
|X| there have been initiatives by third-party payors to challenge the prices charged for medical products that could affect our ability to sell products on a competitive basis.

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

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

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

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

In October 2003 ADVAMED, the principal U.S. trade association for the medical device industry, promulgated a model "code of conduct" that sets forth standards by which its members should abide in the promotion of their products. The ADVAMED Code became effective as of January 1, 2004. In addition, we have in place policies and procedures for compliance that we believe are as stringent as, or more stringent than, those set forth in the ADVAMED Code, and we provide routine training to our sales and marketing personnel on our policies regarding sales and marketing practices. Nevertheless, we believe that the sales and marketing practices of our industry will be subject to increased scrutiny from government agencies.

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

Our private label business depends in part on our entering into and maintaining collaborative or alliance agreements with third parties concerning product marketing, as well as research and development programs. Our most important alliance is our agreement with the Wyeth BioPharma division of Wyeth for the development of collagen matrices to be used in conjunction with Wyeth BioPharma's recombinant bone protein, a protein that stimulates the growth of bone in humans. Termination of any of our alliances 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.

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

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

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

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

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

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

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

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

The Loss Of Key Personnel Could Harm Our Business.

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

FORWARD-LOOKING STATEMENTS

We have made statements in this report, including statements under "Management's Discussion and Analysis of Financial Condition and Results of Operations" which constitute forward-looking statements within the meaning of Section 27A of the Securities Act of 1933 and Section 21E of the Securities Exchange Act of 1934. These forward-looking statements are subject to a number of risks, uncertainties and assumptions about the Company, including those described under "Factors that May Affect Our Future Performance" in the Company's Annual Report on Form 10-K for the year ended December 31, 2003 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 are exposed to various market risks, including changes in foreign currency exchange rates and interest rates that could adversely impact our results of operations and financial condition. To manage the volatility relating to these typical business exposures, we may enter into various derivative transactions when appropriate. We do not hold or issue derivative instruments for trading or other speculative purposes.

Foreign Currency Exchange Rate Risk

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 Risk - Marketable Securities

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. A hypothetical 100 basis point movement in interest rates applicable to our cash and cash equivalents and investments in marketable debt securities outstanding at March 31, 2004 would increase or decrease interest income by approximately $2.1 million on an annual basis. We are not subject to material foreign currency exchange risk with respect to these investments.

Interest Rate Risk - Long Term Debt and Related Hedging Instruments

We are exposed to the risk of interest rate fluctuations on the net interest received or paid under the terms of an interest rate swap. At March 31, 2004, we had outstanding a $50.0 million notional amount interest rate swap used to hedge the risk of changes in fair value attributable to interest rate risk with respect to a portion of our $120.0 million principal amount fixed rate 2 1/2% contingent convertible subordinated notes due March 2008.

Our interest rate swap agreement qualifies as a fair value hedge under SFAS No. 133, as amended, "Accounting for Derivative Instruments and Hedging Activities". At March 31, 2004, the net fair value of the interest rate swap approximated $563,000 and is included in other liabilities. The net fair value of the interest rate swap represents the estimated receipts or payments that would be made to terminate the agreement. A hypothetical 100 basis point movement in interest rates applicable to the interest rate swap would increase or decrease interest expense by approximately $500,000 on an annual basis.

ITEM 4. CONTROLS AND PROCEDURES

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

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

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

PART II. OTHER INFORMATION

ITEM 6. EXHIBITS AND REPORTS ON FORM 8-K

(a)	Exhibits
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

(b) Reports on Form 8-K

On February 27, 2004 we filed a Report on Form 8-K under items 7 and 12 regarding our earnings for the quarter and year ended December 31, 2003.

On March 3, 2004, we filed a Report on Form 8-K under item 12 regarding a conference call we held to discuss our earnings for the quarter and year ended December 31, 2003.

On March 8, 2004, we filed a Report on Form 8-K under item 5 regarding a board resolution authorizing the Company to repurchase up to an additional 1.5 million shares of its common stock for an aggregate purchase price not to exceed $40.0 million.

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 7, 2004 /s/ Stuart M. Essig

Stuart M. Essig
President and Chief Executive Officer

Date: May 7, 2004 /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

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 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 report;

3. Based on my knowledge, the financial statements, and other financial information included in this 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 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 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: May 7, 2004

/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 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 report;

3. Based on my knowledge, the financial statements, and other financial information included in this 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 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 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: May 7, 2004

/s/ David B. Holtz

David B. Holtz
Senior Vice President, Finance and Treasurer

Exhibit 32.1

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

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

1. The Quarterly Report on Form 10-Q of the Company for the period ending March 31, 2004 (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: May 7, 2004

By: /s/ Stuart M. Essig

Stuart M. Essig
Chief Executive Officer

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

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

1. The Quarterly Report on Form 10-Q of the Company for the period ending March 31, 2004 (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: May 7, 2004

By: /s/ David B. Holtz

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

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