INTEGRA LIFESCIENCES HOLDINGS CORP
Form S-3/A
July 09, 2001

AS FILED WITH THE SECURITIES AND EXCHANGE COMMISSION ON JULY 9, 2001

REGISTRATION NO. 333-62176

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SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

AMENDMENT NO. 1
TO
FORM S-3
REGISTRATION STATEMENT
UNDER
THE SECURITIES ACT OF 1933

INTEGRA LIFESCIENCES HOLDINGS CORPORATION
(Exact name of registrant as specified in its charter)

DELAWARE	3841	51-0317849
(State or other jurisdiction of incorporation or organization)	(Primary Standard Industrial Classification Code Number)	(I.R.S. Employer Identification Number)

311-C ENTERPRISE DRIVE
PLAINSBORO, NEW JERSEY 08536
(609) 275-0500
(Address, including zip code, and telephone number, including area code, of registrant's principal executive offices)

JOHN B. HENNEMAN, III
CHIEF ADMINISTRATIVE OFFICER AND SECRETARY
311-C ENTERPRISE DRIVE
PLAINSBORO, NEW JERSEY 08536
(609) 275-0500
(Name, address, including zip code, and telephone number, including area code, of agent for service)

COPIES TO:

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NEW YORK, NY 10022
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This amendment reflects the fact that none of the securities being registered on this form are to be offered on a delayed or continuous basis pursuant to Rule 415 under the Securities Act of 1933 and contains a revised facing sheet, prospectus, Part II (Information Not Required In Prospectus), Exhibit Index and Signature pages.

Approximate date of commencement of proposed sale to public: As soon as practicable after the effective date of this Registration Statement.

If the only securities being registered on this form are being offered pursuant to dividend or interest reinvestment plans, please check the following box. [_]

If any of the securities being registered on this form are to be offered on a delayed or continuous basis pursuant to Rule 415 under the Securities Act of 1933, other than securities offered only in connection with dividend or interest reinvestment plans, check the following box. [_]

If this form is filed to register additional securities for an offering pursuant to Rule 462(b) under the Securities Act, please check the following box and list the Securities Act Registration Statement number of the earlier effective Registration Statement for the same offering. [_]

If this form is a Post-Effective Amendment filed pursuant to Rule 462(c) under the Securities Act, check the following box and list the Securities Act Registration statement number of the earlier effective Registration Statement for the same offering. [_]

If delivery of the prospectus is expected to be made pursuant to rule 434, please check the following box. [ ]

CALCULATION OF REGISTRATION FEE

TITLE OF SHARES TO BE REGISTERED	AMOUNT TO BE REGISTERED(1)	PROPOSED MAXIMUM AGGREGATE OFFERING PRICE PER UNIT	PROPOSED MAXIMUM AGGREGATE OFFERING PRICE(3)	AMOUNT OF REGISTRATION FEE
Common Stock, $0.01 par value	4,312,500	$22.80	$98,325,000	$24,581.30(4)

(1) Includes 312,500 shares to be sold by one of our security holders and 562,500 shares that the underwriters have the option to purchase solely to cover overallotments, if any.

(2) Based on July 5, 2001 closing price of $22.80 per share of common stock and subject to change until the date of the offering.

(3) Estimated solely for the purpose of calculating the amount of the registration fee in accordance with Rule 457(o) under the Securities Act of 1933, as amended (the "Securities Act").

(4) $18,750 of the Registration fee was paid on February 14, 2001.

The Registrant hereby amends this Registration Statement on such date or dates as may be necessary to delay its effective date until the Registrant shall file a further amendment that specifically states that this Registration Statement shall thereafter become effective in accordance with Section 8(a) of the Securities Act of 1933 as amended, or until the Registration Statement shall become effective on such date as the Commission, acting pursuant to said Section 8(a), may determine.

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SUBJECT TO COMPLETION. DATED JULY 9, 2001.

PROSPECTUS

[INTEGRA LOGO]

INTEGRA LIFESCIENCES HOLDINGS CORPORATION

COMMON STOCK

We are selling 3,500,000 shares of common stock and the selling stockholders are selling 250,000 shares of common stock to the public. You should read this prospectus carefully before you invest.

Our common stock is listed on the Nasdaq National Market under the symbol "IART." On July 5, 2001, the reported last sale price of the common stock was $22.80 per share.

Theunderwriters have an option to purchase a maximum of 562,500 from us and selling shareholders to cover over-allotments of shares.

INVESTING IN OUR SECURITIES INVOLVES CERTAIN SIGNIFICANT RISKS. SEE "RISK FACTORS" BEGINNING ON PAGE 5.

NEITHER THE SECURITIES AND EXCHANGE COMMISSION NOR ANY STATE SECURITIES COMMISSION HAS APPROVED OR DISAPPROVED OF THESE SECURITIES OR DETERMINED IF THIS PROSPECTUS IS TRUTHFUL OR COMPLETE. ANY REPRESENTATION TO THE CONTRARY IS A CRIMINAL OFFENSE.

The underwriters expect to deliver these shares at the lead underwriter's office in New York, New York.

THE DATE OF THIS PROSPECTUS IS , 2001.

The information contained in this preliminary prospectus is not complete and may be changed. These securities may not be sold until the registration statement filed with the Securities and Exchange Commission is effective. The preliminary prospectus is not an offer to sell nor does it seek an offer to buy these securities in any jurisdiction where the offer or sale is not permitted.

No person is authorized to give any information or to make any representations other than those contained or incorporated by reference in this prospectus and, if given or made, the information or representations must not be relied upon as having been authorized. This prospectus does not constitute an offer to sell or the solicitation of an offer to buy any securities other than the securities described in this prospectus or an offer to sell or the solicitation of an offer to buy those securities in any circumstance in which the offer or solicitation is unlawful. The delivery of this prospectus shall not, under any circumstances, create any implication that there has been no change in the affairs of Integra since the date of this prospectus or that the information contained or incorporated by reference in this prospectus is correct as of any time subsequent to the date of that information.

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ABOUT THIS PROSPECTUS

This document is called a prospectus and is part of a registration statement that we filed with the Securities and Exchange Commission.

This prospectus provides you with a general description of the common stock we and our selling security holders are offering. You should read this prospectus together with the additional information described under the heading "Where You Can Find More Information."

The registration statement containing this prospectus, including the exhibits to the registration statement, provides additional information about us and the securities offered under this prospectus. The registration statement, including the exhibits, can be read at the SEC website or at the SEC offices mentioned under the heading "Where You Can Find More Information."

You should rely only on the information incorporated by reference or provided in this prospectus. We have not authorized anyone to provide you with different information. We are not making an offer or soliciting a purchase of these securities in any jurisdiction in which the offer or solicitation is not authorized or in which the person making the offer or solicitation is not qualified to do so or to anyone to whom it is unlawful to make the offer or solicitation. You should not assume that the information in this prospectus is accurate as of any date other than the date on the front of the document.

The prospectus incorporates business and financial information about us that is not included or delivered with this document. You may request and obtain this information free of charge by writing or telephoning us at the following address: 311-C Enterprise Drive, Plainsboro, New Jersey 08536, Attention: Director of Finance, telephone (609) 275-0500.

PROSPECTUS SUMMARY

THIS SUMMARY HIGHLIGHTS INFORMATION ABOUT INTEGRA AND THE COMMON STOCK OFFERED BY THIS PROSPECTUS. IT DOES NOT CONTAIN ALL THE INFORMATION THAT MAY BE IMPORTANT TO YOU. YOU SHOULD READ THIS SUMMARY TOGETHER WITH THE MORE DETAILED INFORMATION AND OUR FINANCIAL STATEMENTS AND NOTES APPEARING ELSEWHERE IN THIS PROSPECTUS. YOU SHOULD CAREFULLY CONSIDER, AMONG OTHER FACTORS, THE MATTERS SET FORTH IN "RISK FACTORS."

INTEGRA

We develop, manufacture and market medical devices, implants and biomaterials. Our operations consist of:

- Integra NeuroSciences, which is a leading provider of implants, devices, and monitors used in neurosurgery, neurotrauma, and related critical care; and

- Integra LifeSciences, which develops and manufactures a variety of medical products and devices, including products based on our proprietary tissue regeneration technology which are used to treat soft tissue and orthopedic conditions.

Integra NeuroSciences sells primarily through a direct sales organization and Integra LifeSciences sells primarily through strategic alliances and distributors.

Integra was founded in 1989 and over the next decade built a product portfolio based on absorbable collagen, and a product development platform based on technologies directed toward tissue regeneration. During 1999 and 2000, we expanded into the neurosurgical market, an attractive niche, through acquisitions and introductions of new products. Our 2000 revenues increased to $71.6 million as compared to $42.9 million in 1999, and our revenues for the first three months of 2001 were $21.7 million compared to $14.5 million for the first three months of 2000.

Our goal is to become a leader in the development, manufacture and marketing of medical devices, implants and biomaterials in the markets in which we compete. Our products are principally used in the diagnosis and treatment of neurosurgical, soft-tissue and orthopedic conditions and we intend to expand our presence in those markets. Key elements of our strategy include the following:

- Expand our presence in neurosurgery and closely related surgical specialties;
- Continue to develop new and innovative medical products; and
- Continue to form strategic alliances for Integra LifeSciences products and technologies.

Integra was formed as a Delaware corporation in June 1989. Our executive offices are located at 311-C Enterprise Drive, Plainsboro, New Jersey 08536. Our telephone number is (609) 275-0500. Our World Wide Web site address is http://www.integra-LS.com. The information on our web site is not part of this prospectus.

SUMMARY CONSOLIDATED HISTORICAL FINANCIAL DATA

	(UNAUDITED)				
	THREE MONTHS ENDED MARCH 31,		YEARS ENDED DECEMBER 31		
	2001	2000	2000	1999	1998
	(IN THOUSANDS, EXCEPT PER SHARE DATA)				
Statement of Operations Data (1):					
Product sales	20,284	$ 13,332	$ 64,987	$ 40,047	$ 14,182
Other revenue	1,400	1,199	6,662	2,829	3,379
Total revenue	21,684	14,531	71,649	42,876	17,561
Cost of product sales	8,594	6,687	29,511	22,678	7,580
Research and development	2,073	1,890	7,524	8,893	8,424
Selling and marketing	4,751	2,949	15,371	9,487	5,901

General and administrative (2)	3,204	3,747	28,483	13,324	9,787
Amortization	680	480	2,481	874	49
Total costs and expenses	19,302	15,753	83,370	55,256	31,741
Operating income (loss)	2,382	(1,222)	(11,721)	(12,380)	(14,180)
Interest income (expense), net	(78)	11	(473)	294	1,250
Gain on disposition of product line	--	115	1,146	4,161	--
Other income (expense) net	(62)	123	201	141	588
Income (loss) before income taxes	2,242	(973)	(10,847)	(7,784)	(12,342)
Income tax expense (benefit) (3)	246	62	108	(1,818)	--
Income (loss) before cumulative effect of accounting change	1,996	(1,035)	(10,955)	(5,966)	(12,342)
Cumulative effect of change in accounting for nonrefundable fees received under research, license and distribution arrangements (4)	--	(470)	(470)	--	--
Net income (loss)	$ 1,996	$ (1,505)	$(11,425)	$ (5,966)	$(12,342)
Diluted net income (loss) per share	$ 0.07	$ (0.35)	$ (0.97)	$ (0.40)	$ (0.77)
Weighted average common shares outstanding	21,849	17,224	17,553	16,802	16,139

	(UNAUDITED) MARCH 31, 2001	DECEMBER 31, 2000
	(IN THOUSANDS)	
Balance Sheet Data (1):		
Cash, cash equivalents and short-term investments	$ 19,374	$ 15,138
Working capital	27,992	25,177
Total assets	91,079	86,514
Long-term debt	3,121	4,758
Accumulated deficit	(103,733)	(105,729)
Total stockholders' equity	56,874	53,781

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(1) As the result of our acquisitions of Rystan Company, Inc. in September 1998 and the NeuroCare Group of companies in March 1999, the acquisition of Clinical Neuro Systems and product lines from NMT Medical, Inc. in 2000, the consolidated financial results and balance sheet data for certain of the periods presented above may not be directly comparable.

(2) General and administrative expense in 2000 included a $13.5 million stock-based compensation charge in connection with the extension of the employment of the Company's President and Chief Executive Officer.

(3) The 1999 income tax benefit includes a non-cash benefit of $1.8 million resulting from the reduction of the deferred tax liability recorded in the NeuroCare Group of companies acquisition to the extent that consolidated deferred tax assets were generated subsequent to the acquisition. The 2000 income tax expense and 1999 income tax benefit include $0.5 million and $0.6 million, respectively, of benefits associated with the sale of New Jersey state net operating losses.

(4) As the result of the adoption of SEC Staff Accounting Bulletin No. 101 Revenue Recognition, we recorded a $470,000 cumulative effect of an

accounting change to defer a portion of a nonrefundable, up-front fee received and recorded in other revenue in 1998. The cumulative effect of this accounting change was measured as of January 1, 2000. As a result of this accounting change, other revenue in 2000 includes $112,000 of amortization of the amount deferred as of January 1, 2000.

RISK FACTORS

IN ADDITION TO THE OTHER INFORMATION IN THIS PROSPECTUS, YOU SHOULD CAREFULLY CONSIDER THE FOLLOWING RISKS BEFORE MAKING AN INVESTMENT DECISION. THE TRADING PRICE OF OUR COMMON STOCK COULD DECLINE DUE TO ANY OF THESE RISKS, AND YOU COULD LOSE ALL OR A PART OF YOUR INVESTMENT.

WE MAY CONTINUE TO INCUR OPERATING LOSSES.

To date, we have experienced significant operating losses in funding the research, development, manufacturing and marketing of our products and may continue to incur operating losses. As of March 31, 2001, we had an accumulated deficit of $103.7 million. Our ability to maintain profitability depends in part upon our ability, either independently or in collaboration with others, to successfully manufacture and market our products and services. We cannot assure you that we can sustain profitability on an ongoing basis.

WE MAY BE UNABLE TO RAISE ADDITIONAL FINANCING NECESSARY TO CONDUCT OUR BUSINESS, MAKE PAYMENTS WHEN DUE OR REFINANCE OUR DEBT.

As of March 31, 2001, we had cash, cash equivalents and short-term investments of approximately $19.4 million and short and long-term debt of approximately $12.3 million. In the absence of a material acquisition or a material adverse change in our business, financial condition or results of operations, we have the ability to fund our operations from our existing capital resources and cash generated from the foreseeable future. However, we may need to raise additional funds in the future in order to implement our business plan, to refinance our debt, to conduct research and development, to fund marketing programs or to acquire complementary businesses, technologies or services. Any required additional financing may be unavailable on terms favorable to us, or at all. If we raise additional funds by issuing equity securities, you may experience significant dilution of your ownership interest and these securities may have rights senior to those of the holders of our preferred or common stock. If we cannot obtain additional financing when required on acceptable terms, we may be unable to fund our expansion, develop or enhance our products and services, take advantage of business opportunities or respond to competitive pressures.

WHILE OUR CURRENT CAPITAL REQUIREMENTS DO NOT INCLUDE A SIGNIFICANT INCREASE IN OUR DEBT LEVELS, WERE CIRCUMSTANCES TO ARISE THAT REQUIRE US TO INCUR MORE DEBT, THE PROVISIONS OF OUR CURRENT DEBT INSTRUMENTS WOULD LIMIT US FROM INCURRING THE INDEBTEDNESS.

Historically, the cash we generate from our operating activities, new equity investments and borrowings has been sufficient to meet our requirements for debt service, working capital, capital expenditures, and investments in and advance to our affiliates. Although in the past we have been able to obtain new debt, we cannot guarantee that we will be able to continue to do so in the

future or that the cost to us or the other terms which would affect us would be as favorable to us as our current loans and credit agreements. Although we believe that our business will continue to generate cash, should we need to borrow additional funds, the covenants in the credit agreements for our current debt limit our ability to borrow more money.

THE INTEGRA PARENT COMPANY DEPENDS ON ITS SUBSIDIARIES AND OTHER COMPANIES IN WHICH IT HAS INVESTMENTS TO FUND ITS CASH NEEDS.

The Integra parent company directly owns no significant assets other than stock, equity and other interests in our subsidiaries and in some other companies. This creates risks regarding our ability to provide cash to the Integra parent company to conduct future activities or to repay any interest and principal which it might owe on future borrowings at the Integra parent level, our ability to pay cash dividends to our preferred and common stockholders in the future, and the ability of our subsidiaries and other companies to respond to changing business and economic conditions and to get new loans.

OUR OPERATING RESULTS MAY FLUCTUATE.

Our operating results may fluctuate from time to time, which could affect the value of your shares. Our operating results have fluctuated in the past and can be expected to fluctuate from time to time in the future. Some of the factors that may cause these fluctuations include:

- the impact of acquisitions;
- the timing of significant customer orders;
- market acceptance of our existing products, as well as products in development;
- the timing of regulatory approvals;
- the timing of payments received and the recognition of the payments as revenue under collaborative arrangements and strategic alliances;
- our ability to manufacture our products efficiently; and
- the timing of our research and development expenditures.

THE INDUSTRY AND MARKET SEGMENTS IN WHICH WE OPERATE ARE HIGHLY COMPETITIVE, AND WE MAY NOT BE ABLE TO COMPETE EFFECTIVELY WITH OTHER COMPANIES.

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

Our competitive position will depend on our ability to achieve market acceptance for our products, implement production and marketing plans, secure regulatory approval for products under development, obtain patent protection and secure adequate capital resources. We may need to develop new applications for our products to remain competitive. Technological advances by one or more of our current or future competitors could render our present or future products obsolete or uneconomical. Our future success will depend upon our ability to compete effectively against current technology as well as to respond effectively to technological advances. We can not assure you that competitive pressures will not adversely affect our profitability.

The largest competitors of Integra NeuroSciences in the neurosurgery markets are the PS Medical division of Medtronic, Inc., the Codman division of Johnson & Johnson, the Valleylab and Radionics divisions of Tyco International Ltd., and NMT Neurosciences, a division of NMT Medical, Inc. In addition, various of the Integra NeuroSciences product lines compete with smaller specialized companies or larger companies that do not otherwise focus on neurosurgery. The products of Integra LifeSciences face diverse and broad competition, depending on the market addressed by the product. In addition, certain companies are known to be competing particularly in the area of skin substitution or regeneration, including Organogenesis and Advanced Tissue Sciences. Finally, in certain cases competition consists primarily of current medical practice, rather than any particular product (such as autograft tissue as a substitute for INTEGRA(R)-Dermal Regeneration Template).

OUR CURRENT STRATEGY INVOLVES GROWTH THROUGH ACQUISITIONS, WHICH REQUIRES US TO INCUR SUBSTANTIAL COSTS AND POTENTIAL LIABILITIES FOR WHICH WE MAY NEVER REALIZE THE ANTICIPATED BENEFITS.

In addition to internal growth, our current strategy involves growth through acquisitions. Since the beginning of 2000, we have acquired four different businesses. On January 17, 2000, we purchased the business, including certain assets and liabilities, of Clinical Neuro Systems, Inc. for $6.8 million. CNS designs, manufactures and sells neurosurgical external ventricular drainage systems, including catheters and drainage bags, as well as cranial access kits. The purchase price of the CNS business consisted of $4.0 million in cash and a 5% $2.8 million promissory note issued to the seller. The promissory note, of which approximately $1.4 million remains outstanding, is collateralized by inventory, property and equipment of the CNS business and by a collateral assignment of a $2.8 million promissory note from one of our subsidiaries.

On April 6, 2000, we purchased the Selector(R) Ultrasonic Aspirator, Ruggles(TM) hand-held neurosurgical instruments and Spembly Medical cryosurgery product lines, including certain assets and liabilities, from NMT Medical, Inc. for $11.6 million in cash.

On April 4, 2001, we acquired all of the outstanding stock of GMSmbH, the German manufacturer of the LICOX(R) Brain Tissue Oxygen Monitoring System, for $2.9 million, of which $2.3 million was paid at closing.

On April 27, 2001, we acquired Satelec Medical, a subsidiary of the Satelec-Pierre Rolland group, for $3.6 million in cash. Satelec Medical, based

in France, manufactures and markets the Dissectron(R) ultrasonic surgical aspirator console and a line of related handpieces.

We cannot assure you that we will be able to continue to implement our growth strategy, or that this strategy will ultimately be successful. 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 significant 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 be able to 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 further develop our resources to adapt to the particulars of those 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 would 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 equity 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 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 prior to marketing for commercial use. The process of obtaining necessary FDA approvals 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 may place substantial restrictions on the indications for which the product may be marketed or to whom it may be marketed. To gain approval for the use of a product for clinical indications other than those for which the product was initially evaluated or for significant changes to the product, further studies, including clinical trials and FDA approvals, are required. In addition, for products with an approved pre-market approval application, the FDA requires postapproval reporting and may require postapproval surveillance programs to monitor the product's safety and effectiveness. Results of post approval programs may limit or expand the further marketing of the product.

We believe that the most significant risk of our recent applications to FDA

relates to the regulatory classification of certain of our 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 pre-market approval 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 affected approval might be significantly increased. For example, we have filed, and expect to file, a series of post-approval supplements for the INTEGRA(R) Dermal Regeneration Template seeking approval to promote the product for new uses. It is possible that FDA will require additional clinical information to support these applications, or that the FDA will reject our applications entirely.

Approved products are subject to continuing FDA requirements relating to quality control and quality assurance, maintenance of records and 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 we, or a third party manufacturer, change our approved manufacturing process, the FDA may require a new approval before that process could 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. We have voluntarily recalled various products in the last four years, but none of our recalls have related to important products or resulted in significant expense. There have been no involuntary recalls of our products. See "Business--Government Regulation."

CERTAIN OF OUR PRODUCTS CONTAIN MATERIALS DERIVED FROM ANIMAL SOURCES, AND MAY AS A RESULT BECOME SUBJECT TO ADDITIONAL REGULATION.

Certain of our products, including the DuraGen(R) Dural Graft Matrix and the INTEGRA(R) Dermal Regeneration Template, contain material derived from animal tissue. Products, including food as well as pharmaceuticals and medical devices, that contain materials derived from animal sources are increasingly subject to scrutiny in the press and by regulatory authorities, who 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 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.

We take great care to provide that our products are safe, and free of agents that can cause disease. In particular, the collagen used in the manufacture of our products is derived only from the Achilles tendon of cattle from the United States, where no cases of BSE have been reported. Scientists and regulatory authorities classify Achilles tendon as having a negligible risk of containing the agent that causes BSE (an improperly folded protein known as a prion) compared with other parts of the body. Additionally, we use processes in the manufacturing of our products that are believed to inactivate prions.

Nevertheless, products that contain materials derived from animals, including our products, may become subject to additional regulation, or even be banned in certain countries, because of concern over the potential for prion transmission. Accordingly, new regulation, or a ban of our products, could have a significant adverse effect on our current business or our ability to increase our business.

LACK OF MARKET ACCEPTANCE FOR OUR PRODUCTS OR MARKET PREFERENCE FOR TECHNOLOGIES WHICH COMPETE WITH OUR PRODUCTS WOULD REDUCE OUR REVENUES AND PROFITABILITY.

We cannot be certain that our current products, or any other products that we 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. The medical community widely accepts many alternative treatments, and certain of these other treatments have a long history of use. For example, suturing in graft tissue is a well-established means for closing the duramatter, and it may interfere with the widespread acceptance in the market for INTEGRA(R) Dermal Regeneration Template.

We cannot be certain that our devices and procedures will be able to replace those established treatments or that either physicians or the medical community in general will accept and utilize our devices or any other medical products that we may develop. For example, we cannot be certain that the NeuraGen(TM) Nerve Guide, when launched commercially, will be accepted by the medical community 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. In addition, competitors may develop products that are more effective, cost less, or are ready for commercial introduction before our products. If we are unable to develop additional, commercially viable products, it could adversely affect our future prospects.

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, manufacture products in sufficient quantities and at an acceptable cost and place and service, directly, or through our strategic alliances, sufficient quantities of our products. 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 our technology. The industry is subject to rapid and

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

OUR BUSINESS DEPENDS SIGNIFICANTLY ON KEY RELATIONSHIPS WITH THIRD PARTIES WHICH WE MAY NOT BE ABLE TO ESTABLISH AND MAINTAIN.

Our revenue stream and our business strategy depend in part on our entering into and maintaining collaborative or alliance agreements with third parties concerning product marketing as well as research and development programs. Our most important strategic alliances are our agreement with Ethicon, Inc., a division of Johnson & Johnson, relating to INTEGRA Dermal Regeneration Template, and our agreement with the Genetics Institute division of American Home Products for the development of collagen matrices to be used in conjunction with Genetics Institute's recombinant bone protein, a protein that stimulates the growth of bone in humans. Termination of either of these alliances would have an adverse effect on our revenues and would substantially reduce our expectations for the growth of our Integra LifeSciences division.

Our ability to enter into agreements with collaborators depends in part on convincing them that our technology can help achieve and accelerate their goals and strategies. This may require substantial time, effort and expense on our part with no guarantee that a strategic 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 they could expire before meaningful developmental milestones are reached. The termination or expiration of any of these relationships could have a material adverse effect on our business.

Much of the revenue that we may receive under these collaborations will depend upon our collaborators' ability to successfully introduce, market and sell new products derived from our products. Our success depends in part upon the performance by these collaborators of their responsibilities under these agreements.

Some collaborators may not perform their obligations as we expect. Some of the companies we currently have alliances with or are targeting as potential alliances 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 do not effectively market our products or develop additional products based on our technology, it could significantly reduce our sales and other revenues.

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

OUR INTELLECTUAL PROPERTY RIGHTS MAY NOT PROVIDE MEANINGFUL COMMERCIAL PROTECTION FOR OUR PRODUCTS, WHICH COULD ENABLE THIRD PARTIES TO USE OUR TECHNOLOGY OR VERY SIMILAR TECHNOLOGY AND COULD REDUCE OUR ABILITY TO COMPETE IN THE MARKET.

Our ability to compete effectively will depend, 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 the DuraGen(R), NeuraGen(TM) INTEGRA(R) Dermal Regeneration Template(TM), Camino, Ventrix, LICOX, Selector, BioPatch, VitaCuff, and Spembly cryosurgical 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 which 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 IS DEPENDENT IN PART UPON UNPATENTED TRADE SECRETS, WHICH WE MAY NOT BE ABLE TO PROTECT.

Our competitive position is also dependent upon unpatented trade secrets. Trade secrets are difficult to protect. We cannot assure you that others will not independently develop substantially equivalent proprietary information and techniques or otherwise gain access to our trade secrets, that those 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 all confidential information developed or made known to the individual during the course of their relationship with us must be kept confidential, except in specified circumstances. 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 these 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 not be available to us on acceptable terms, or at all. In addition, some licenses may be nonexclusive, and, therefore, our competitors may have access to the same technology licensed to us. If we fail to obtain a required license or are unable to design around a patent, we may be unable to sell some of our products, which could have a material adverse effect on our

revenues and profitability.

WE MAY BE INVOLVED IN LAWSUITS TO PROTECT OR ENFORCE OUR INTELLECTUAL PROPERTY RIGHTS, WHICH MAY BE EXPENSIVE.

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

In July 1996, we filed a patent infringement lawsuit in the United States District Court for the Southern District of California against Merck KGaA, a German corporation, Scripps Research Institute, a California nonprofit corporation, and David A. Cheresh, Ph.D., a research scientist with Scripps, seeking damages and injunctive relief. The complaint charged, among other things, that the defendant Merck KGaA willfully and deliberately induced, and continues to willfully and deliberately induce, defendants Scripps Research Institute and Dr. David A. Cheresh to infringe certain of our patents.

This case went to trial in February 2000, and on March 17, 2000, a jury returned a unanimous verdict for us finding that Merck KGaA had infringed and induced the infringement of our patents, and awarded $15,000,000 in damages. Various post-trial motions are pending. The litigation has cost in excess of $6,000,000 to date. Lower levels of expenditures are expected on an ongoing basis until its conclusion. See "Business Legal Proceedings."

WE ARE EXPOSED TO A VARIETY OF RISKS RELATING TO OUR INTERNATIONAL SALES AND OPERATIONS, INCLUDING FLUCTUATIONS IN EXCHANGE RATES AND DELAYS IN COLLECTION OF ACCOUNTS RECEIVABLE.

We generate significant sales outside the United States, a substantial 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 where the U.S. dollar has increased compared to the local currency. We cannot predict the 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.

Because we have operating subsidiaries based in Europe and we generate certain revenues and incur certain operating expenses in British Pounds and the Euro, we will experience currency exchange risk with respect to those foreign currency denominated revenues or expenses. Although product sales in these currencies amounted to less than 5% of our total product sales for the year ended December 31, 2000, we expect that the amount of sales denominated in the British Pound and Euro will increase as a percentage of total sales because of recent acquisitions of European companies and our decision to sell directly, rather than through distributors, in major European countries.

Relationships with customers and effective terms of sale frequently vary by country, often with longer-term receivables than are typical in the United States.

CHANGES IN THE HEALTH CARE INDUSTRY MAY REQUIRE US TO DECREASE THE SELLING PRICE FOR OUR PRODUCTS OR COULD RESULT IN A REDUCTION IN THE SIZE OF THE MARKET FOR OUR PRODUCTS, AND LIMIT THE MEANS BY WHICH WE MAY DISCOUNT OUR PRODUCTS, EACH OF WHICH COULD HAVE A NEGATIVE IMPACT ON OUR FINANCIAL PERFORMANCE.

Trends toward managed care, health care cost containment, and other changes in government and private sector initiatives in the United States and other countries in which we do business are placing increased emphasis on the delivery of more cost-effective medical therapies that could adversely affect the sale and/or the prices of our products. For example:

- major third-party payors of hospital services, including Medicare, Medicaid and private health care insurers, have substantially revised their payment methodologies, which has resulted in stricter standards for reimbursement of hospital charges for certain medical procedures;

- Medicare, Medicaid and private health care insurer cutbacks could create downward price pressure;

- numerous legislative proposals have been considered that would result in major reforms in the U.S. health care system that could have an adverse effect on our business;

- there has been a consolidation among health care facilities and purchasers of medical devices in the United States who prefer to limit the number of suppliers from whom they purchase medical products, and these entities may decide to stop purchasing our products or demand discounts on our prices;

- there is economic pressure to contain health care costs in international markets;

- there are proposed and existing laws and regulations in domestic and international markets regulating pricing and profitability of companies in the health care industry; and

- there have been initiatives by third party payors to challenge the prices charged for medical products which could affect our ability to sell products on a competitive basis.

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

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

- government officials charged with responsibility for enforcing those

laws will not assert that these customer discount arrangements are in violation of those laws or regulations, or

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

OUR DEPENDENCE ON SUPPLIERS FOR MATERIALS COULD IMPAIR OUR ABILITY TO MANUFACTURE OUR PRODUCTS.

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 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 and Ventrix lines of intra-cranial pressure monitors and catheters, which are assembled using many different electronic parts from numerous suppliers. While it is our policy to maintain sufficient inventory of components 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 cease production of important components or materials. While we rely on a single supplier for cattle tendon (which is our source of collagen for many Life Sciences products), we believe it is readily available in adequate quantities from other suppliers.

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 and Ventrix product line is as susceptible to earthquake damage and power losses from electrical shortages as are other businesses in the Southern California area. Our silicone manufacturing plant in Anasco, Puerto Rico is vulnerable to hurricane damage.

WE MAY HAVE SIGNIFICANT PRODUCT LIABILITY EXPOSURE AND OUR INSURANCE MAY NOT COVER ALL POTENTIAL CLAIMS.

We face an inherent business risk of exposure 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 laws and regulations, the risk of accidental contamination or injury from these materials cannot be completely 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, that loss could materially harm our business. We maintain "key person" life insurance on Mr. Essig. In addition, recruiting and retaining qualified personnel will be critical to our success. There is a shortage in the industry of qualified management and scientific personnel, and competition for these individuals is intense. We can not assure you that we will be able to attract additional personnel and retain existing personnel.

FUTURE SALES OF OUR COMMON STOCK MAY DEPRESS OUR STOCK PRICE.

Sales of our common stock following the offering, or the perception that these sales could occur, could cause the market price of our common stock to decline and impair our ability to raise additional capital in the future through the sale of equity securities. Presently, _____ shares, and _____ shares after giving effect to the offering (assuming the underwriters' over-allotment option is exercised), of the common stock held by our current stockholders are "restricted securities" within the meaning of Rule 144 under the Securities Act of 1933. Of these shares, after giving effect to the offering (assuming the underwriters' over-allotment option is not exercised), shares will not be eligible for resale under Rule 144 until _____. Holders of _____ of these shares have customary registration rights to require us to register the resale of their shares. These shares may be resold only in compliance with the registration requirements of the Securities Act or pursuant to an exemption therefrom. All holders of these restricted securities have entered into registration rights agreements with us, pursuant to which we have agreed that we will register under the Securities Act, shares of common stock held by such stockholders upon their demand to register shares with a minimum aggregate value. The registration rights agreements also provide such stockholders with "piggy-back" registration rights. Furthermore, we have registered 8,505,000 shares of common stock reserved for issuance to our employees, directors and

consultants under our stock award and employee benefit plans. Of this amount, as of June 30, 2001, approximately 6,553,000 shares were held in reserve for future issuance.

OUR STOCK PRICE MAY CONTINUE TO BE HIGHLY VOLATILE AND YOU MAY NOT BE ABLE TO RESELL YOUR SHARES AT OR ABOVE THE PRICE YOU PAID FOR THEM.

The stock market in general, and the stock prices of medical device companies, biotechnology companies and other technology-based companies in particular, have experienced significant volatility that often has been unrelated to the operating performance of and beyond the control of any specific public companies. The market price of our common stock has fluctuated widely in the past and is likely to continue to fluctuate in the future. The high and low market prices of our common stock from June 30, 1999 through June 30, 2001 were $22.450 per share on June 30, 2001 and $5.375 per share on December 28, 1999, respectively, and the high and low market prices of our common stock during the fiscal quarter ended June 30, 2001 were $22.450 per share on June 29, 2001, and $11.40 per share on April 16, 2001, respectively. See "Price Range of Common Stock and Dividends." Factors that may have a significant impact on the market price of our common stock include:

- actual financial results differing from guidance provided by management;
- actual financial results differing from that expected by securities analysts;
- future announcements concerning us or our competitors, including the announcement of acquisitions;
- changes in the prospects of our business partners or suppliers;
- developments regarding our patents or other proprietary rights or those of our competitors;
- quality deficiencies in our products;
- competitive developments, including technological innovations by us or our competitors;
- government regulation, including the FDA's review of our products and developments;
- changes in recommendations of securities analysts and rumors that may be circulated about us or our competitors;
- public perception of risks associated with our operations;
- conditions or trends in the medical device and biotechnology industries;
- additions or departures of key personnel; and
- sales of our common stock.

Any of these factors could immediately, significantly and adversely affect the trading price of our common stock.

WE DO NOT INTEND TO PAY DIVIDENDS IN THE FORESEEABLE FUTURE.

We do not anticipate paying any cash dividends on our common stock in the foreseeable future. We intend to retain future earnings to fund our growth. Accordingly, you will not receive a return on your

investment in our common stock through the payment of dividends in the foreseeable future and may not realize a return on your investment even if you sell your shares. As a result, you may not be able to resell your shares at or above the price you paid for them.

OUR MAJOR STOCKHOLDERS COULD MAKE DECISIONS ADVERSE TO YOUR INTERESTS.

Our directors and executive officers and affiliates of certain directors own or control, and after the completion of an offering of our common stock may still own or control, a majority of our outstanding voting securities and would be generally able to elect all directors, to determine the outcome of corporate actions requiring stockholder approval and otherwise to control the business. This control could preclude any unsolicited acquisition of Integra and consequently adversely affect the market price of the common stock. Furthermore, we are subject to Section 203 of the Delaware General Corporation Law, which could have the effect of delaying or preventing a change of control.

OUR MANAGEMENT WILL HAVE BROAD DISCRETION IN USING THE PROCEEDS FROM ANY OFFERING AND, THEREFORE, INVESTORS WILL BE RELYING ON THE JUDGMENT OF OUR MANAGEMENT TO INVEST THOSE FUNDS EFFECTIVELY.

We intend to use the net proceeds of any offering for general corporate purposes, which could include, among other things, expanding our sales and marketing resources, including expanding our business in Europe and Asia, developing new technologies and products, and for working capital and other general corporate purposes. The amounts and timing of these expenditures will vary significantly depending upon a number of factors, including the amount of cash generated or consumed by our operations, the progress of our research and development activities and the market response to the introduction of any new products and services. In addition, we may use a portion of the net proceeds from this offering to acquire or invest in businesses, products, services or technologies complementary to our current business, through mergers, acquisitions, joint ventures or otherwise. Our management will retain broad discretion with respect to the expenditure of proceeds. Investors will be relying on the judgment of our management regarding the application of the proceeds of this offering.

SPECIAL NOTE REGARDING FORWARD-LOOKING STATEMENTS

We have made statements in this prospectus, including statements under "Prospectus Summary," "Risk Factors," "Management's Discussion and Analysis of Financial Condition and Results of Operations" and "Business" 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 Integra, including, among other things:

- general economic and business conditions, both nationally and in our international markets;

- our expectations and estimates concerning future financial performance, financing plans and the impact of competition;
- anticipated trends in our business;
- existing and future regulations affecting our business;
- our ability to obtain additional debt and equity financing to fund capital expenditures and working capital requirements if required;
- our ability to complete acquisitions; and
- other risk factors described in the section entitled "Risk Factors" in this prospectus.

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 prospectus.

In light of these risks and uncertainties, the forward-looking events and circumstances discussed in this prospectus may not occur and actual results could differ materially from those anticipated or implied in the forward-looking statements.

USE OF PROCEEDS

We expect to use the net proceeds received by us from the sale of common stock under this prospectus for general corporate purposes, which could include, among other things, acquisition of product lines or companies, repayment of indebtedness, expanding our sales and marketing resources, including expanding our international business, developing new technologies and products and for working capital and other general corporate purposes. Pending application of the net proceeds, we may invest the net proceeds in short term, interest bearing investments. We will not receive any proceeds from the sale of common stock by any stockholder.

PRICE RANGE OF COMMON STOCK AND DIVIDENDS

Our common stock trades on the Nasdaq National Market under the symbol "IART". The following table presents the high and low sales prices for our common stock for each quarter for the periods indicated. All outstanding common share and per share amounts have been retroactively adjusted to reflect a one-for-two reverse stock split of our common stock on May 18, 1998.

	HIGH	LOW
1999		
First Quarter	$ 5.188	$ 3.00
Second Quarter	$ 7.00	$ 3.875
Third Quarter	$ 10.375	$ 5.625

Fourth Quarter	$ 6.4688	$ 5.375
2000		
First Quarter	$ 19.875	$ 5.875
Second Quarter	$ 12.625	$ 6.688
Third Quarter	$ 15.000	$ 9.438
Fourth Quarter	$ 16.125	$ 9.688
2001		
First Quarter	$ 18.3125	$ 9.875
Second Quarter	$ 22.450	$11.40

The closing price for the common stock on July 5, 2001 was $22.80. We had 825 stockholders of record as of July 5, 2001.

We do not currently pay any cash dividends on our common stock and do not anticipate paying any of these dividends in the foreseeable future. Any future payment of dividends to our stockholders will depend on decisions that our board of directors will make and will depend on then existing conditions, including our financial condition, contractual restrictions, capital requirements and business prospects.

DILUTION

The tangible net book value of our common stock as of June 30, 2001 was approximately $_____ or $_____ per share of common stock. Tangible net book value per share represents the amount of our convertible preferred stock, common stock and other stockholders' equity, less intangible assets, divided by shares of our common stock outstanding. Purchasers of common stock in this offering will have an immediate dilution of tangible net book value.

Tangible net book value dilution per share represents the difference between the amount per share paid by purchasers of shares of common stock in the offering and the pro forma tangible net book value per share of the common stock immediately after completion of the offering. After giving effect to the issuance and sale of 4,312,500 shares of common stock in the offering (assuming the underwriters' overallotment option is exercised) at a public offering price of $_____ per share, and after deduction of underwriting discounts and commissions and estimated offering expenses, the pro forma tangible net book value of Integra as of June 30, 2001 was approximately $_____, or $_____ per share of common stock. This represents an immediate increase in tangible net book value of $_____ per share to existing stockholders and an immediate dilution of tangible net book value of $_____ per share to purchasers of common stock in the offering, as illustrated in the following table:

Public offering price per share of common stock	$
Net tangible book value per share of common stock before the offering	$
Increase per share of common stock attributable to the offering	$
Pro forma net tangible book value per share of common stock after the offering	$
Net tangible book value dilution per share	$

CAPITALIZATION

The following table sets forth: (a) the actual capitalization of Integra as of March 31, 2001 and (b) the pro forma capitalization of Integra as of March 31, 2001 after giving effect to the conversion of the Series B Preferred Stock into common stock as of June 26, 2001:

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	AS OF MARCH 31, 2001 (THOUSANDS, EXCEPT PER SHARE DATA)	
	ACTUAL	PRO-FORMA
Cash, cash equivalents and short-term investments	$ 19,374	$ 19,374
Short-term debt	9,150	9,150
Long-term debt	3,121	3,121
Stockholders' equity:		
Preferred stock; $0.01 par value; 15,000 authorized shares; 100 Series B Convertible shares issued and outstanding at March 31, 2001(0 Series B Convertible shares outstanding in the Pro-forma column), $12,000 including a 10% annual cumulative dividend liquidation preference; 54 Series C Convertible shares issued and outstanding at March 31, 2001, $5,940 including a 10% annual cumulative dividend liquidation preference	2	1
Common stock; $0.01 par value; 60,000 authorized shares; 17,658 (20,276 in the Pro-forma column) issued and outstanding at March 31, 2001	177	203
Additional paid-in capital	161,564	161,539
Treasury stock, at cost; 20 shares at March 31, 2001	(180)	(180)
Other	(58)	(58)
Accumulated other comprehensive loss	(898)	(898)
Accumulated deficit	(103,733)	(103,733)
Total stockholders' equity	56,874	56,874
Total capitalization	$ 69,145	$ 69,145

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SELECTED CONSOLIDATED FINANCIAL DATA

The selected financial data as of and for each of the five years ended December 31 has been derived from consolidated financial statements that have been audited by PricewaterhouseCoopers LLP, independent accountants. The selected financial data as of and for each of the three-month periods ended March 31, 2001 and 2000 has been derived from our unaudited financial statements. In our opinion, the unaudited financial information includes all adjustments, consisting only of normal recurring adjustments, considered necessary for a fair presentation of that information. The information set forth below is not necessarily indicative of the results of future operations and should be read in conjunction with our consolidated financial statements and notes thereto and "Management's Discussion and Analysis of Financial Condition and Results of Operations" appearing elsewhere in this prospectus.

	(UNAUDITED) THREE MONTHS ENDED MARCH 31,		YEARS

	(UNAUDITED) THREE MONTHS ENDED MARCH 31,		YEARS ENDED DECEMBER 31,	
	2001	2000	2000	1999
			(IN THOUSANDS, EXCEPT PE	
Statement of Operations Data (1):				
Product sales	$ 20,284	$ 13,332	$ 64,987	$ 40,047
Other revenue	1,400	1,199	6,662	2,829
Total revenue	21,684	14,531	71,649	42,876
Cost of product sales	8,594	6,687	29,511	22,678
Research and development	2,073	1,890	7,524	8,893
Selling and marketing	4,751	2,949	15,371	9,487
General and administrative (2)	3,204	3,747	28,483	13,324
Amortization	680	480	2,481	874
Total costs and expenses	19,302	15,753	83,370	55,256
Operating income (loss)	2,382	(1,222)	(11,721)	(12,380)
Interest income (expense), net	(78)	11	(473)	294
Gain on disposition of product lines	--	115	1,146	4,161
Other income (expense), net	(62)	123	201	141
Income (loss) before income taxes	2,242	(973)	(10,847)	(7,784)
Income tax expense (benefit) (3)	246	62	108	(1,818)
Income (loss) before cumulative effect of accounting change	1,996	(1,035)	(10,955)	(5,966)
Cumulative effect of change in accounting for nonrefundable fees received under research, license and distribution arrangements (4)	--	(470)	(470)	--
Net income (loss)	$ 1,996	$ (1,505)	$(11,425)	$ (5,966)
Diluted net income (loss) per share	$ 0.07	$ (0.35)	$ (0.97)	$ (0.40)
Weighted average common shares outstanding	21,849	17,224	17,553	16,802

	(UNAUDITED) MARCH 31,		YEARS	
	2001	2000	2000	1999
				(IN THOUSANDS
Balance Sheet Data (1):				
Cash, cash equivalents and short-term investments	$ 19,374	$ 23,572	$ 15,138	$ 23,612
Working capital	27,992	27,274	25,177	28,014
Total assets	91,079	73,693	86,514	66,253
Long-term debt	3,121	8,204	4,758	7,625
Accumulated deficit	(103,733)	(95,367)	(105,729)	(94,304)
Total stockholders' equity	56,874	43,482	53,781	37,989

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(1) As the result of our acquisitions of Rystan Company, Inc. in September 1998, the NeuroCare Group of companies in March 1999 and the acquisition of Clinical Neuro Systems and product lines from NMT Medical, Inc. in 2000,

the consolidated financial results and balance sheet data for certain of the periods presented above may not be directly comparable.

(2) General and administrative expense in 2000 included a $13.5 million stock-based compensation charge in connection with the extension of the employment of the Company's President and Chief Executive Officer. General and administrative expense in 1997 include the following two non-cash charges: (a) $1.0 million related to an asset impairment charge; and (b) $5.9 million related to a stock-based signing bonus for the Company's President and Chief Executive Officer.

(3) The 1999 income tax benefit includes a non-cash benefit of $1.8 million resulting from the reduction of the deferred tax liability recorded in the NeuroCare Group of companies acquisition to the extent that consolidated deferred tax assets were generated subsequent to the acquisition. The 2000 income tax expense and 1999 income tax benefit include $0.5 million and $0.6 million, respectively, of benefits associated with the sale of New Jersey state net operating losses.

(4) As the result of the adoption of SAB 101, we recorded a $470,000 cumulative effect of an accounting change to defer a portion of a nonrefundable, up-front fee received and recorded in other revenue in 1998. The cumulative effect of this accounting change was measured as of January 1, 2000. As a result of this accounting change, other revenue in 2000 includes $112,000 of amortization of the amount deferred as of January 1, 2000.

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

THE FOLLOWING DISCUSSION AND ANALYSIS IS BASED UPON OUR FINANCIAL STATEMENTS AS OF THE DATES AND FOR THE PERIODS PRESENTED IN THIS SECTION. YOU SHOULD READ THIS DISCUSSION AND ANALYSIS IN CONJUNCTION WITH OUR FINANCIAL STATEMENTS AND RELATED NOTES CONTAINED IN THIS PROSPECTUS.

OVERVIEW

We develop, manufacture and market medical devices, implants and biomaterials. Our operations consist of:

- Integra NeuroSciences, which is a leading provider of implants, devices, and monitors used in neurosurgery, neurotrauma, and related critical care; and
- Integra LifeSciences, which develops and manufactures a variety of medical products and devices, including products based on our proprietary tissue regeneration technology which are used to treat soft tissue and orthopedic conditions.

Integra NeuroSciences sells primarily through a direct sales organization and Integra LifeSciences sells primarily through strategic alliances and distributors.

In 1999, we initiated a repositioning of our business to focus selectively on attractive niche markets. Implementation of this strategy included the

purchase of the NeuroCare Group of companies in March 1999 and the execution of an agreement with Johnson & Johnson Medical, (now merged into Ethicon) that provides Ethicon with exclusive marketing and distribution rights to INTEGRA(R) Dermal Regeneration Template worldwide, excluding Japan. As a result of these transactions, we formed our Integra NeuroSciences segment and reorganized the remainder of our products into our Integra LifeSciences segment. The agreement with Ethicon allowed the Integra LifeSciences segment to focus on strategic collaborative initiatives. The Integra LifeSciences segment now operates as a provider of innovative products and development activities through strategic alliances with marketing partners and distributors. As a result of these activities, our segment financial results for each of the years 2000, 1999 and 1998 and for the first three months of 2001 and 2000, may not be directly comparable.

To date, we have experienced significant operating losses and may continue to incur these losses unless product sales and research and collaborative arrangements generate sufficient revenue to fund continuing operations. As of March 31, 2001 we had an accumulated deficit of $103.7 million.

RECENT ACQUISITIONS

On March 29, 1999 we acquired certain assets and stock held by Heyer-Schulte NeuroCare, L.P. and its subsidiaries, Heyer-Schulte NeuroCare, Inc., Camino NeuroCare, Inc. and Neuro Navigational, LLC (collectively, the "NeuroCare Group") through our wholly-owned subsidiaries, NeuroCare Holding Corporation, Integra NeuroCare LLC and Redmond NeuroCare LLC (collectively, "Integra NeuroCare"). The purchase price for the NeuroCare Group consisted of $14.2 million in cash and approximately $11 million of assumed indebtedness under a term loan from Fleet Capital Corporation. The NeuroCare Group's assets include a manufacturing, packaging and distribution facility in San Diego, California and a manufacturing facility in Anasco, Puerto Rico, as well as a corporate headquarters in Pleasant Prairie, Wisconsin, which we closed in the third quarter of 1999.

On January 17, 2000, we purchased the business, including certain assets and liabilities, of Clinical Neuro Systems, Inc. for $6.8 million. CNS designs, manufactures and sells neurosurgical external ventricular drainage systems, including catheters and drainage bags, as well as cranial access kits. The purchase price of the CNS business consisted of $4.0 million in cash and a 5% $2.8 million promissory note issued to the seller. The promissory note, of which approximately $1.4 million remains outstanding, is collateralized by inventory, property and equipment of the CNS business and by a collateral assignment of a $2.8 million promissory note from one of our subsidiaries.

On April 6, 2000, we purchased the Selector(R)Ultrasonic Aspirator, Ruggles(TM) hand-held neurosurgical instruments and Spembly Medical cryosurgery product lines, including certain assets and liabilities, from NMT Medical, Inc. for $11.6 million in cash.

On April 4, 2001, we acquired all of the outstanding stock of GMSmbH, the German manufacturer of the LICOX(R) Brain Tissue Oxygen Monitoring System, for $2.9 million, of which $2.3 million was paid at closing. Prior to the acquisition, our Integra NeuroSciences division had exclusive marketing rights

to the LICOX(R) products in the United States and certain other markets. Revenues of the acquired GMS business were approximately $1.2 million in 2000, consisting primarily of sales of the LICOX(R) products in Germany and to various international distributors, including Integra.

On April 27, 2001, we acquired Satelec Medical, a subsidiary of the Satelec-Pierre Rolland group, for $3.6 million in cash. Satelec Medical, based in France, manufactures and markets the Dissectron(R) ultrasonic surgical aspirator console and a broad line of related handpieces. The Dissectron(R) product is the leading ultrasonic surgical system in France. The Dissectron(R) product has FDA 510(k) clearance for neurosurgical applications and CE Mark Certification in the European Union. Revenues of the acquired business were approximately $1.5 million in 2000.

These acquisitions have been accounted for using the purchase method of accounting, and the consolidated financial statements include the results of operations of the acquired businesses since their respective dates of acquisition.

PRESENTATION

Management's Discussion and Analysis of Financial Condition and Results of Operations should be read in conjunction with our consolidated financial statements, the notes thereto and the other financial information included elsewhere in this prospectus and in our 2000 Annual Report on Form 10-K and March 31, 2001 Quarterly Report on Form 10-Q filed with the Securities and Exchange Commission, which are incorporated by reference herein.

RESULTS OF OPERATIONS

THREE MONTHS ENDED MARCH 31, 2001 COMPARED TO THREE MONTHS ENDED MARCH 31, 2000

Product Sales and Gross Margins on Product Sales:

	THREE MONTHS ENDED MARCH 31,	
	2001	2000
Integra NeuroSciences:		
Neuro intensive care unit	$ 6,532	$ 5,532
Neuro operating room	7,945	3,288
Total product sales	14,477	8,820
Cost of product sales	5,637	4,178
Gross margin on product sales	8,840	4,642
Gross margin percentage	61%	53%

	THREE MONTHS ENDED MARCH 31,	
	2001	2000
Integra LifeSciences:		
Private label products	3,216	2,488
Distributed products	2,591	2,024
Total product sales	5,807	4,512
Cost of product sales	2,957	2,509

Gross margin on product sales.....	2,850	2,003
Gross margin percentage.....	49%	44%
Total product sales.....	$20,284	$13,332
Consolidated gross margin percentage.....	58%	50%

In the first quarter of 2001, total revenues increased $7.2 million, or 49%, over the first quarter of 2000 to $21.7 million. Revenue growth was led by a $7.0 million increase in product sales to $20.3 million, a 52% increase over the first quarter of 2000. Included in this increase was $2.8 million in sales of acquired NMT Medical, Inc. product lines. Sales in the Integra NeuroSciences division increased $5.7 million to $14.5 million in the first quarter of 2001, and included $2.3 million in sales of acquired NMT Medical, Inc. product lines. Increased sales of the DuraGen(R) Dural Graft Matrix, our intracranial monitoring and cranial access products for the neuro intensive care unit and hydrocephalus management products, contributed to the strong organic growth of $3.4 million in the Integra NeuroSciences division. Gross margin on Integra NeuroSciences' product sales increased 8 percentage points to 61% in the first quarter of 2001 through an improved sales mix of higher margin products, including the DuraGen(R) product and acquired product lines. The gross margin reported for the first quarter of 2000 was reduced by 1 percentage point relating to fair value inventory purchase accounting adjustments recorded in connection with the CNS acquisition.

Future product sales in the Integra NeuroSciences division are expected to benefit from organic growth in the division's existing product lines and the recent launch of the LICOX(R) Brain Tissue Oxygen Monitoring System and the Ventrix(R) True Tech Tunneling Catheter for intracranial pressure monitoring.

Sales of Integra LifeSciences division products increased $1.3 million to $5.8 million in the first quarter of 2001 primarily because of organic growth in our private label products and $0.5 million in sales of acquired NMT Medical, Inc. product lines. Sales of private label products can vary significantly from quarter to quarter and are dependent upon the efforts of our strategic marketing partners. Gross margin on Integra LifeSciences' product sales increased 5 percentage points to 49% in the first quarter of 2001 primarily as a result of a more favorable sales mix.

Other revenue, which increased $0.2 million to $1.4 million in the first quarter of 2001, consisted of $0.9 million of research and development funding from strategic partners and government grants, $0.3 million of royalty income, and $0.2 million of license and distribution revenues.

Research and development expenses were as follows (in thousands):

	THREE MONTHS ENDED MARCH 31,	
	2001	2000
Integra NeuroSciences.....	$ 688	$ 503
Integra LifeSciences.....	1,385	1,387
Total.....	$ 2,073	$ 1,890

In the Integra NeuroSciences division, research and development expenses increased as compared to the first quarter of 2000 as a result of the ongoing Phase III clinical trials on the peripheral nerve conduit that were initiated in the second quarter of 2000 and the completion of development activities related to the Ventrix(R) True Tech Catheter.

The future allocation and timing of research and development expenditures between segments and programs will vary depending on various factors, including the timing and outcome of pre-clinical and clinical results, changing competitive conditions, continued program funding levels, potential funding opportunities and determinations with respect to the commercial potential of our technologies.

Selling and marketing expenses were as follows (in thousands):

	THREE MONTHS ENDED MARCH 31,	
	2001	2000
Integra NeuroSciences	$ 4,238	$ 2,444
Integra LifeSciences	513	505
Total	$ 4,751	$ 2,949

Integra NeuroSciences selling and marketing expenses increased $1.8 million as compared to the first quarter of 2000 primarily because of the increase in the direct sales force in the United States throughout 2000 and into 2001 from 18 to 44 neurospecialists. Additional increases were related to a distribution facility located in the United Kingdom that was acquired in the NMT Medical, Inc. acquisition.

Within the Integra LifeSciences division, product sales and marketing activities are primarily the responsibility of our strategic marketing partners and distributors.

General and administrative expenses were as follows (in thousands):

	THREE MONTHS ENDED MARCH 31,	
	2001	2000
Integra NeuroSciences	$ 790	$ 890
Integra LifeSciences	347	302
Corporate	2,067	2,555
Total	$ 3,204	$ 3,747

The $0.5 million decrease in corporate general and administrative expenses was primarily the result of decreased legal fees associated with the conclusion of the Merck KGaA patent infringement trial at the end of the first quarter of 2000.

Other income (expense), net for the three months ended March 31, 2000, included $176,000 of gain on sale of investments.

The provision for income taxes increased $184,000 in the first quarter of 2001 to $246,000, or 11% of pre-tax net income, which is our anticipated effective rate for the year ended December 31, 2001.

Net income for the first quarter of 2001 was $2.0 million, or $0.07 per share. Net loss for the first quarter of 2000 was $1.5 million, or $0.35 per share. The net loss per share for the first quarter of 2000 includes the $4.2 million beneficial conversion feature associated with the issuance of convertible preferred stock and common stock warrants in March 2000, which is treated as a non-cash dividend in computing per share earnings. The beneficial conversion feature is based upon the excess of the price of the underlying common stock as compared to the fixed conversion price of the convertible preferred stock, after taking into account the value assigned to the warrants. Included in the first quarter net loss of $1.5 million was a $0.5 million cumulative effect of an accounting change, $0.1 million of fair value inventory purchase accounting adjustments, and a $0.1 million gain on the sale of a product line. Excluding these items and the $4.2 million beneficial conversion feature associated with the convertible preferred stock, the loss per share for the first quarter of 2000 would have been $0.08.

INTERNATIONAL PRODUCT SALES AND OPERATIONS

In the first quarter of 2001, sales to customers outside the United States totaled $4.4 million, or 21% of consolidated product sales, of which approximately 55% were to Europe. Of this amount, $1.3 million of these sales were generated in foreign currencies from our subsidiary based in Andover, England. Our international sales and operations are subject to the risk of foreign currency fluctuations, both in terms of exchange risk related to transactions conducted in foreign currencies and the price of our products in those markets for which sales are denominated in the U.S. dollar.

In the first quarter of 2000, sales to customers outside the United States totaled $2.7 million, or 20% of consolidated product sales, of which approximately 39% were to Europe.

We seek to increase our presence in international markets, particularly in Europe, through acquisitions of businesses with an existing international sales and marketing infrastructure or the capacity to develop this type of infrastructure. We acquired operations in Germany and France with the acquisitions of GMS and Satelec Medical in April 2001.

2000 COMPARED TO 1999

	2001	1999
Integra NeuroSciences:		
- Neuro intensive care unit	$23,521	$14,398
- Neuro operating room	21,324	8,014
Total product sales	44,845	22,412
Cost of product sales	19,198	12,893
Gross margin on product sales	25,647	9,519
Gross margin percentage	57%	42%
Integra LifeSciences:		
- Private label products	$11,018	$10,226
- Distributed products	9,124	7,409
Total product sales	20,142	17,635
Cost of product sales	10,313	9,785

Gross margin on product sales	9,829	7,850
Gross margin percentage	49%	45%
Total product sales	$64,987	$40,047
Consolidated gross margin percentage	55%	43%

Total product sales increased $24.9 million, or 62%, in 2000, with sales of product lines acquired in 2000 accounting for $11.2 million, or 28%, of this increase. Sales growth for the year was led by the Integra NeuroSciences division, which reported an increase of $22.4 million, or 100%, from the prior year. Included in this increase was $9.6 million of sales of product lines acquired in 2000. A $5.5 million increase in sales of the DuraGen(R) product, which was launched in the third quarter of 1999, and organic growth in products acquired in the NeuroCare Group of companies acquisition at the end of the first quarter of 1999 resulted in the remainder of this increase. Adjusted gross margin on Integra NeuroSciences' product sales increased 7 percentage points to 58% in 2000 through an improved sales mix of higher margin products, including the DuraGen(R) product and product lines acquired in 2000. The adjusted gross margin excludes fair value inventory purchase accounting adjustments recorded in connection with the acquisitions.

Sales in the Integra LifeSciences division increased $2.5 million, or 14%, in 2000, with sales of a distributed product line acquired in 2000 accounting for $1.6 million of this increase. The remainder of this increase relates primarily to higher sales of private label products, with increased sales of orthopedic biomaterials to our strategic partners for use in their clinical trials being slightly offset by lower sales of INTEGRA(R) Dermal Regeneration Template. Sales of INTEGRA(R) Dermal Regeneration Template decreased because of the lower transfer price to Ethicon beginning in the second half of 1999. Adjusted gross margin on Integra LifeSciences' product sales increased from 48% to 49% in 2000. The improvement in gross margins was primarily related to increased capacity utilization and increased sales of higher margin products in 2000, both of which were offset by the lower gross margins on sales of the INTEGRA(R) Dermal Regeneration Template through Ethicon and sales of a lower margin distributed product line acquired in 2000.

Other revenue, which increased $3.9 million to $6.7 million in 2000, consisted of $2.8 million of research and development funding from strategic partners and government grants, $2.3 million of license, distribution, and other event-related revenues from strategic partners and other third parties, and $1.6 million of royalty income.

Research and development expenses were as follows (in thousands):

	2001	1999
Integra NeuroSciences	$ 2,469	$ 2,080
Integra LifeSciences	5,055	6,813
Total	$ 7,524	$ 8,893

Research and development expense in the Integra NeuroSciences segment increased in 2000 primarily because there was a full year of research and

development activities from the acquired NeuroCare Group of companies business in 2000. Significant ongoing research and development programs of our Integra NeuroSciences segment include the development of the next generation of intra-cranial monitors and catheters and shunting products and the continuation of clinical trials involving the NeuraGen(TM) Nerve Guide, a bioabsorbable collagen conduit designed to support guided regeneration of severed nerve tissues.

Research and development activities within the Integra LifeSciences segment decreased in 2000 primarily because of the elimination of several non-core research programs throughout 1999, reductions in headcount in our New Jersey-based research group, and reduced spending in the articular cartilage program. Offsetting these decreases were additional research activities related to the INTEGRA(R) Dermal Regeneration Template program that Ethicon and government grants funded. The agreement with Ethicon, provides us with research funding of $2.0 million per year through the year 2004. Significant ongoing research and development programs in the Integra LifeSciences segment include clinical and development activities related to INTEGRA(R) Dermal Regeneration Template, additional applications for our orthopedic technologies, and other activities involving our tissue regeneration technologies.

The future allocation and timing of research and development expenditures between segments and programs will vary depending on various factors, including the timing and outcome of pre-clinical and clinical results, changing competitive conditions, continued program funding levels, potential funding opportunities and determinations with respect to the commercial potential of our technologies.

Selling and marketing expenses were as follow (in thousands):

	2001	1999
Integra NeuroSciences	$12,868	$ 6,244
Integra LifeSciences	2,503	3,243
Total	$15,371	$ 9,487

Integra NeuroSciences selling and marketing expense increased significantly because of a large increase in the direct sales force to over 50 personnel throughout 2000, increased sales from acquired products and organic growth in existing products, and increased tradeshow participation. Through acquisitions and recruiting of experienced personnel, the Integra NeuroSciences division has developed a leading sales and marketing infrastructure to market its products to neurosurgeons and critical care units, which comprise a focused group of hospital-based practitioners. A further increase in Integra NeuroSciences selling and marketing expense is expected in 2001, as continuing costs associated with the larger direct sales force and the national distribution center opened in the second quarter of 2000 impact the full year 2001 results.

The decrease in Integra LifeSciences selling and marketing expenses is primarily the result of the transition of INTEGRA(R) Dermal Regeneration Template selling and marketing activities to Ethicon in June 1999, offset by costs associated with the opening of our new national distribution center in New Jersey.

General and administrative expenses were as follows (in thousands):

	2001	1999
Integra NeuroSciences	$ 4,981	$ 4,726
Integra LifeSciences	3,799	2,433
Corporate	19,703	6,165
Total	$28,483	$13,324

Integra NeuroSciences general and administrative expenses increased in 2000 primarily because of acquisitions and an allowance recorded against a distributor's accounts receivable balance. Offsetting these increases were $1.0 million of severance costs incurred in 1999 in connection with the closure of the corporate headquarters of NeuroCare Group of companies in July 1999. General and administrative expense in the Integra LifeSciences segment increased in 2000 primarily due to additional headcount and acquisitions. The increase in corporate general and administrative expenses in 2000 was almost entirely related to a $13.5 million stock-based compensation charge recorded in connection with the extension of the employment agreement of Integra's President and Chief Executive Officer. A decrease in legal fees associated with the conclusion of the jury trial in the patent infringement lawsuit against Merck KGaA in the first quarter of 2000 was offset by increased corporate headcount.

Net interest expense consisted of interest expense of $1.3 million and interest income of $0.8 million in 2000. In 1999, net interest income consisted of $1.0 million of interest income and $0.7 million of interest expense. Interest expense increased in 2000 consistent with higher average bank loans outstanding during 2000 and interest associated with the note issued to the seller of the CNS business. Interest income decreased in 2000 consistent with lower average cash and marketable securities balances during 2000.

We recorded a $1.1 million pre-tax gain on the disposition of two product lines in 2000 and a $4.1 million pre-tax gain on the disposition of a product line in 1999.

Other income (expense), net in 2000 included $176,000 of gain on sale of investments.

The income tax provision of $0.1 million recorded in 2000 consists of $0.6 million of income tax expense, which was offset by a $0.5 million benefit from the sale of New Jersey state net operating losses under a state sponsored program. The income tax benefit of $1.8 million recorded in 1999 consists of a $1.8 million non-cash benefit resulting from the reduction of the deferred tax liability recorded in the NeuroCare Group of companies

acquisition to the extent that consolidated deferred tax assets were generated subsequent to the acquisition. A tax benefit of $0.6 million associated with the sale of New Jersey state net operating losses was offset by $0.6 million of income tax expense.

The reported net loss for the year ended December 31, 2000 was $11.4

million, or $0.97 per share. The reported net loss per share includes $1.5 million of preferred stock dividends and a $4.2 million beneficial conversion feature associated with the issuance of convertible preferred stock and warrants in March 2000, which is treated as a non-cash dividend in computing per share earnings. The beneficial conversion dividend is based upon the excess of the price of the underlying common stock as compared to the fixed conversion price of the convertible preferred stock, after taking into account the value assigned to the common stock warrants. Included in the reported net loss of $11.4 million was a $1.1 million gain on the sale of product lines, the $13.5 million stock-based compensation charge, a $0.5 million cumulative effect of an accounting change and $0.4 million of fair value inventory purchase accounting adjustments. Excluding these items, we would have reported net income of $1.8 million. Excluding these items and the $4.2 million beneficial conversion feature recorded on the convertible preferred stock, we would have reported net income of $0.02 per share for the year ended December 31, 2000.

The reported net loss for the year ended December 31, 1999 was $6.0 million, or $0.40 per share. The reported net loss per share includes $0.8 million of preferred stock dividends. Included in the reported net loss of $6.0 million was a $3.7 million gain (net of tax) on the sale of a product line and a $1.8 million tax benefit related to the NeuroCare Group of companies acquisition, $2.5 million of fair value inventory purchase accounting adjustments and $1.0 million of severance costs associated with the NeuroCare Group of companies acquisition. Excluding these items, we would have reported a net loss of $8.0 million, or $0.52 per share.

Excluding the above items, adjusted Earnings before Interest, Taxes, Depreciation and Amortization would have been $7.8 million in 2000, as compared to a negative $5.6 million in 1999. EBITDA is calculated by adding back interest, taxes, depreciation and amortization to net income or loss.

1999 COMPARED TO 1998

	1999	1998
Integra NeuroSciences:		
Neuro intensive care unit	$14,398	$ --
Neuro operating room	8,014	--
Total product sales	22,412	--
Cost of product sales	12,893	--
Gross margin on product sales	9,519	--
Gross margin percentage	42%	--
Integra LifeSciences:		
Private label products	$10,226	$11,295
Distributed products	7,409	2,887
Total product sales	17,635	14,182
Cost of product sales	9,785	7,580
Gross margin on product sales	7,850	6,602
Gross margin percentage	45%	47%
Total product sales	$40,047	$14,182
Consolidated gross margin percentage	43%	47%

Total product sales increased $25.9 million, or 182%, in 1999, with sales of product lines acquired in 1999 accounting for $24.5 million, or 172%, of this increase. Sales growth for the year was led by the Integra

NeuroSciences division, which reported $21.9 million of sales from product lines acquired in the NeuroCare Group of companies acquisition and $0.5 million of sales of the DuraGen(R) product, which was launched in the third quarter of 1999. Excluding fair value inventory purchase accounting adjustments recorded in connection with the NeuroCare Group of companies acquisition, gross margins on Integra NeuroSciences product sales would have been 51% in 1999.

Sales in the Integra LifeSciences division increased $3.5 million, or 24%, in 1999. An increase of $3.9 million from sales of distributed product lines acquired in 1998 and 1999 was offset by a decrease of $2.1 million of sales of INTEGRA(R) Dermal Regeneration Template through Ethicon in 1999. The remainder of the increase in 1999 relates to organic sales growth in existing product lines. Excluding fair value inventory purchase accounting adjustments, which reduced reported 1998 gross margins by 2 percentage points, adjusted gross margins on Integra LifeSciences product sales decreased 1 percentage point to 48% in 1999. The decline in adjusted gross margins in 1999 was related to the lower gross margins on sales of the INTEGRA(R) Dermal Regeneration Template through Ethicon.

Other revenue, which decreased $0.6 million to $2.8 million in 1999, consisted of $1.3 million of research and development funding from strategic partners and government grants, $0.9 million of license, distribution and other event-related revenues from strategic partners and other third parties, and $0.6 million of royalty income. In 1998, other revenue consisted of $1.5 million of license, distribution and other event-related revenues from strategic partners and other third parties, $1.6 million of research and development funding from strategic partners and government grants, and $0.3 million of royalty income.

Research and development expenses were as follows (in thousands):

	1999	1998
Integra NeuroSciences	$ 2,080	$ 945
Integra LifeSciences	6,813	7,479
Total	$ 8,893	$ 8,424

Research and development expense in the Integra NeuroSciences segment increased in 1999 primarily because of the NeuroCare Group of companies acquisition. Integra NeuroSciences research and development activities in 1998 consisted of programs involving the DuraGen(R) product and the NeuraGen(TM) Nerve Guide. Research and development activities within the Integra LifeSciences segment decreased in 1999 primarily because of the elimination of several non-core research programs throughout 1999.

Selling and marketing expenses were as follows (in thousands):

	1999	1998
Integra NeuroSciences	$ 6,244	$ 628
Integra LifeSciences	3,243	5,273

Total	$ 9,487	$ 5,901

Integra NeuroSciences selling and marketing expense increased in 1999 primarily because of the NeuroCare Group of companies acquisition. Additional increases resulted from expenses related to the domestic and international launch of the DuraGen(R) product in the third quarter of 1999. The decrease in Integra LifeSciences selling and marketing expenses is primarily the result of the transition of INTEGRA(R) Dermal Regeneration Template selling and marketing activities to Ethicon, offset by a slight increase in sales and marketing costs related to acquired product lines.

General and administrative expenses were as follows (in thousands):

	1999	1998
Integra NeuroSciences	$ 4,726	$ 437
Integra LifeSciences	2,433	2,111
Corporate	6,165	7,239
Total	$13,324	$ 9,787

Integra NeuroSciences general and administrative expense increased in 1999 primarily because of the NeuroCare Group of companies acquisition. Included in this amount is $1.0 million of severance costs associated with the closure of the corporate headquarters of NeuroCare Group of companies in July 1999. General and administrative expense in the Integra LifeSciences segment increased in 1999 primarily due to additional headcount. The decrease in corporate general and administrative expenses in 1999 resulted primarily from decreased legal fees and costs associated with maintenance of our intellectual property and the effects of a $0.2 million asset impairment charge recorded in 1998, offset by increases related to additional headcount.

Net interest income consisted of interest income of $1.0 million and interest expense of $0.7 million in 1999. Interest income decreased in 1999 consistent with lower average cash and marketable securities balances during 1999.

Other income decreased in 1999 primarily because of a $0.6 million favorable litigation settlement recorded in 1998.

INTERNATIONAL PRODUCT SALES AND OPERATIONS

In 2000, sales to customers outside the United States totaled $13.6 million, or 21% of consolidated product sales, of which approximately 50% were to Europe. Of this amount, $3.2 million of these sales were generated in foreign currencies from our subsidiary based in Andover, England, which was acquired in April 2000. Our international sales and operations are subject to the risk of foreign currency fluctuations, both in terms of exchange risk related to transactions conducted in foreign currencies and the price of our products in those markets for which sales are denominated in the U.S. dollar.

In 1999 and 1998, respectively, sales outside the United States totaled $9.1 million and $2.3 million, respectively. All of these product sales were generated from operations based in the United States and were denominated in

U.S. dollars.

LIQUIDITY AND CAPITAL RESOURCES

At March 31, 2001, we had cash, cash equivalents and short-term investments of approximately $19.4 million and $12.3 million in short and long-term debt.

To date, we have experienced significant cumulative operating losses. Historically, we have funded our operations primarily through private and public offerings of equity securities, product revenues, research and collaboration funding, borrowings under a revolving credit line and cash acquired in connection with business acquisitions and dispositions. Recently, however, we have substantially reduced our cash burn rate and, in the first quarter of 2001, generated positive operating cash flows of $4.5 million. Operating cash flows in the first quarter of 2001 included a $2.2 million use of cash due to inventory growth and a $1.9 million source of cash from a prepayment relating to the second quarter of 2001 from our strategic alliance with Ethicon.

Our principal uses of funds during the first quarter of 2001 were $2.2 million of debt repayments and $0.4 million in purchases of property and equipment. Principal sources of funds were $4.5 million of positive operating cash flow, $0.8 million of proceeds from short-term borrowings, and $1.4 million from the issuance of common stock.

Excluding the $13.5 million stock-based compensation charge, we would have reported operating income of $1.8 million for the year ended December 31, 2000. However, we did not generate positive operating cash flows in 2000 because of a significant increase in working capital.

Our principal uses of funds during 2000 were $4.1 million for the acquisition of CNS, $12.1 million for the acquisition of certain product lines from NMT Medical, Inc., $3.3 million in purchases of property and equipment, $2.3 million of term loan repayments, and $5.0 million used in operations. Operating cash flow was negative in 2000 primarily because of increased inventory to support the growth in the business, increased accounts receivable balances generated from higher product sales, and an increase in demonstration equipment and sample product provided to the significantly larger Integra NeuroSciences sales force. In 1999, cash flow from operations was positive primarily because of a $5.7 million increase in deferred revenues, most of which was provided by cash received under the agreement with Ethicon.

In 2000, we raised $5.4 million from the sale of Series C Preferred Stock and warrants to affiliates of Soros Private Equity Partners LLC, $5.0 million from a private placement of common stock, $3.2 million from the issuance of common stock through employee benefit plans, $3.1 million of proceeds from short-term borrowings, and $1.6 million from the sale of product lines.

We maintain a term loan and revolving credit facility from Fleet Capital Corporation, which is collateralized by all of the assets and ownership interests of various of our subsidiaries including Integra NeuroCare LLC, and NeuroCare Holding Corporation (the parent company of Integra NeuroCare LLC) has guaranteed Integra NeuroCare LLC's obligations. Integra NeuroCare LLC is subject to various financial and non-financial covenants under the revolving credit

facility with Fleet Capital Corporation, including significant restrictions on its ability to transfer funds to us or our other subsidiaries and restrictions on its ability to borrow more money. The financial covenants specify minimum levels of interest and fixed charge coverage and net worth, and also specify maximum levels of capital expenditures and total indebtedness to operating cash flow, among others. While we anticipate that Integra NeuroCare LLC will be able to satisfy the requirements of these financial covenants, we cannot insure that Integra NeuroCare LLC will generate sufficient earnings before interest, taxes, depreciation and amortization to meet the requirements of those covenants. The term loan is subject to mandatory prepayment amounts if certain levels of cash flow are achieved. In April 2001, Integra NeuroCare LLC prepaid approximately $2.0 million in principal as a result of those provisions in addition to the scheduled quarterly principal payment.

In January 2000, we issued a 5% $2.8 million promissory note to the seller of the CNS business. The promissory note, which is payable in two principal payments of $1.4 million each, plus accrued interest, is collateralized by inventory, property and equipment of the CNS business and by a collateral assignment of a $2.8 million promissory note from one of our subsidiaries. The first principal payment, including accrued interest, was paid on January 16, 2001. The final payment is due in January 2002.

In the short-term, we believe that we have sufficient resources to fund our operations. In the absence of a material acquisition or a material adverse change in our business, we have the ability to fund our operations from our existing capital resources and cash generated from the business for the foreseeable future. However, in the longer-term, we cannot insure that we will be able to generate sufficient revenues to sustain positive operating cash flows or profitability or to find acceptable alternatives to finance future acquisitions.

QUANTITATIVE AND QUALITATIVE DISCLOSURE ABOUT MARKET RISK

We are exposed to market risks arising from an increase in interest rates payable on the variable rate revolving credit facility with Fleet Capital Corporation. For example, based on the remaining term loan and revolving credit facility outstanding at March 31, 2001, an annual interest rate increase of 100 basis points would increase interest expense by approximately $110,000.

OTHER MATTERS

REDEMPTION OF SERIES B CONVERTIBLE PREFERRED STOCK

On May 4, 2001, we notified the holders of the 100,000 shares of Series B Preferred of our intention to redeem these shares on June 29, 2001 for $12.3 million. The holders of the Series B Preferred had the right to convert their shares into common stock prior to this redemption. As of June 26, 2001, all of the holders of the Series B Preferred exercised this right to convert their 100,000 shares of Series B Preferred into 2,617,800 shares of common stock.

NET OPERATING LOSSES

At December 31, 2000, we had net operating loss carryforwards of approximately $41.6 million and $18.2 million for federal and state income tax purposes, respectively, to offset future taxable income, if any. The federal and state net operating loss carryforwards expire through 2020 and 2007, respectively.

At December 31, 2000, several of our subsidiaries had unused net operating loss carryforwards and tax credit carryforwards arising from periods prior to our ownership. Excluding our Telios Pharmaceuticals, Inc. subsidiary, approximately $9 million of these net operating loss carryforwards for federal income tax purposes expire between 2001 and 2005. Our Telios subsidiary has approximately $84 million of net operating losses, which expire between 2002 and 2010. The amount of Telios' net operating loss that is available and our ability to utilize this loss is dependent on the determined value of Telios at the date of acquisition. We have a valuation allowance of $45 million recorded against all deferred tax assets, including the net operating losses, due to the uncertainty of realization. The Internal Revenue Code of 1986, as amended, Section 382 and other provisions of the Internal Revenue Code and its applicable regulations severely limits the timing and manner in which we may utilize these acquired net operating losses in any year.

As of December 31, 2000, we had provided a $44.8 million valuation allowance against our consolidated deferred tax asset due to the uncertainty of its realization. Because we have generated taxable income during recent quarters, management is continuing to reassess the potential realizability of this asset through the generation of future taxable income. The recognition of the deferred tax asset could affect our income tax provision in the near term.

NEW ACCOUNTING PRONOUNCEMENTS

In December 1999 (as amended in March 2000 and June 2000) the staff of the Securities and Exchange Commission issued Staff Accounting Bulletin 101, Revenue Recognition. As the result of the adoption of the Accounting Bulletin, we recorded a $470,000 cumulative effect of an accounting change to defer a portion of a non-refundable, up-front fee received and recorded in other revenue in 1998. The cumulative effect of this accounting change was measured and recorded as of January 1, 2000.

In June 1998, the Financial Accounting Standards Board issued Statement No. 133, "Accounting for Derivative Instruments and Hedging Activities." Statement No. 133, as amended by Statement No. 138, "Accounting for Certain Derivative Instruments and Certain Hedging Activities," requires companies to recognize all derivatives as either assets or liabilities in the balance sheet and measure these instruments at fair value. Our adoption of Statement No. 133 as of January 1, 2001 did not have a material effect on our results of operations or financial position during the first quarter of 2001.

BUSINESS

OVERVIEW

Integra develops, manufactures and markets medical devices, implants and biomaterials. Our operations consist of:

- Integra NeuroSciences, which is a leading provider of implants, devices, and monitors used in neurosurgery, neurotrauma, and related critical care; and

- Integra LifeSciences, which develops and manufactures a variety of medical products and devices, including products based on our proprietary tissue regeneration technology which are used to treat soft tissue and orthopedic conditions.

Integra NeuroSciences sells primarily through a direct sales organization, and Integra LifeSciences sells primarily through strategic alliances and distributors.

Integra was founded in 1989 and over the next decade built a product portfolio based on absorbable collagen and a product development platform based on technologies directed toward tissue regeneration. During 1999 and 2000, we expanded into the neurosurgical market, an attractive niche, through acquisitions and introductions of new products. Our 2000 revenues increased to $71.6 million, compared to $42.9 million in 1999 and $17.6 million in 1998. Revenues for the first quarter of 2001 increased $7.2 million, or 49%, over the first quarter of 2000 to $21.7 million.

In 2000, we sold over 1,000 different products to over 2,000 hospitals and other customers in more than 80 countries. We generate revenues from product sales, strategic alliances and royalties and invested $7.5 million in research and development relating to new products, including those using our biomaterials, peptide chemistry and collagen engineering technologies.

Integra NeuroSciences accounted for 64% of total revenues in 2000 and 68% of total revenues during the first three months of 2001. We market these products to neurosurgeons and critical care units, which comprise a focused group of hospital-based practitioners. As a result, we believe we are able to access this market through a cost-effective sales and marketing infrastructure.

For the majority of the products we manufacture under Integra LifeSciences, we partner with market leaders which we believe allows us to achieve our growth objectives cost effectively while enabling us to focus our management efforts on developing new products. These non-neurosurgical products address large, diverse markets, and we believe that they can be more cost effectively promoted through leveraging marketing partners than through developing a sales infrastructure ourselves. Our strategic alliances include Ethicon; Sulzer Dental, a division of Sulzer Medica Ltd.; the Genetics Institute division of American Home Products Corporation; and Medtronic Sofamor Danek.

STRATEGY

Our goal is to become a leader in the development, manufacture and marketing of medical devices, implants and biomaterials in the markets in which we compete. Our products are principally used in the diagnosis and treatment of neurosurgical, soft-tissue and orthopedic conditions and we intend to expand our presence in those markets. Key elements of our strategy include the following:

EXPAND OUR NEUROSURGERY MARKET PRESENCE. Through acquisitions and internal growth, we have rapidly grown Integra NeuroSciences into a leading provider of products for the neurosurgery market. We believe there exists additional growth potential in this market through:

- increasing market share of existing product lines;

- expanding our product portfolio through acquisitions; and

- continuing development and promotion of innovative products, such as the DuraGen(R)Dural Graft Matrix.

CONTINUE TO DEVELOP NEW AND INNOVATIVE MEDICAL PRODUCTS. As evidenced by our development of INTEGRA(R) Dermal Regeneration Template, Biomend(R), Biomend(R) Extend and DuraGen(R), we have a leading proprietary absorbable implant franchise. INTEGRA(R) Dermal Regeneration Template is a proprietary absorbable matrix used to enable the human body to regenerate functional dermal tissue. In 1999, we introduced our DuraGen(R) Dural Graft matrix to close brain and spine membranes. We are currently developing a variety of innovative neurosurgical and other medical products as well as seeking expanded applications for our existing products.

CONTINUE TO FORM STRATEGIC ALLIANCES FOR INTEGRA LIFESCIENCES PRODUCTS. We have collaborated with leading companies to develop and market the majority of our non-neurosurgical product lines. These products address large and diverse markets which we believe can be more cost effectively accessed through marketing partners than through developing our own sales infrastructure. We have partnered with Ethicon to market our INTEGRA(R) Dermal Regeneration Template and intend to pursue additional strategic alliances selectively.

ADDITIONAL STRATEGIC ACQUISITIONS. Since March 1999 we have completed five acquisitions in the neurosurgical market. We intend to seek additional acquisitions in this market and in other niche medical technology markets characterized by high margins, fragmented competition and focused target customers.

PRODUCTS

We manufacture and market a broad range of medical products for the diagnosis and treatment of spinal and cranial disorders, soft tissue repair and orthopedic conditions. We are also actively engaged in a variety of research and development programs relating to new products or product enhancements utilizing our tissue regeneration technology. Our principal products and product lines are summarized in the following table.

INTEGRA NEUROSCIENCES

PRODUCT LINES	APPLICATION	STATUS
NEURO INTENSIVE CARE UNIT		
Camino(R) and Ventrix(R) fiber optic-based intracranial monitoring systems, LICOX(R) oxygen monitoring systems, Clinical Neuro Systems(TM), Camino(R) and Heyer-Schulte(R) drainage systems & cranial access kits	Access, drainage and continuous monitoring of intracranial pressure, oxygen and temperature following injury or neurosurgical procedures	Marketed
NEURO OPERATING ROOM		
Heyer-Schulte(R) neurosurgical shunts	Specifically designed for the management of hydrocephalus, a chronic condition involving excess	Marketed

	cerebrospinal fluid in the brain	
DuraGen(R) Dural Graft Matrix (absorbable collagen-based)	Graft to close brain and spine membrane	Marketed
Selector(R) Integra Ultrasonic Aspirator/ Dissectron(R) Ultrasonic Surgical Aspirator	Use ultrasound to ablate cancer tumors	Marketed
Integra Coblation(R)(1) Neurosurgical System	Uses bipolar electrosurgery to ablate cancer tumors for neurosurgical applications	Marketed
Redmond(TM)-Ruggles(TM) neurosurgical and spinal instruments	Specialized surgical instruments for use in brain or spinal surgery	Marketed
Neuro Navigational(R) flexible endoscopes for Neurosurgery	For minimally invasive surgical access to the brain	Marketed
NeuraGen(TM) Nerve Guide	Repair of peripheral nerves	Cleared by FDA, market launch planned

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(1) Coblation is a registered trademark of Arthrocare Corporation.

PRODUCT LINES	APPLICATION	STATUS
PRIVATE LABEL PRODUCTS		
INTEGRA(R)Dermal Regeneration Template	Regenerate dermis and repair skin defects	Marketed
Dental Surgery Products		
BioMend(R) and Biomend(R) Extend Absorbable Collagen Membrane	Used in guided tissue regeneration in periodontal surgery	Marketed
CollaCote(R), CollaTape(R) and absorbable wound dressings	Used to control bleeding in dental surgery	Marketed
Infection Control Products		
VitaCuff(R)	Provides protection against infection arising from	Marketed

	long-term catheters	
BioPatch(R)(1)	Anti-microbial wound dressing	Marketed
Orthopedics		
Absorbable Collagen Sponge for use with bone morphogenetic protein (rhBMP-2)	Fracture management/enabling spinal fusion	Development
Tyrosine polycarbonates for fixation devices such as absorbable screws, plates, pins, wedges and nails	Fixation or alignment of fractures	Development
Articular cartilage repair	Regeneration of joint cartilage	Development
DISTRIBUTED PRODUCTS		
Helitene(R) and Helistat(R) absorbable collagen hemostatic agents	Control of bleeding	Marketed
Sundt(TM) and other hemodynamic Shunts	Carotid endarterectomy shunts for shunting blood during surgical procedures involving blood vessels	Marketed
Spembly Medical Cryosurgery products	Allow surgeon to use low temperature to more easily extract diseased tissue	Marketed

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(1) Biopatch is a registered trademark of Johnson & Johnson.

INTEGRA NEUROSCIENCES

IN GENERAL

We manufacture and market a multi-line offering of innovative neurosurgical devices used for brain and spine injuries. We intend to be the neurosurgeon's and neuro-intensive care unit's "one-stop shop" for these products. For the intensive care unit, we sell the Camino(R), Ventrix(R) and LICOX(R) lines of intracranial pressure, temperature and oxygen-monitoring systems and external drainage systems manufactured under the Camino(R), Heyer-Schulte(R) and Clinical Neuro Systems(TM) brand names. For the operating room, we sell a wide range of products, including Heyer-Schulte hydrocephalus management shunting products, the DuraGen(R) Dural Graft Matrix, the Selector(R) Integra Ultrasonic Aspirator and Dissectron(R) Ultrasonic Surgical Aspirator, Integra Coblation(R) Neurosurgical Systems, Redmond(TM)-Ruggles(TM) neurosurgical instruments and Neuro Navigational(R) endoscopes.

We sell our neurosurgical products in the United States through a direct sales force organized into five regions, each with a manager. We employ 44 direct sales personnel called neurospecialists covering 44 territories. We also employ seven clinical development specialists who directly educate and train both the neurospecialists and our customers in the use of our products, and a scientific director with a Ph.D in neurosciences. The sales organization has more than doubled in size since the acquisition of the first neurosciences

business in early 1999. We believe this expansion allows for smaller, more focused territories, greater participation in trade shows and more extensive marketing efforts. We also sell directly in the United Kingdom and plan to sell through a direct sales force in Germany and France. In the rest of the world, we sell our products through approximately 80 specialized neurosurgical distributors and dealers.

INDUSTRY

The neurosurgical device market consists of medical products, implants and instruments used for the diagnosis, treatment and monitoring of chronic diseases and acute injuries involving the brain and spinal chord. These products are primarily used in the operating room and intensive care unit by neurosurgeons and nurses. According to industry sources, the size of the market for our products is approximately $400 million and is expected to grow at annual rate of 6-8%.

Integra NeuroSciences addresses the market need created by trauma cases, cancer, hydrocephalus and other conditions of the brain and spine through its established market positions in intracranial monitoring, neurosurgical shunting, dural repair, tumor ablation and specialty neurosurgical instrumentation.

Intracranial monitors are used by neurosurgeons in diagnosing and treating cases of severe head trauma and other diseases. Integra NeuroSciences currently has more than 3,000 intracranial monitors installed worldwide. There are approximately 400,000 cases of head trauma each year in the United State, of which the portion that requires monitoring and intervention represents a market of approximately $40 million.

Hydrocephalus is an incurable condition resulting from an imbalance between the amount of cerebrospinal fluid produced by the body and the rate at which cerebrospinal fluid is absorbed by the brain. This condition causes the ventricles of the brain to enlarge and the pressure inside the head to increase. Hydrocephalus often is present at birth, but may also result from head trauma, spina bifida, intraventricular hemorrhage, intracranial tumors and cysts. The most common method of treatment of hydrocephalus is the insertion of a shunt into the ventricular system of the brain to divert the flow of cerebrospinal fluid out of the brain. A pressure valve then maintains the cerebrospinal fluid at normal levels within the ventricles.

According to the Hydrocephalus Association, hydrocephalus affects approximately one in 500 children born in the United States. Approximately 80% of total cerebrospinal fluid shunt sales address birth-related hydrocephalus with the remaining 20% addressing surgical procedures involving excess cerebrospinal fluid due to head trauma.

Based on industry sources, we believe that the total United States market for hydrocephalus management, including monitoring, shunting and drainage, is approximately $70 million. Of that amount, it is estimated that a little more than half consists of sales of monitoring products, and the balance consists of sales of shunts and drains for the management of hydrocephalus.

Our Selector(R) Integra Ultrasonic Aspirator, Dissectron(R) Ultrasonic Surgical Aspirator and Integra Coblation(R) products address the market for the surgical destruction and removal of malignant and non-malignant tumors and

other tissue. More than 110,000 metastatic brain tumors are diagnosed annually in the United States. According to the American Cancer Society, brain tumors are the second fastest growing cause of cancer death among people over 65 and are among the most common types of cancer found in children.

Our DuraGen(R) Dural Graft Matrix product line addresses the market for dural substitutes, including cranial and spinal procedures.

Integra NeuroSciences' Redmond(TM)-Ruggles(TM) line of neurosurgery and spinal instrumentation products, including hand-held spinal and neurosurgery instruments such as retractors, kerrisons, dissectors and curettes, addresses the market for neurosurgical instruments.

Integra NeuroSciences' line of minimally invasive neuroendoscopy products addresses a market growing, in part, because of the introduction of new procedures called third ventriculostomies which are increasingly substituted for shunt placement for patients who meet the criteria.

PRODUCTS

NEURO INTENSIVE CARE UNIT

THE MONITORING OF BRAIN PARAMETERS. Integra NeuroSciences sells the Camino(R) and Ventrix(R) lines of intracranial pressure and temperature monitoring systems, and the LICOX(R) Brain Tissue Oxygen Monitoring System. The Camino(R) and Ventrix(R) systems measure the intracranial pressure and temperature in the brain and ventricles, and the LICOX(R) system allows for continuous qualitative regional monitoring of dissolved oxygen in cerebral tissues. Core technologies in the brain parameter monitoring product line include the design and manufacture of the disposable catheters used in the monitoring systems, pressure transducer technology, optical detection/fiber optic transmission technology, sensor characterization and calibration technology and monitor design and manufacture.

EXTERNAL DRAINAGE SYSTEM PRODUCT LINE. Integra NeuroSciences' ventricular and lumbar external drainage systems are manufactured under the Camino(R), Heyer-Shulte(R) and Clinical Neuro Systems(TM) brand names. We manufacture the drainage systems in both Anasco, Puerto Rico (for sale under the Camino(R) and Heyer-Schulte(R) brand names) and in Exton, Pennsylvania (for sale under the Clinical Neuro Systems(TM) brand name).

NEURO OPERATING ROOM

SHUNTS FOR HYDROCEPHALUS MANAGEMENT. Our line of shunting products for hydrocephalus management includes the Novus(R), LPV(R) and Pudenz(TM) shunts, ventricular, peritoneal and cardiac catheters, physician-specified hydrocephalus management shunt kits, Ommaya(R) cerebrospinal fluid reservoirs and Spetzler(R) lumbar and syringo-peritoneal shunts. Shunts are medical devices implanted in the patient to drain excess cerebrospinal fluid from the ventricles of the brain into the peritoneal cavity or externally.

DURAGEN(R) PRODUCT LINE. The DuraGen(R) Dural Graft Matrix is an absorbable collagen matrix indicated for the repair of the dura mater. The dura mater is the thick membrane that contains the cerebrospinal fluid within the brain and the spine. The dura mater must be penetrated during brain surgery and is often damaged during spinal surgery. In either case, surgeons often close or repair the dura mater with a graft. The graft may consist of other tissue taken from elsewhere in the patient's body, or it may be one of the dural substitute products currently on the market which are made of synthetic materials,

processed human cadaver, or bovine pericardium. We believe that the other methods for repairing the dura mater suffer from shortcomings addressed by the DuraGen(R) Dural Graft Matrix.

Our DuraGen(R) product has been shown in clinical trials to be an effective means for closing the dura mater without the need for suturing, which allows the neurosurgeon to conclude the operation more efficiently. In addition, because the DuraGen(R) product is ultimately absorbed by the body and replaced with new natural tissue, the patient avoids some of the risks associated with a permanent implant inside the cranium.

SELECTOR(R) INTEGRA ULTRASONIC ASPIRATOR. The Selector(R) Integra Ultrasonic Aspirator uses very high frequency sound waves to pulverize cancer tumors, and allows the surgeon to remove the damaged tumor tissue by aspiration. Unlike other surgical techniques, ultrasonic surgery selectively dissects and fragments soft tissue leaving fibrous tissues such as nerves and blood vessels intact. Ultrasonic aspiration facilitates the removal of unwanted tissue adjacent or attached to vital structures.

DISSECTRON(R) ULTRASONIC SURGICAL ASPIRATOR. The Dissectron(R) Ultrasonic Surgical Aspirator system, acquired in April 2001, applies ultrasonic energy to precisely fragment and emulsify soft tissue, which is subsequently aspirated, while preserving major blood vessels, nerves and elastic fibers. The system has been used internationally in a variety of surgical applications, including neurosurgery.

INTEGRA COBLATION(R). Integra NeuroSciences is the exclusive sales and distribution partner for ArthroCare Corporation's Coblation(R) based surgical system for neurosurgery in North American and certain other international markets. ArthroCare's Coblation(R) products allow surgeons to operate with a high level of control, limiting damage to surrounding tissue and thereby potentially reducing pain and speeding recovery for the patient. Coblation(R) products, including the neurosurgery system that we distribute, operate at lower temperatures than traditional electrosurgical or laser surgery tools and enable surgeons to remove, shrink or sculpt soft tissue and to seal bleeding vessels. ArthroCare's soft-tissue surgery systems consist of a controller unit and an assortment of disposable devices that are specialized for specific types of surgery. We are working with ArthroCare to develop handpieces and other accessories particularly for the neurosurgical application.

REDMOND(TM)-RUGGLES(TM) PRODUCT LINE. We provide neurosurgeons and spine surgeons with a full line of specialty hand-held spinal and neurosurgical instruments sold under the Redmond(TM) and Ruggles(TM) brand names. These products include retractors, kerrisons, dissectors and curettes. Major product segments include spinal instruments, microsurgical neuro instruments, and products customized by Integra NeuroSciences and sold through other companies and distributors. Specialty surgical steel fabricators in Germany manufacture most of these products to Integra's specifications.

NEURO NAVIGATIONAL(R) ENDOSCOPE PRODUCT LINE. We manufacture and sell disposable and minimally invasive neuroendoscopy products under the Neuro Navigational(R) brand name. These fiber optic instruments are used to facilitate minimally invasive neurosurgery.

NEURAGEN(TM) NERVE GUIDE. We manufacture the NeuraGen(TM) Nerve Guide, an absorbable implant for the repair of severed peripheral nerves in the extremities. Peripheral nerves may become severed through traumatic accidents or surgical injuries, often resulting in the permanent loss of motor and sensory function. Although severed peripheral nerves regenerate spontaneously, they do not establish functional connections unless the nerve stumps are surgically reconnected. The NeuraGen(TM) product is an absorbable collagen tube designed to provide a protective environment for the regenerating nerve and to provide a conduit through which regenerating nerves can bridge the injury. The NeuraGen(TM) Nerve Guide offers a rapid method for rejoining severed peripheral nerves, in contrast to conventional microsurgical techniques.

In June 2001, we received Section 510(k) clearance from the FDA to market the NeuraGen(TM) product and we plan to launch the product in the United States in the fourth quarter of 2001.

INTEGRA LIFESCIENCES

IN GENERAL

The INTEGRA(R) LifeSciences Division develops and manufactures tissue regeneration products and surgical products that are primarily sold outside of neurosurgery and neurotrauma. Many of the current products of Integra LifeSciences are built on our expertise in absorbable collagen products. Integra LifeSciences's research and development programs are generally constructed around strategic alliances with leading medical device companies.

PRODUCTS

PRIVATE LABEL PRODUCTS

INTEGRA(R) DERMAL REGENERATION TEMPLATE. INTEGRA(R) Dermal Regeneration Template is designed to enable the human body to regenerate functional dermal tissue. Human skin consists of the epidermis and the dermis. The epidermis is the thin, outer layer that serves as a protective seal for the body, and the dermis is the thicker layer underneath that provides structural strength and flexibility and supports the viability of the epidermis through a vascular network. The body normally responds to severe damage to the dermis by producing scar tissue in the wound area. This scar tissue is accompanied by contraction that pulls the edges of the wound closer which, while closing the wound, often permanently reduces flexibility. In severe cases, this contraction leads to a reduction in the range of motion for the patient, who subsequently requires extensive physical rehabilitation or reconstructive surgery. Physicians treating severe wounds, such as full-thickness burns, seek to minimize scarring and contraction.

INTEGRA(R) Dermal Regeneration Template was designed to minimize scar formation and wound contracture in full thickness skin defects. INTEGRA(R) Dermal Regeneration Template consists of two layers, a thin collagen-glycosaminoglycan sponge and a silicone membrane. The product is applied with the sponge layer in contact with the excised wound. The sponge material serves as a template for the growth of new functional dermal tissue. The outer membrane layer acts as a temporary substitute for the epidermis to control water vapor transmission, prevent re-injury and minimize bacterial contamination.

INTEGRA(R) Dermal Regeneration Template was approved by the FDA under a premarket approval application for the post-excisional treatment of life-threatening full-thickness or deep partial-thickness thermal injury where sufficient autograft is not available at the time of excision or not desirable due to the physiological condition of the patient.

We estimate that the worldwide market for use of skin replacement products (such as INTEGRA(R) Dermal Regeneration Template) in the treatment of severe burns is approximately $75 million. However, the potential market for the use of INTEGRA(R) Regeneration Template for reconstructive surgery and the treatment of chronic wounds is much larger, which we estimate to be in excess of $1 billion. In June 1999, Integra LifeSciences entered into a strategic alliance with Ethicon to distribute INTEGRA(R) Dermal Regeneration Template throughout the world, except in Japan. As part of that strategic alliance, Ethicon has agreed to pay for clinical trials to support applications to the FDA for these broader indications. We cannot be certain that these clinical trials will be completed, or that INTEGRA(R) Dermal Regeneration Template will receive the approvals necessary to permit Ethicon to promote it for those indications.

BIOMEND(R) ABSORBABLE COLLAGEN MEMBRANE. Our BioMend(R) Absorbable Collagen Membrane is used for guided tissue regeneration in periodontal surgery. The BioMend(R) membrane is inserted between the gum and the tooth after surgical treatment of periodontal disease, preventing the gum tissue from interfering with the regeneration of the periodontal ligament that holds the tooth in place. The BioMend(R) product is intended to be absorbed after approximately four to seven weeks, avoiding the requirement for additional surgical procedures to remove a non-absorbable membrane. BioMend(R) Extend has the same indication for use as BioMend(R), except that it absorbs in approximately 16 weeks. The BioMend(R) and BioMend(R) Extend Absorbable Collagen Membrane is sold through the Sulzer Dental division of Sulzer Medica.

COLLAGEN MATRICES FOR USE WITH BONE GROWTH FACTORS. We supply the Genetics Institute division of American Home Products with absorbable collagen sponges for use in developing bone regeneration implants. Since 1994, we have supplied absorbable collagen sponges for use with Genetics Institute's recombinant human bone morphogenic protein-2 (rhBMP-2). Recombinant human BMP-2 is a manufactured version of human protein naturally present in very small quantities in the body. Genetics Institute is developing recombinant human bone morphogenic protein-2 for clinical evaluation in several areas of bone repair and augmentation and, in February 2001, filed a pre-market approval application with the FDA seeking approval for the use of its recombinant human bone morphogenic protein-2 in conjunction with our Absorbable Collagen Sponge for use in treatment of acute long-bone fractures requiring open surgical management. Spine applications are being developed through a related collaboration with Medtronic Sofamor Danek in North America.

CARTILAGE REPAIR PROGRAM. Damaged articular cartilage, which connects the skeletal joints, is associated with the onset of progressive pain, degeneration and, ultimately, long-term osteoarthritis. Normal articular cartilage does

not effectively heal. The conventional procedure for treating traumatic damage to cartilage involves smoothing damaged portions of the tissue and removing free-floating material from the joint using arthroscopic surgery with the objective of reducing pain and restoring mobility. However, this therapy does not stop joint surface degeneration, often requires two or more surgeries and

results in the formation of fibrocartilage, which is rough and non-weight bearing over prolonged periods. Moreover, the long-term result of this procedure often is permanent reduction of joint mobility and an increased risk of developing osteoarthritis.

We are developing our proprietary technology base toward an approach that will support regeneration of the patient's own articular cartilage. This technology will allow the patient's body to regenerate a smooth, weight-bearing surface. Our objective in developing this cartilage-specific technology is to produce a product that provides the proper matrix system to allow the natural regeneration of the patient's cartilage, with full restoration of function and diminished risk of osteoarthritis.

TYROSINE POLYCARBONATES FOR ORTHOPEDIC IMPLANTS. We are continuing to develop additional biomaterial technologies that enhance the rate and quality of healing and tissue regeneration with synthetic biodegradable scaffolds that support cell attachment and growth. We are developing a new class of absorbable polycarbonates created through the polymerization of tyrosine, a naturally occurring amino acid. A well-defined and commercially scaleable manufacturing process prepares these materials. Device fabrication by traditional techniques such as compression molding and extrusion is readily achieved. We believe that this new biomaterial will be useful in promoting full bone healing when implanted in damaged sites. This material is currently being developed for orthopedic and tissue engineering applications where strength and bone compatibility are critical issues for success of healing. We have entered into agreements to supply the material to Bionx Implants, Inc. for specified orthopedic implants. No medical device containing the material has yet been approved for sale.

OTHER SURGICAL PRODUCTS. Other current products of Integra LifeSciences include the VitaCuff(R)catheter access infection control device (sold to Bard Access Systems, Inc., Arrow International, Inc. and Tyco International Ltd.), the BioPatch(R)anti-microbial wound dressing (sold to Ethicon), and a wide range of absorbable collagen products for hemostasis (sold to Sulzer Dental for use in periodontal surgery and other distributors under the Helistat(R)and Helitene(R)Absorbable Collagen Hemostatic Agent names).

Our Sundt(TM) and other carotid endarterectomy shunts are used to divert blood to vital organs (such as the brain) during carotid artery surgical procedures.

Finally, our Spembly Medical cryosurgery products allow surgeons to use low temperatures to more easily extract diseased tissue.

STRATEGIC ALLIANCES

We use distribution alliances to market the majority of our Integra LifeSciences products. We have also entered into collaborative agreements relating to research and development programs involving our technology. These arrangements are described below.

ETHICON. In June 1999, we entered into a strategic alliance with Ethicon to distribute INTEGRA(R) Dermal Regeneration Template throughout the world, except in Japan. Ethicon is responsible for marketing and selling the product, has agreed to make significant minimum product purchases, and will provide $2 million annual funding for research, development and certain clinical trials for the first five years of the alliance and thereafter based on a percentage of net sales. In addition, Ethicon is obligated to make contingent payments to Integra LifeSciences in the event of certain clinical developments and to assist in the

expansion of our manufacturing capacity as Ethicon achieves certain sales targets. The aggregate amount of available contingent payments, if all conditions for each payment are satisfied, is $38 million. Of that amount, $25 million depends upon the achievement of specified sales targets and $13 million depends upon the achievement of certain clinical and regulatory events, such as regulatory submissions and approvals for new intended uses for INTEGRA(R) Dermal Regeneration Template. To date, we have received $750,000 in clinical and regulatory payments, and no payments for the expansion of manufacturing capacity. Based upon current clinical and regulatory plans and our estimates of future sales growth, we do not expect to receive more than $2 million of such contingent payments from Ethicon before 2004. Under the agreement, we are obligated to manufacture the product and are responsible for continued research and development. The initial term of the agreement is ten years, and Ethicon may at its option extend the agreement for an additional ten years. Ethicon may terminate the agreement with notice prior to the end of the initial term by giving notice one year in advance of termination. Depending upon the reasons for any termination, Ethicon may be obligated to make significant payments to us.

CENTURY MEDICAL, INC. In 1997 and 1998, we signed exclusive importation and sales agreements for INTEGRA(R) Dermal Regeneration Template DuraGen(R) Dural Graft Matrix and the NeuraGen(TM) Nerve Guide in Japan with Century Medical Inc., a subsidiary of ITOCHU Corporation. Under these agreements, Century Medical, Inc. is conducting clinical trials at its own expense to obtain Japanese regulatory approvals for the sale of INTEGRA(R) Dermal Regeneration Template and the DuraGen(R) Dural Graft Matrix in Japan. The agreements with Century Medical terminate seven years after we and Century Medical obtain approval from Japanese regulators to sell the applicable product in Japan. We do not receive any royalties under the agreement, but we did receive an initial non-refundable payment of $1 million from Century Medical in 1998.

OTHER ORTHOPEDICS. In addition to the cartilage program, Integra LifeSciences has several other programs oriented toward the orthopedic market. These programs include an alliance with Genetics Institute for the development of collagen matrices to be used in conjunction with Genetics Institute's recombinant human bone morphogenetic protein-2. If approved, the protein is expected to be used in conjunction with our matrices to regenerate bone. Genetics Institute is developing products based on the protein for applications in orthopedics, oral and maxillofacial surgery. Spine applications are being developed through a related collaboration with Medtronic Sofamor Danek, which has acquired the right to sell rhBMP-2 and our matrices in North America for spinal applications from Genetics Institute. Our agreement with Genetics Institute requires us to supply collagen matrices at specified prices. In addition, we will receive a royalty equal to a percentage of Genetics Institute's sales of surgical kits combining rhBMP-2 and our collagen matrices. The agreement terminates in 2004, but may be extended for successive five year terms at the option of Genetics Institute. The agreement does not provide for milestones or other contingent payments, but Genetics Institute pays us to assist with regulatory affairs and research.

In September 1998, we announced a strategic alliance with Bionx Implants, Inc. for developing fixation devices using Integra's polymer technology. Under the agreement with Bionx, Bionx has responsibility for clinical trials and any necessary regulatory filings. Products covered under the agreement with Bionx include an absorbable line of screws, plates, pins, wedges and nails used for the fixation and/or alignment of fractures or osteotomies in all areas of the musculoskeletal system except in the spine and cranium. The initial term of our

agreement with Bionx extends until 2013, but it may be terminated earlier by either company under various circumstances. We do not expect to receive contingent payments under the agreement, but if absorbable devices are commercialized we will sell raw polymer to Bionx at a specified price, plus a percentage of Bionx net sales of products made from the polymer.

SULZER DENTAL. Sulzer Medica Ltd.'s dental division, Sulzer Dental, has marketed and sold BioMend(R) since 1995, BioMend(R) Extend since 1999 and CollaCote(R), CollaPlug(R) and CollaTape(R) since 1992. under a distribution agreement. Under the agreement, Sulzer Dental purchases products for the dental market from us at specified prices and in minimum quantities. The initial term of our agreement with Sulzer Dental ends at the end of 2004, and the agreement may be extended at the option of Sulzer Dental for an additional five years.

RESEARCH STRATEGY

We have either acquired or secured the proprietary rights to several important technological and scientific platforms, including collagen matrix technology, peptide technology, biomaterials technology, and expertise in fiber optics. These technologies provide support for our critical applications in neurosciences and tissue regeneration, and additional opportunities for generating near-term and long-term revenues from medical applications. We have been able to identify and bring together critical platform technology components from which we work to develop solutions for both tissue regeneration and neurosciences. These efforts have led to the successful development of new products, such as the DuraGen(R) product.

We spent approximately $2.1 million for the three months ended March 31, 2001 and $7.5 million, $8.9 million, and $8.4 million during fiscal years 2000, 1999, and 1998, respectively, on research and development activities. Research and development activities funded by government grants and contract development revenues amounted to $0.9 million for the three months ended March 31, 2001, and $2.8 million, $1.6 million and $1.8 million during fiscal years 2000, 1999, and 1998, respectively.

GOVERNMENT REGULATION

As a manufacturer of medical devices, we are subject to extensive regulation by the FDA and, in some jurisdictions, by state and foreign governmental authorities. These regulations govern the introduction of new medical devices, the observance of certain standards with respect to the design, manufacture, testing, labeling and promotion of the devices, the maintenance of certain records, the ability to track devices, the reporting of potential product defects, the export of devices and other matters. We believe that we are in substantial compliance with these governmental regulations.

From time to time, we have recalled certain of our products. Since the beginning of 1998, we have voluntarily recalled products, and we have never involuntarily recalled a product. We have recalled defective components or devices supplied by other vendors, kits assembled by us that included incorrect combinations of products and defective devices manufactured by us. None of these recalls resulted in significant direct expense to us or significant disruption of customer or supplier relationships. However, a future voluntary or involuntary recall of one of our major products, particularly if it involved a potential or actual risk to patients, would have an adverse financial impact on us, as a result both of direct expenses and disrupted customer relationships.

Our medical devices introduced in the United States market are required by the FDA, as a condition of marketing, to secure a Premarket Notification clearance pursuant to Section 510(k) of the Federal Food, Drug and Cosmetic Act, an approved Premarket Approval application or a supplemental pre-market approval application. Alternatively, we may seek United States market clearance through a Product Development Protocol approved by the FDA. Establishing and completing a Product Development Protocol, or obtaining a pre-market approval application or supplemental pre-market approval application, can take up to several years and can involve preclinical studies and clinical testing. In order to perform clinical testing in the United States on an unapproved product, we are also required to obtain an Investigational Device Exemption from the FDA. In addition to requiring clearance for new products, FDA rules may require a filing and FDA approval, usually through a pre-market approval application supplement or a 510(k) Premarket Notification clearance, prior to marketing products that are modifications of existing products or new indications for existing products. While the FDA Modernization Act of 1997, when fully implemented, is expected to inject more predictability into the product review process, streamline post-market surveillance, and promote the global harmonization of regulatory procedures, the process of obtaining the clearances can be onerous and costly.

We cannot assure that all the necessary approvals, including approval for product improvements and new products, will be granted on a timely basis, if at all. Delays in receipt of, or failure to receive, the approvals could have a material adverse effect on our business. Moreover, after clearance is given, if the product is shown to be hazardous or defective, the FDA and foreign regulatory agencies have the power to withdraw the clearance or require us to change the device, its manufacturing process or its labeling, to supply additional proof of its safety and effectiveness or to recall, repair, replace or refund the cost of the medical device. In addition, federal, state and foreign regulations regarding the manufacture and sale of medical devices are subject to future changes. We cannot predict what impact, if any, these changes might have on its business. However, the changes could have a material impact on our business.

We have received or acquired 128 premarket notification clearances, four approved pre-market approval applications and 42 supplemental premarket approval applications. We have one premarket notification application pending, but expect to file new applications during the next year to cover new products and variations on existing products. We have several supplemental premarket approval applications pending, in each case for a modification to the labeling of an existing product. The most significant of these supplemental applications propose changes in the approved uses for the INTEGRA(R) Dermal Regeneration Template.

We are also required to register with the FDA as a device manufacturer. As such, we are subject to periodic inspection by the FDA for compliance with the FDA's quality systems. These regulations require that we manufacture our products and maintain our documents in a prescribed manner with respect to design, manufacturing, testing and control activities. Further, we are required to comply with various FDA requirements for labeling and promotion. The Medical Device Reporting regulations require that we provide information to the FDA whenever there is evidence to reasonably suggest that one of our devices may have caused or contributed to a death or serious injury or, if a malfunction were to recur, could cause or contribute to a death or serious injury. In addition, the FDA prohibits us from promoting a medical device before marketing clearance has been received or promoting an approved device for unapproved indications. If the FDA believes that a company is not in compliance with applicable regulations, it can institute proceedings to detain or seize products, issue a warning letter, issue a recall order, impose operating

restrictions, enjoin future violations and assess civil penalties against us, its officers or its employees and can recommend criminal prosecution to the Department of Justice. These actions could have a material impact on our business. Other regulatory agencies may have similar powers.

Medical device laws are also in effect in many of the countries outside the United States in which we do business. These laws range from comprehensive device approval and quality system requirements for some or all of the our medical device products to simpler requests for product data or certifications. The number and scope of these requirements are increasing. In June 1998, the European Union Medical Device Directive became effective, and all medical devices must meet the Medical Device Directive standards and receive CE mark certification. CE Mark certification involves a comprehensive Quality System program, and submission of data on a product to the Notified Body in Europe. The Medical Device Directive, the ISO 9000 series of standards, and EN46001 are recognized international quality standards that are designed to ensure we develop and manufacture quality medical devices. Each of our facilities is audited on an annual basis by a recognized Notified Body to verify our compliance with

these standards. In 2000, each of our facilities was audited and we have maintained our certification to these standards.

In addition, we are required to notify the FDA if we export medical devices manufactured in the United States that have not been approved by the FDA for distribution in the United States. We are also required to maintain certain records relating to exports and make the records available to the FDA for inspection, if required. We do not currently export medical devices manufactured in the United States that have not been approved by the FDA, although we have in the past.

OTHER UNITED STATES REGULATORY REQUIREMENTS

In addition to the regulatory framework for product approvals, we are and may be subject to regulation under federal and state laws, including requirements regarding occupational health and safety; laboratory practices; and the use, handling and disposal of toxic or hazardous substances. We may also be subject to other present and possible future local, state, federal and foreign regulations.

Our research, development and manufacturing processes involve the controlled use of certain hazardous materials. We are subject to federal, state and local laws and regulations governing the use, manufacture, storage, handling and disposal of these materials and certain waste products. Although we believe that our safety procedures for handling and disposing of these materials comply with the standards prescribed by the controlling laws and regulations, the risk of accidental contamination or injury from these materials cannot be completely eliminated. In the event of this type of an accident, we could be held liable for any damages that result and any liability could exceed our resources. Although we believe that we are in compliance in all material respects with applicable environmental laws and regulations, we cannot guarantee that we will not incur significant costs to comply with environmental laws and regulations in the future, nor that our operations, business or assets will not be materially adversely affected by current or future environmental laws or regulations.

PATENTS AND INTELLECTUAL PROPERTY

We pursue a policy of seeking patent protection of our technology, products and product improvements both in the United States and in selected foreign countries. When determined appropriate, we have enforced and plan to continue to enforce and defend our patent rights. In general, however, we do not rely on our patent estate to provide us with any significant competitive advantages. We rely upon trade secrets and continuing technological innovations to develop and maintain our competitive position. 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 all confidential information developed or made known to the individual during the course of their relationship with us must be kept confidential, except in specified circumstances.

BioMend(R), Camino(R), Clinical Neuro Systems(TM), CollaCote(R), CollaPlug(R), CollaStat(TM), CollaTape(R), Dissectron(R), DuraGen(R), Helistat(R), Extend(TM), Helitene(R), Heyer-Schulte(R), INTEGRA(R) Dermal Regeneration Template, LICOX(R), NeuraGen(TM), Neuro Navigational(R), Novus(R), LPV(R), Ommaya(R), Pudenz(TM), Redmond(TM), Ruggles(TM), Selector(R), Spetzler(R), Sundt(TM), Ventrix(R), VitaCuff(R) are some of the trademarks of Integra and its Subsidiaries. All other brand names, trademarks and service marks appearing in this prospectus are the property of their respective holders.

COMPETITION

The largest competitors of Integra NeuroSciences in the neurosurgery markets are the PS Medical division of Medtronic, Inc., the Codman division of Johnson & Johnson, the Valleylab and Radionics divisions of Tyco International Ltd., and NMT Neurosciences, a division of NMT Medical, Inc. In addition, various of the Integra NeuroSciences product lines compete with smaller specialized companies or larger companies that do not otherwise focus on neurosurgery. The products of Integra LifeSciences face diverse and broad competition, depending on the market addressed by the product. In addition, certain companies are known to be competing particularly in the area of skin substitution or regeneration, including Organogenesis and Advanced Tissue Sciences. Finally, in certain

cases competition consists primarily of current medical practice, rather than any particular product (such as autograft tissue as a substitute for INTEGRA(R)-Dermal Regeneration Template). Depending on the product line, we compete on the basis of our products' features, strength of our sales organization or marketing partner, sophistication of our technology, and cost effectiveness of our solution to the customer's medical requirements.

FACILITIES

Our principal executive offices are located in Plainsboro, New Jersey. Principal manufacturing and research facilities are located in Plainsboro, New Jersey, San Diego, California, Anasco, Puerto Rico, Andover, England and Mielkendorf, Germany, and we have a national distribution center in Cranbury, New Jersey. In addition, we lease several smaller facilities to support

additional administrative, assembly, and storage operations. Our total office manufacturing and research space approximates 180,000 square feet with lease payments of approximately $125,000 per month. Our Integra LifeSciences products are manufactured in Plainsboro, Anasco and Andover and distributed through the national distribution center and the Andover facility. Our Integra NeuroSciences products are manufactured in the Plainsboro, San Diego, Andover, Mielkendorf, and Anasco facilities and are distributed through the national distribution center and the Andover facility. All of our facilities are leased.

All of our manufacturing and distribution facilities are registered with the FDA. Our facilities are subject to FDA inspection to assure compliance with quality requirements requirements. We believe that our manufacturing facilities are in substantial compliance with quality requirements, suitable for their intended purposes and have capacities adequate for current and projected needs for existing products. Some capacity of the plants is being converted, with any needed modification, to meet the current and projected requirements of existing and future products.

EMPLOYEES

At July 9, 2001, we had approximately 550 permanent employees engaged in production and production support (including warehouse, engineering, and facilities personnel), quality assurance/quality control, research and development, regulatory and clinical affairs, sales/marketing and administration and finance. None of our current employees are subject to a collective bargaining agreement.

LEGAL PROCEEDINGS

In July 1996, we filed a patent infringement lawsuit in the United States District Court for the Southern District of California against Merck KGaA, a German corporation, Scripps Research Institute, a California nonprofit corporation, and David A. Cheresh, Ph.D., a research scientist with Scripps, seeking damages and injunctive relief. The complaint charged, among other things, that the defendant Merck KGaA willfully and deliberately induced, and continues to willfully and deliberately induce, defendants Scripps Research Institute and Dr. David A. Cheresh to infringe certain of our patents. These patents are part of a group of patents granted to The Burnham Institute and licensed by us that are based on the interaction between a family of cell surface proteins called integrins and the arginine-glycine-aspartic acid peptide sequence found in many extracellular matrix proteins. The defendants filed a countersuit asking for an award of defendants' reasonable attorney fees. This case went to trial in February 2000, and on March 17, 2000, a jury returned a unanimous verdict for us finding that Merck KGaA had infringed and induced the infringement of our patents, and awarded $15,000,000 in damages. On September 29, 2000, the United States District Court for the Southern District of California entered judgment in our favor and against Merck KGaA in the case. In entering the judgment, the court also granted us pre-judgment interest of approximately $1,350,000, bringing the total amount to approximately $16,350,000, plus post-judgment interest. Various post-trial motions are pending, including a request by Merck KGaA for a judgment as a matter of law notwithstanding the verdict, which could have the effect of reducing the judgment or reversing the verdict of the jury. In addition, if we win these post-trial motions, we expect Merck KGaA to appeal various decisions of the Court. No amounts for this favorable verdict have been reflected in our financial statements.

We are also subject to other claims and lawsuits in the ordinary course of

our business, including claims by employees and with respect to our products. In the opinion of management, the other claims are either adequately covered by insurance or otherwise indemnified, and are not expected, individually or in the aggregate, to result in a material adverse effect on our financial condition. Our financial statements do not reflect any material amounts related to possible unfavorable outcomes of the matters above or others. However, it is possible that these

contingencies could materially affect our results of operations, financial position and cash flows in a particular period.

MANAGEMENT

EXECUTIVE OFFICERS AND DIRECTORS

The following table sets forth information with respect to our executive officers and directors as of the date of this prospectus.

NAME	AGE	POSITION
Stuart M. Essig, Ph.D	39	President, Chief Executive Officer and Director
George W. McKinney, III, Ph.D	57	Executive Vice President, Chief Operating Officer, Director
John B. Henneman, III	39	Senior Vice President, Chief Administrative Officer and Secretary
Judith E. O'Grady	50	Senior Vice President, Regulatory, Quality Assurance and Clinical Affairs
Michael D. Pierschbacher, Ph.D	49	Senior Vice President Research and Development, Director of the Corporate Research Center
David B. Holtz	34	Senior Vice President, Finance and Treasurer
Richard E. Caruso, Ph.D	57	Director and Chairman of the Board of Directors
James M. Sullivan	57	Director
Keith Bradley, Ph.D	56	Director
Neal Moszkowski	35	Director

STUART M. ESSIG, PH.D. has served as President and Chief Executive Officer

and a director of Integra since December 1997. Before joining Integra, Mr. Essig supervised the medical technology practice at Goldman, Sachs & Co. as a managing director. Mr. Essig had ten years of broad health care experience at Goldman Sachs serving as a senior merger and acquisitions advisor to a broad range of domestic and international medical technology, pharmaceutical and biotechnology clients. Mr. Essig received an A.B. degree from the Woodrow Wilson School of Public and International Affairs at Princeton University and an MBA and a Ph.D. degree in Financial Economics from the University of Chicago, Graduate School of Business. Mr. Essig also serves on the Board of Directors of Vital Signs Incorporated and St. Jude Medical Corporation.

GEORGE W. MCKINNEY, III, PH.D. has served Integra as Executive Vice President and Chief Operating Officer since May 1997 and as a member of the Board of Directors since December 1992. Between 1997 and 1999 Dr. McKinney also served as Vice Chairman. Between 1990 and 1997, Dr. McKinney was Managing Director of Beacon Venture Management Corporation, a venture capital firm. Between 1992 and 1997, Dr. McKinney also served as President and Chief Executive Officer of Gel Sciences, Inc. and GelMed, Inc., a privately held specialty materials firm with development programs in both the industrial and medical products fields. Before 1990, Dr. McKinney held other positions in the venture capital industry, was President and Chief Executive Officer of American Superconductor, Inc., and served in various manufacturing, engineering and financial positions at Corning, Inc. Dr. McKinney holds a B.S. in Management from MIT and a Ph.D. in Strategic Planning from Stanford University School of Business. Dr. McKinney announced that he will step down as Executive Vice President and Chief Operating Officer when his employment agreement expires on December 31, 2001. Dr. McKinney plans to be available as a consultant to us through June 30, 2002.

JOHN B. HENNEMAN, III is Integra's Senior Vice President, Chief Administrative Officer and Secretary, and is responsible for the law department, business development, human resources and investor relations. Mr. Henneman was our General Counsel from September 1998 until September 2000. Prior to joining Integra in August 1998, Mr. Henneman served Neuromedical Systems, Inc., a public company developer and manufacturer of in vitro diagnostic equipment, in various capacities for more than four years. From 1994 until June 1997, Mr. Henneman was Vice President of Corporate Development, General Counsel and Secretary. From June 1997 through November 1997, he served in the additional capacity of interim Co-Chief Executive Officer and from December 1997 to August 1998 Mr. Henneman was Executive Vice President, US Operations, and Chief Legal Officer. In March 1999, Neuromedical Systems, Inc. filed a petition under Chapter 11 of the federal bankruptcy laws. Mr. Henneman practiced law in the Corporate Department of Latham & Watkins (Chicago, Illinois) from 1986 to 1994. Mr.

Henneman received his A.B. (Politics) from Princeton University in 1983, and his J.D. from the University of Michigan Law School in 1986.

JUDITH E. O'GRADY, Senior Vice President of Regulatory Affairs, Quality Assurance and Clinical Research, has served Integra since 1985. Ms. O'Grady has worked in the areas of medical devices and collagen technology for over 20 years. Prior to joining Integra, Ms. O'Grady worked for Colla-Tec, Inc., a Marion Merrell Dow Company. During her career she has held positions with Surgikos, a Johnson & Johnson company, and was on the faculty of Boston University College of Nursing and Medical School. Ms. O'Grady led the team that obtained the FDA approval for INTEGRA(R)Dermal Regeneration Template, the first

regenerative product approved by the FDA, and has led teams responsible for more than 100 510(K) clearances. She received her BS degree from Marquette University and MSN in Nursing from Boston University.

MICHAEL D. PIERSCHBACHER, PH.D. joined Integra in October 1995 as Senior Vice President, Research and Development. In May 1998 he was named Senior Vice President and Director of the Corporate Research Center. From June 1987 to September 1995, Dr. Pierschbacher served as Senior Vice President and Scientific Director of Telios Pharmaceuticals, Inc., which was acquired by us in connection with the reorganization of Telios under Chapter 11 of the federal bankruptcy code. He was a co-founder of Telios in May 1987 and is the co-discoverer and developer of Telios' matrix peptide technology. Before joining Telios as a full-time employee in October 1988, he was a staff scientist at the Burnham Institute for five years and remained on staff there in an adjunct capacity until the end of 1997. He received his post-doctoral training at Scripps Clinical and Research Foundation and at the Burnham Institute. Dr. Pierschbacher received his Ph.D. in Biochemistry from the University of Missouri.

DAVID B. HOLTZ joined Integra as Controller in 1993 and has served as Vice President, Finance and Treasurer since March 1997 and was promoted to Senior Vice President, Finance and Treasurer in February 2001. His responsibilities include managing all accounting and information systems functions. Before joining Integra, Mr. Holtz was an associate with Coopers & Lybrand, L.L.P. in Philadelphia and Cono Leasing Corporation, a private leasing company. He received a BS degree in Business Administration from Susquehanna University in 1989 and has been certified as a public accountant.

RICHARD E. CARUSO, PH.D. has served as Integra's Chairman since March 1992. Prior to December 1997, Dr. Caruso served as Integra's Chief Executive Officer since March 1992 and as President since September 1995. From 1969 to 1992, Dr. Caruso was a principal of LFC Financial Corporation, a project finance company, where he was also a director and Executive Vice President. He has 25 years experience in finance and entrepreneurial ventures. Dr. Caruso is on the Board of Susquehanna University, The Baum School of Art and The Uncommon Individual Foundation (Founder). He received a B.S. degree from Susquehanna University, and M.S.B.A. degree from Bucknell University and a Ph.D degree from the London School of Economics, University of London (United Kingdom).

JAMES M. SULLIVAN has been a director since 1992. Since 1986, he has held several positions with Marriott International, Inc. (and its predecessor, Marriott Corp.), including Vice President of Mergers and Acquisitions, and his current position of Executive Vice President of Development for the Lodging Group of Marriott. From 1983 to 1986, Mr. Sullivan was Chairman, President and Chief Executive Officer of Tenly Enterprises, Inc., a privately held company operating 105 restaurants. Prior to 1983, he held senior management positions with Marriott Corp., Harrah's Entertainment, Inc., Holiday Inns, Inc., Kentucky Fried Chicken Corp. and Heublein, Inc. He also was employed as a senior auditor with Arthur Andersen & Co. and currently serves as a director of Global Vacation Group, Inc. Mr. Sullivan received a B.S. degree in Accounting from Boston College and an M.B.A. degree from the University of Connecticut.

KEITH BRADLEY, PH.D. has been a director since 1992. He is the Professor of Management at The City University Business School, London, England, and a Director of Ockham Holdings plc, a London Stock Exchange corporation. Dr. Bradley was the founder and formerly Executive Director of the London School of Business Performance Group, an interdisciplinary research institute which specializes in organizational performance. He has extensive experience as a consultant to a variety of business, government and international organizations and has published widely on management and industrial policy. Dr. Bradley has served as Visiting Professor at Harvard Business School, the UCLA Graduate

School of Management and the Wharton School of the University of Pennsylvania. Dr.

Bradley received a Diploma in Education from Culham College and a Ph.D. degree in Economics from the University of Essex.

NEAL MOSZKOWSKI has been a director since March 29, 1999 and is the designee of the holders of our Series B and Series C Preferred Stock. Mr. Moszkowski has been a partner of Soros Private Equity Partners LLC since August 1998 and is currently an employee of Soros Private Funds Management LLC. Prior thereto, Mr. Moszkowski was an Executive Director of Goldman Sachs International and a Vice President of Goldman, Sachs & Co. in its Principal Investment Area, which he joined in August 1993. He received a B.A. degree from Amherst College and an M.B.A. degree from Stanford University. Mr. Moszkowski also serves as a director of Bluefly, Inc. and MedicaLogic/Medscape, Inc.

Our executive officers serve at the discretion of the Board of Directors. The only family relationship between any of our executive officers and directors is that Mr. Holtz is the nephew of Dr. Caruso.

PRINCIPAL STOCKHOLDERS

The following table sets forth certain information regarding the beneficial ownership of Common Stock and Preferred Stock as of May 18, 2001, as adjusted to give pro forma effect to the conversion of the Series B Preferred into common stock on June 28, 2001 by: (a) each person or entity known to Integra to own beneficially five percent or more of the outstanding shares of Common Stock or Preferred Stock, based upon our records or Commission records; (b) each of our directors; (c) each of the Named Officers; and (d) all executive officers and directors of Integra as a group. Each share of Series B Preferred Stock was convertible at the discretion of the holder into 26.178 shares of Common Stock, and each share of Series C Preferred Stock is currently convertible at the discretion of the holder into 11.111 shares of Common Stock in each case subject to certain adjustments. Except as otherwise indicated, each person has sole voting power and sole investment power with respect to all shares beneficially owned by that person. On May 4, 2001, we notified the holders of the Series B Preferred of its intention to redeem these shares on June 29, 2001 for $12.3 million. The holders of the Series B Preferred had the right to convert their shares into common stock prior to this redemption. As of June 28, 2001, all of the holders of the Series B Preferred exercised this right to convert their 100,000 shares of Series B Preferred into 2,617,800 shares of common stock.

	COMMON STOCK		SERIES C PREFERRED	
NAME OF BENEFICIAL OWNER	SHARES(1)	PERCENT	SHARES	PERCENT
Richard E. Caruso, Ph.D.	7,219,418(2)	40.1%		
Trust Partnership	7,179,205(3)	39.9%		
Frances C. Holtz	7,179,205(4)	39.9%		
Quantum Industrial Partners LDC	2,955,000(5)	14.2%	48,699	90.2%
The Dow Chemical Company	1,575,280(6)	8.8%		
State of Wisconsin Investment Board	1,338,979(7)	7.4%		

Elan Corporation, plc	1,100,000(8)	6.1%		
SFM Domestic Investments LLC	802,800(9)	4.3%	5,301	9.8%
Stuart M. Essig, Ph.D.	535,221(10)	2.9%		
John B. Henneman, III	119,741(11)	*		
George W. McKinney, III, Ph.D.	100,367(12)	*		
Judith O'Grady	59,453(13)	*		
Michael D. Pierschbacher, Ph.D.	57,884(14)	*		
James M. Sullivan	29,041(15)	*		
Neal Moszkowski	20,000(16)	*		
Keith Bradley, Ph.D.	500(17)	*		
All directors and executive officers as a group (10 persons)	8,175,489(18)	43.3%		

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* Less than one percent (1%).

(1) Shares not outstanding but deemed beneficially owned by virtue of the right of an individual to acquire them within 60 days upon the exercise of an option or other convertible security are treated as outstanding for purposes of determining beneficial ownership and the percentage beneficially owned by the individual.

(2) Includes the 7,179,205 shares held by Trust Partnership, a Pennsylvania general partnership of which Dr. Caruso is a partner and the President (also see Note 3 below). Also includes 23,338 shares held by Provco Leasing Corporation of which Dr. Caruso is President. Provco is a wholly-owned subsidiary of Cono Industries, a corporation whose stockholders are trusts whose beneficiaries include Dr. Caruso's children. Also includes 16,875 shares issuable upon exercise of the vested portion of options held by Dr. Caruso. Dr. Caruso's address is 919 Conestoga Road, Building 2, Suite 106 Rosemont, Pennsylvania 19010.

(3) The partners of Trust Partnership are Pagliacci Trust, Rigoletto Trust, Trust for Jonathan Henry Caruso, Trust for Peter James Caruso (the beneficiaries of all those trusts being Dr. Caruso's children), Dr. Caruso and Provco, each of which may be deemed to beneficially own the shares held by Trust Partnership; however, the partners of Trust Partnership disclaim beneficial ownership of all the shares except to the extent represented by their respective equity and profit participation interests in Trust Partnership. The Trust Partnership's address is c/o Richard E. Caruso, Ph.D., 919 Conestoga Road, Building 2, Suite 106 Rosemont, Pennsylvania 19010.

(4) Frances C. Holtz is a trustee of the trusts referenced in footnote (3) trusts, which collectively have a controlling interest in Trust Partnership. As such, Ms. Holtz may be deemed to beneficially own the shares held by Trust Partnership; however, Ms. Holtz disclaims beneficial ownership of all those shares. Ms. Holtz's address is 8111 Marshall Avenue, Margate, New Jersey 08402.

(5) Includes (i) 1,963,350 shares of common stock issued upon conversion of 75,000 shares of Series B Preferred Stock held by Quantum Industrial Partners LDC as of June 28, 2001; (ii) 541,100 shares of Common Stock issuable upon conversion of 48,699 shares of Series C Preferred Stock held by Quantum Industrial Partners; and (iii) 270,550 shares of Common Stock

issuable upon exercise of warrants held by Quantum Industrial Partners. The principal address of Quantum Industrial Partners is at Kaya Flamboyan 9, Willemsted, Curacao, Netherlands Antilles. QIH Management Investor, L.P. is vested (pursuant to constituent documents of Quantum Industrial Partners) with investment discretion with respect to the portfolio assets held for the account of Quantum Industrial Partners. Pursuant to an agreement between George Soros and Soros Fund Management LLC, Mr. Soros has agreed to use his best efforts to cause QIH Management, Inc., as the sole general partner of QIH Management Investor, L.P., to act at the discretion of Soros Fund Management. Mr. Soros is the Chairman of Soros Fund Management. Each of QIH Management Investor, L.P., QIH Management, Inc., Soros Fund Managment and Mr. Soros may be deemed the beneficial owner of the Quantum Industrial Partners Shares. Each has their principal business office at 888 Seventh Avenue, 33rd Floor, New York, New York 10106.

(6) The address of The Dow Chemical Company is 2030 Dow Center Office E115, Midland, Michigan 48674.

(7) The address of the State of Wisconsin Investment Board is 121 East Wilson Street, Madison, Wisconsin 53702.

(8) Consists of 1,100,000 shares held by Carnrick Laboratories, Inc.. Carnrick is a wholly-owned subsidiary of Athena Neurosciences, Inc., which is a wholly-owned subsidiary of Elan Corporation, plc, each of which may be deemed the beneficial owner of the shares owned by Carnrick. The address for each of the foregoing companies is c/o Elan Corporation, plc, Lincoln House, Lincoln Place, Eighty Pine Street, Dublin 2, Ireland.

(9) Includes 654,450 shares of Common Stock issued upon conversion of 25,000 shares of Series B Preferred Stock held by SFM Domestic Investments LLC as of June 28, 2001; (ii) 58,900 shares of Common Stock issuable upon conversion of 5,301 shares of Series C Preferred Stock held by SFM Domestic Investments LLC; and (iii) 29,450 shares of Common Stock issuable upon exercise of warrants held by SFM Domestic Investments LLC. The principal business office of SFM Domestic Investments LLC is at 888 Seventh Avenue, 33rd Floor, New York, New York 10106. George Soros is a managing member of SFM Domestic Investments LLC and may be deemed beneficial owner of the SFM Domestic Investments LLC Shares.

(10) Includes 517,084 shares issuable upon exercise of the vested portion of options held by Mr. Essig. The Restricted Units held by Mr. Essig do not give him the right to acquire any shares within 60 days of May 18, 2001.

(11) Includes 106,481 shares issuable upon exercise of the vested portion of options held by Mr. Henneman.

(12) Includes 88,867 shares issuable upon exercise of the vested portion of options held by Dr. McKinney.

(13) Includes 43,288 shares issuable upon exercise of the vested portion of options held by Ms. O'Grady.

(14) Includes 2,554 shares held by revocable trusts of which Dr. Pierschbacher is co-trustee. Also includes 42,861 shares issuable upon exercise of the vested portion of options held by Dr. Pierschbacher.

(15) Includes 25,500 shares issuable upon exercise of the vested portion of options held by Mr. Sullivan.

(16) Consists of 20,000 shares issuable upon exercise of the vested portion of options held by Mr. Moszkowski.

(17) Includes 500 shares issuable upon exercise of the vested portion of options held by Dr. Bradley.

(18) See Notes 2 and 10 through 17 above. Also, includes 7,046 shares, as well as 26,818 shares issuable upon exercise of the vested portion of options, held by one executive officer of the Company and/or its subsidiaries who is not listed in the table.

CERTAIN TRANSACTIONS

We lease our manufacturing facility in Plainsboro, New Jersey from Plainsboro Associates, a New Jersey general partnership. Ocirne, Inc., a subsidiary of Cono Industries, owns a 50% interest in Plainsboro Associates. Cono is a corporation whose stockholders are trusts whose beneficiaries include the children of Dr. Richard E. Caruso, our Chairman and a principal stockholder of the Company. Dr. Caruso is the President of Cono. We paid $209,848 in rent for this facility during 2000.

During 2000, we signed a five year lease related to certain production equipment, from Medicus Corporation. The sole stockholder of Medicus is Trust Partnership, a Pennsylvania general partnership, for which Dr. Caruso is a partner and the President. Under the terms of the lease, we paid $45,000 to Medicus Corporation during 2000.

DESCRIPTION OF CAPITAL STOCK

Our authorized capital stock as stated in our Amended and Restated Certificate of Incorporation consists of 60,000,000 shares of common stock, $.01 par value per share, and 15,000,000 shares of preferred stock, $.01 par value per share. The following summary of our common stock and preferred stock is not complete and may not contain all the information you should consider before investing in our common stock. This description is subject to and qualified in its entirety by provisions of our Certificate of Incorporation and bylaws, which are included as exhibits to the registration statement of which this prospectus is a part, and by provisions of applicable Delaware law.

COMMON STOCK

As of March 23, 2001, there were 20,874,955 shares of common stock outstanding and held of record by approximately 825 stockholders, assuming conversion of all outstanding shares of preferred stock. Holders of common stock are entitled to one vote for each share held on all matters submitted to a vote

of stockholders and do not have cumulative voting rights. Accordingly, holders of a majority of the outstanding shares of common stock entitled to vote in any election of directors may elect all the directors standing for election. Holders of common stock are entitled to receive ratably the dividends, if any, as may be declared by our board of directors out of funds legally available therefor. If we are liquidated, dissolved or wound-up, holders of common stock are entitled to receive ratably our net assets available for distribution after the payment of, or adequate provision for, all of our debts and other liabilities, subject to prior and superior rights of the holders of Preferred Stock. Holders of common stock have no preemptive, subscription, redemption, sinking fund or conversion rights. Immediately upon consummation of this offering, all of the then-outstanding shares of common stock will be validly issued, fully paid and nonassessable.

PREFERRED STOCK

The board of directors, without further stockholder authorization, is authorized to issue, from time to time, up to 15,000,000 shares of Preferred Stock in one or more series, to establish the number of shares to be included in any of these series and to fix the designations, powers, preferences and rights of the shares of each of these series and any qualifications, limitations or restrictions thereof, including dividend rights and preferences over dividends on the Common Stock, conversion rights, voting rights, redemption rights, the terms of any sinking fund therefor and rights upon liquidation. The ability of the board of directors to issue Preferred Stock, while providing flexibility in connection with financing, acquisitions and other corporate purposes, could have the effect of discouraging, deferring or preventing a change in control or an unsolicited acquisition proposal, since the issuance of Preferred Stock could be used to dilute the share ownership of a person or entity seeking to obtain control of us. In addition, because the board of directors has the power to establish the preferences, powers and rights of the shares of any of these series of Preferred Stock, it may afford the holders of any Preferred Stock preferences, powers and rights (including voting rights) senior to the rights of the holders of Common Stock, which could adversely affect the rights of holders of Common Stock.

As of June 29, 2001, we had designated three series of Preferred Stock, but only one was outstanding.

SERIES A PREFERRED STOCK.

Our board of directors have authorized 2,000,000 shares of Series A Convertible Preferred Stock, of which 500,000 were issued in connection with a series of agreements with Century Medical, Inc., a wholly-owned subsidiary of ITOCHU Corporation, under which Century Medical, Inc. distributes certain of our products in Japan. Century Medical, Inc. has converted its Series A Preferred Stock into Common Stock. We do not expect to issue new Series A Preferred Stock.

SERIES B PREFERRED STOCK.

Our board of directors has authorized 120,000 shares of Series B Convertible Preferred Stock, 100,000 of which were issued in connection with the acquisition of the NeuroCare Group in March 1999. The purchase price for the

acquisition was financed in part through the sale of $10 million of the Series B Preferred Stock and related warrants to SFM Domestic Investments LLC and Quantum Industrial Partners LDC, affiliates of Soros Private Equity Partners LLC. The shares of Series B Preferred Stock were convertible into 2,617,800 shares of our common stock. The warrants issued at the time of the sale of the Series B Preferred Stock were exercised in March 2001.

On May 4, 2001, we notified the holders of the Series B Preferred of its intention to redeem these shares on June 29, 2001 for $12.3 million. The holders of the Series B Preferred had the right to convert their shares into common stock prior to this redemption. As of June 26, 2001, all of the holders of the Series B Preferred exercised this right to convert their 100,000 shares of Series B Preferred Stock into 2,617,800 shares of common stock. We do not expect to issue new Series B Preferred Stock.

SERIES C PREFERRED STOCK

Our board of directors have authorized 54,000 shares of Series C Convertible Preferred Stock, all of which were issued on March 29, 2000 to investment affiliates of Soros Private Equity Partners LLC, resulting in proceeds to Integra of $5.4 million. In connection with this investment, we also issued to affiliates of Soros Private Equity Partners LLC warrants to purchase 300,000 shares of common stock at $9.00 per share. The warrants expire on December 31, 2001. The shares of Series C Preferred Stock are convertible into 600,000 shares of our common stock.

DESIGNATION/RANKING. The Series C Preferred Stock rank equal to our Series B Preferred Stock and senior to our common stock and all of our Series A Preferred Stock with respect to the payment of distributions on liquidation, dissolution or winding up of Integra or with respect to the payment of dividends.

DIVIDENDS. Holders of the Series C Preferred Stock are entitled to receive annual cumulative dividends which shall accrue at the rate of 10% per annum, payable upon the liquidation, dissolution or winding up Integra.

CONVERSION. Holders of the Series C Preferred Stock are entitled, at their option at any time, to convert the Series C Preferred Stock so held into the number of fully paid and nonassessable shares of common stock as obtained by (i) multiplying the number of shares of Series C Preferred Stock so to be converted by $100.00 and (ii) dividing the result by the conversion price (which is $9.00 per share, subject to adjustment in accordance with the terms of the certificate of designation for the Series C Preferred Stock).

VOTING RIGHTS. Holders of the Series C Preferred Stock shall be entitled to notice of any stockholders meeting. Except as otherwise required by law, each outstanding share of Series C Preferred Stock is entitled to the number of votes equal to the number of full shares of common stock into which the share of Series C Preferred Stock is convertible on the record date for any meeting of stockholders. Except as otherwise required by law, the Series C Preferred Stock and the common stock vote together as a single class on each matter submitted to the stockholders, and not by separate class or series.

OPTIONAL REDEMPTION. If, at any time after March 15, 2002, for a period of

not less than thirty (30) consecutive trading days, the average closing price of our common stock on the Nasdaq National Market has been equal to or greater than the Target Market Price (as defined below), then we may redeem from any source of funds legally available therefor, in whole or in part, any or all whole number of shares of Series C Preferred Stock at any time outstanding for a cash amount per share equal to the liquidation preference at the date of redemption. Notwithstanding the foregoing, at any time and from time to time after March 1, 2004, we may redeem from any source of funds legally available therefor, in whole or in part, any or all whole number of shares of Series C Preferred Stock at any time outstanding for an amount per share to be redeemed equal to the liquidation preference at the date of redemption. The "Target Market Price" shall mean an amount equal to 2.5 times the conversion price as last adjusted and then in effect.

REGISTRATION RIGHTS

Under the terms of stockholder and registration rights agreements between us and certain of our stockholders, Holders of an aggregate of 7,883,081 shares of our common stock (including shares issuable upon the exercise of

certain warrants and stock options, upon conversion of certain preferred securities, and shares underlying certain "restricted units"), are entitled to demand that we register those shares under the Securities Act. Additionally, if we propose to register any of our securities under the Securities Act, either for our own account or for the account of any other stockholder, the parties to certain of our stockholder and registration rights agreements are entitled to notice of the registration and to include their shares of common stock in the registration. These registration rights are subject to limitations and conditions, including the right of the underwriters of the offering to limit the number of shares included in any registration thereunder. In general, we are required to indemnify the holders of those registrable securities under described circumstances and to bear the expense of registrations, except for the selling stockholders' pro rata portion of the underwriting discounts and commissions.

DELAWARE ANTI-TAKEOVER LAW

Section 203 of the Delaware General Corporation Law prohibits certain "business combination" transactions between a Delaware corporation and any "interested stockholder" owning 15% or more of the corporation's outstanding voting stock for a period of three years after the date on which the stockholder became an interested stockholder, unless:

- the board of directors approves, prior to the date, either the proposed business combination or the proposed acquisition of stock which resulted in the stockholder becoming an interested stockholder;

- upon consummation of the transaction in which the stockholder becomes an interested stockholder, the interested stockholder owned at least 85% of those shares of the voting stock of the corporation which are not held by the directors, officers or certain employee stock plans;

or

- on or subsequent to the date on which the stockholder became an interested stockholder, the business combination with the interested stockholder is approved by the board of directors and also approved at a stockholder's meeting by the affirmative vote of the holders of at least two-thirds of the outstanding shares of the corporation's voting stock other than shares held by the interested stockholder.

Under Delaware law, a "business combination" includes a merger, asset sale or other transaction resulting in a financial benefit to the interested stockholder. Section 203 does not apply, however, to those stockholders who own 15% or more of our voting stock prior to this offering.

SELLING SECURITY HOLDERS

The following table provides certain information with respect to the common stock held by each selling security holder. The common stock offered by this prospectus is being offered by the selling security holders named below:

	PRINCIPAL AMOUNT OF COMMON STOCK OWNED AND REGISTERE			
NAME	AMOUNT OWNED PRIOR TO OFFERING	AMOUNT OFFERED	AMOUNT TO BE OWNED AFTER OFFERING	P B
Quantum Industrial Partners LDC.....	[-]	[-]	[-]	
SFM Domestic Investments LLC.....	[-]	[-]	[-]	
Total	[-]	312,500	[-]	

SHARES ELIGIBLE FOR FUTURE SALE

The sale of a substantial amount of our common stock in the public market after this offering could adversely affect the prevailing market price of our common stock and our ability to raise equity capital in the future.

Upon completion of this offering, we will have outstanding an aggregate of 24,741,400 shares of our common stock, assuming no exercise of outstanding options and warrants. Of these shares, all shares previously sold in registered offerings, including all of the shares sold in this offering, will be freely tradable without restriction or further registration under the Securities Act, unless the shares are purchased by "affiliates" as that term is defined in Rule 144 under the Securities Act. Any shares purchased by an affiliate may not be resold except pursuant to an effective registration statement or an applicable exemption from registration, including an exemption under Rule 144 of the Securities Act. The remaining shares of common stock held by existing stockholders are "restricted securities" as that term is defined in Rule 144 under the Securities Act. These restricted securities may be sold in the public market only if they are registered or if they qualify for an exemption from registration under Rule 144 or Rule 701 under the Securities Act. These rules

are summarized below.

In connection with this offering, persons owning an aggregate of [----------] shares of our common stock after this offering have agreed with the underwriters that, subject to exceptions, they will not sell or dispose of any of their shares for [--] days after the date of this prospectus. The underwriter may, in its sole discretion and at any time without notice, release all or any portion of the shares subject to such restrictions. The shares of common stock outstanding upon closing of this offering will be available for sale in the public market as follows:

APPROXIMATE NUMBER OF SHARES	DESCRIPTION
[---]	After the date of this prospectus, including 4,312,500 freely tradable shares sold in this offering (assuming the underwriters' over-allotment option is exercised).
[---]	After [--] days from the date of this prospectus, the lock-up period will expire and these shares will be saleable under Rule 144 (subject, in some cases, to volume limitations).

In addition, after the offering there will be outstanding options to purchase 3,941,105 shares of common stock and outstanding warrants to purchase an aggregate of 310,811 shares of common stock. In addition, we have outstanding 54,000 shares of preferred stock convertible into 600,000 common shares.

LOCK-UP AGREEMENTS

We, our executive officers, directors, and certain of our existing stockholders and optionholders have agreed not to offer, sell, contract to sell or otherwise dispose of any shares of our common stock for a period of [--] days after the date of this prospectus without the prior written consent of underwriters, except, in the case of the company, for the shares of common stock to be issued in connection with the offering or pursuant to employee benefit plans existing on the date of this prospectus or sales or dispositions to our company, permitted transfers to related parties that agree to be bound by the foregoing restrictions, and permitted sales of shares acquired in the open market following the completion of the offering. During this period we may grant stock-based awards under our stock award and employee benefit plans, which include the 1992 Stock Option Plan, the 1993 Incentive Stock Option and Non-Qualified Stock Option Plan, the 1996 Incentive Stock Option and Non-Qualified Stock Option Plan, the 1998 Stock Option Plan, the 1999 Stock Option Plan, the 2000 Equity Incentive Plan, and the Integra LifeSciences Employee Stock Purchase Plan, and we may also issue shares of common stock upon the exercise of an option or warrant or the conversion of a security outstanding on the date hereof and in connection with acquisitions.

RULE 144

In general, under Rule 144 as currently in effect, a person who has beneficially owned shares of our common stock for at least one year from the later of the date those shares of common stock were acquired from us or from an affiliate of ours would be entitled to sell within any three-month period a number of shares that does not exceed the greater of:

- one percent of the number of shares of common stock then outstanding, which will equal approximately 20,741,400 shares prior to this offering and 20,741,400 shares immediately after this offering

(assuming exercise of the underwriters' over-allotment option); or

- the average weekly trading volume of the common stock on the National Association of Securities Dealers' Automated Quotation System during the four calendar weeks preceding the filing of a notice on Form 144 with respect to the sale of any shares of common stock.

The sales of any shares of common stock under Rule 144 are also subject to manner of sale provisions and notice requirements and to the availability of current public information about us.

RULE 144(K)

Under Rule 144(k), a person who is not one of our affiliates at any time during the three months preceding a sale, and who has beneficially owned the shares proposed to be sold for at least two years from the later of the date such shares of common stock were acquired from us or from an affiliate of ours, including the holding period of any prior owner other than an affiliate, is entitled to sell those shares without complying with the manner of sale, public information, volume limitation or notice provisions of Rule 144. Therefore, unless otherwise restricted pursuant to the lock-up agreements or otherwise, those shares may be sold immediately upon the completion of this offering.

RULE 701

In general, under Rule 701 of the Securities Act as currently in effect, each of our employees, consultants or advisors who purchases shares from us in connection with a compensatory stock plan or other written agreement is eligible to resell those shares in reliance on Rule 144, but without compliance with some of the restrictions, including the holding period, contained in Rule 144.

No precise prediction can be made as to the effect, if any, that market sales of shares or the availability of shares for sale will have on the market price of our common stock prevailing from time to time. We are unable to estimate the number of our shares that may be sold in the public market pursuant to Rule 144 or Rule 701 because this will depend on the market price of our common stock, the personal circumstances of the sellers and other factors. Nevertheless, sales of significant amounts of our common stock in the public market could adversely affect the market price of our common stock.

STOCK PLANS

We have filed a registration statement under the Securities Act covering 8,504,745 shares of common stock reserved for issuance under our stock award and employee benefit plans.

As of June 30, 2001, there were options to purchase 4,779 shares outstanding under our 1992 Stock Option Plan, options to purchase 390,723 shares outstanding under the 1993 Incentive Stock Option and Non-Qualified Stock Option Plan, options to purchase 566,227 shares outstanding under the 1996 Incentive Stock Option and Non-Qualified Stock Option Plan, options to purchase 718,518 shares outstanding under the 1998 Stock Option Plan, options to purchase 1,760,168 shares outstanding under the 1999 Stock Option Plan, and options to purchase 500,690 shares outstanding under the 2000 Equity Incentive Plan. All of these shares will be eligible for sale in the public market from time to time, subject to vesting provisions, Rule 144 volume limitations applicable to our affiliates and, in the case of some of the options, the expiration of lock-up agreements and the investors' agreement.

CERTAIN UNITED STATES FEDERAL TAX CONSIDERATIONS FOR NON-UNITED STATES HOLDERS OF COMMON STOCK

The following is a general discussion of the material U.S. federal income and estate tax consequences of the ownership and disposition of our common stock by a non-U.S. holder. In general, a non-U.S. holder is:

- an individual who is a nonresident alien of the U.S.;
- a corporation or other entity taxed as a corporation organized or created under non-U.S. law;
- an estate that is not taxable in the U.S. on its worldwide income; or
- a trust that is either not subject to primary supervision over its administration by a U.S. court or not subject to the control of a U.S. person with respect to substantial trust decisions.

If a partnership holds common stock, the tax treatment of a partner will generally depend upon the status of the partner and upon the activities of the partnership. If you are a partner of a partnership holding common stock, we suggest that you consult your tax advisor.

If you are an individual, you may, in many cases, be deemed to be a resident alien, as opposed to a nonresident alien, by virtue of being present in the United States for at least 31 days in the calendar year and for an aggregate of at least 183 days during a three-year period ending in the current calendar year (counting for such purposes all of the days present in the current year, one-third of the days present in the immediately preceding year, and one-sixth of the days present in the second preceding year). Resident aliens are subject to U.S. federal income tax as if they were U.S. citizens.

This discussion is based on the Internal Revenue Code of 1986, as amended (the "CODE") and administrative interpretations of the Code as of the date of this prospectus, all of which are subject to change, including changes with retroactive effect.

This discussion does not address all aspects of U.S. federal taxation, and in particular is limited in the ways that follow:

- the discussion assumes that you hold your common stock as a capital asset and that you do not have a special tax status;
- the discussion does not consider tax consequences that depend upon your particular tax situation in addition to your ownership of the common stock;
- the discussion does not consider special tax provisions that may be applicable to you if you have relinquished U.S. citizenship or residence;
- the discussion does not cover state, local or foreign law; and
- we have not requested a ruling from the Internal Revenue

Service ("IRS") on the tax consequences of owning the common stock. As a result, the IRS could disagree with portions of this discussion.

Each prospective purchaser of common stock is advised to consult a tax advisor with respect to current and possible future tax consequences of purchasing, owning and disposing of our common stock as well as any tax consequences that may arise under the laws of any United States state, municipality or other taxing jurisdiction.

DISTRIBUTIONS

Distributions paid on the shares of common stock generally will constitute dividends for U.S. federal income tax purposes to the extent paid from our current or accumulated earnings and profits, as determined under U.S. federal income tax principles. To the extent that the amount of any distributions exceeds our current and accumulated earnings and profits for a taxable year, the distribution first will be treated as a tax-free return of your basis in the shares of common stock, causing a reduction in the adjusted basis of the common stock, and the balance in excess of adjusted basis will be taxed as capital gain recognized on a disposition of the common stock (as discussed below).

As discussed under "Common Stock Price Ranges and Dividends," we do not currently expect to pay dividends. In the event that we do pay dividends, subject to the discussion below, dividends paid to a non-U.S. holder of common stock generally will be subject to withholding tax at a 30% rate or a reduced rate specified by an applicable income tax treaty. A non-U.S. holder generally must file IRS Form W-8BEN to certify its entitlement to the benefit of a reduced rate of withholding under an income tax treaty. If common stock is held through a foreign partnership or a foreign intermediary, the partnership or intermediary, as well as the partners or beneficial owners, may need to meet certification requirements.

The withholding tax does not apply to dividends paid to a non-U.S. holder that provides a Form W-8ECI certifying that the dividends are effectively connected with the non-U.S. holder's conduct of a trade or business within the United States. Instead, the effectively connected dividends generally will be subject to regular U.S. income tax as if the non-U.S. holders were a U.S. resident. If the non-U.S. holder is eligible for the benefits of a tax treaty between the U.S. and the holder's country of residence, any effectively connected income will be subject to U.S. federal income tax only if it is attributable to a permanent establishment in the U.S. maintained by the holder and such treaty-based tax position is disclosed to the IRS. A non-U.S. corporation receiving effectively connected dividends also may be subject to an additional "branch profits tax" imposed at a rate of 30% (or a lower treaty rate) on an earnings amount that is net of the regular tax.

You may obtain a refund of any excess amounts withheld by filing an appropriate claim for refund along with the required information with the IRS.

GAIN ON DISPOSITION OF COMMON STOCK

A non-U.S. holder generally will not be subject to U.S. federal income tax on gain realized on a sale or other disposition of common stock unless:

- the gain is effectively connected with the trade or business of the non-U.S. holder in the United States and, if certain tax treaties apply, is attributable to a permanent establishment in the U.S. maintained by such holder;

- in the case of certain non-U.S. holders who are non-resident alien individuals and hold the common stock as a capital asset, the individuals are present in the United States for 183 or more days in the taxable year of the disposition and certain conditions are met; or

- we are or have been a U.S. real property holding corporation at any time within the five-year period preceding the disposition or during the non-U.S. holder's holding period, whichever period is shorter.

The tax relating to stock in a U.S. real property holding corporation does not apply to a non-U.S. holder whose holdings, actual and constructive, at all times during the applicable period, amount to 5% or less of the common stock of a U.S. real property holding corporation, provided that the common stock is regularly traded on an established securities market. Generally, a corporation is a U.S. real property holding corporation if the fair market value of its U.S. real property interests, as defined in the code and applicable regulations, equals or exceeds 50% of the aggregate fair market value of its worldwide real property interests and its other assets used or held for use in a trade or business. We may be, or may prior to a non-U.S. holder's disposition of common stock become, a U.S. real property holding corporation.

INFORMATION REPORTING REQUIREMENTS AND BACKUP WITHHOLDING

We must report annually to the IRS the amount of dividends paid, the name and address of the recipient, and the amount of any tax withheld. A similar report is sent to the non-U.S. holder. Under tax treaties or other agreements, the IRS may make its reports available to tax authorities in the recipient's country of residence. A non-U.S. holder will generally be required to certify its non-U.S. status in order to avoid backup withholding on dividends.

U.S. information reporting and backup withholding generally will not apply to a payment of proceeds of a disposition of common stock where the transaction is effected outside the United States through a non-U.S. office of a non-U.S. broker. However, information reporting requirements, but not backup withholding, generally will apply to such a payment if the broker is:

- a U.S. person;

- a foreign person that derives 50% or more of its gross income for certain periods from the conduct of a trade or business in the U.S.;

- a controlled foreign corporation as defined in the Code; or

- a foreign partnership with certain U.S. connections.

Information reporting requirements will not apply in the above cases if the broker has documentary evidence in its records that the holder is a non-U.S. holder and certain conditions are met or the holder otherwise establishes an exemption.

A non-U.S. holder will be required to certify its non-U.S. status, in order to avoid information reporting and backup withholding on disposition proceeds, where the transaction is effected by or through a U.S. office of a broker.

Backup withholding is not an additional tax. Rather, the tax liability of persons subject to backup withholding will be reduced by the amount of tax withheld. When withholding results in an overpayment of taxes, a refund may be obtained if the required information is furnished to the IRS.

FEDERAL ESTATE TAX

An individual non-U.S. holder who is treated as the owner of, or has made certain lifetime transfers of, an interest in the common stock will be required to include the value of the stock in his gross estate for U.S. federal estate tax purposes, and may be subject to U.S. federal estate tax unless an applicable estate tax treaty provides otherwise.

THE FOREGOING DISCUSSION IS ONLY A SUMMARY OF CERTAIN U.S. FEDERAL INCOME AND ESTATE TAX CONSEQUENCES OF THE OWNERSHIP, SALE OR OTHER DISPOSITION OF COMMON STOCK BY NON-U.S. HOLDERS. YOU ARE URGED TO CONSULT YOUR OWN TAX ADVISOR WITH RESPECT TO THE PARTICULAR TAX CONSEQUENCES TO YOU OF OWNERSHIP AND DISPOSITION OF COMMON STOCK, INCLUDING THE EFFECT OF ANY STATE, LOCAL, FOREIGN OR OTHER TAX LAWS, AND ANY APPLICABLE INCOME OR ESTATE TAX TREATIES.

UNDERWRITING

Under the terms and subject to the conditions contained in an underwriting agreement dated the date of this prospectus, the underwriters named below have severally agreed to purchase, and Integra has agreed to sell to them, severally, the number of shares indicated below:

NAME	NUMBER OF SHARES
.....	
.....	
.....	
Total.....	3,750,000

The underwriters are offering the shares of common stock subject to their acceptance of the shares from Integra and subject to prior sale. The underwriting agreement provides that the obligations of the several underwriters to pay for and accept delivery of the shares of common stock offered by this prospectus are subject to the approval of certain legal matters by their counsel and to certain other conditions. The underwriters are obligated

to take and pay for all of the shares of common stock offered by this prospectus if any such shares are taken. However, the underwriters are not required to take or pay for the shares covered by the underwriters' over-allotment option described below.

The per share price of any shares sold by the underwriters shall be the public offering price listed on the cover page of this prospectus, in United States dollars, less an amount not greater than the per share amount of the concession to dealers described below.

The underwriters initially propose to offer part of the shares of common stock directly to the public at the public offering price listed on the cover page of this prospectus and part to certain dealers at a price that represents a concession not in excess of $ a share under the public offering price. After the initial offering of the shares of common stock, the offering price and other selling terms may from time to time be varied.

We and certain selling stockholders have granted the underwriters an option, exercisable for 30 days from the date of this prospectus, to purchase up to an aggregate of 562,500 additional shares of common stock at the public offering price listed on the cover page of this prospectus, less underwriting discounts and commissions. The underwriters may exercise this option solely for the purpose of covering over-allotments, if any, made in connection with the offering of the shares of common stock offered by this prospectus. To the extent the option is exercised, each underwriter will become obligated, subject to certain conditions, to purchase about the same percentage of the additional shares of common stock as the number listed next to the underwriter's name in the preceding table bears to the total number of shares of common stock listed next to the names of all underwriters in the preceding table. If the underwriters' option is exercised in full, the total price to the public would be $, the total underwriters' discounts and commissions would be $ and total proceeds to Integra would be $.

The common stock is quoted on the Nasdaq National Market under the symbol "IART."

Each of Integra and its directors, executive officers and certain other stockholders that in the aggregate hold approximately [_____] shares of common stock has agreed that, without the prior written consent of the lead underwriter on behalf of the underwriters, it will not, during the period ending [__] days after the date of this prospectus:

- offer, pledge, sell, contract to sell, sell any option or contract to purchase, purchase any option or contract to sell, grant any option, right or warrant to purchase, lend or otherwise transfer or dispose of directly or indirectly, any shares of common stock or any securities convertible into or exercisable or exchangeable for common stock; or

- enter into any swap or other arrangement that transfers to another, in whole or in part, any of the economic consequences of ownership of our common stock,

whether any transaction described above is to be settled by delivery of common stock or such other securities, in cash or otherwise. In addition, those directors, executive officers and stockholders have agreed that, without the prior written consent of the lead underwriter on behalf of the underwriters,

they will not, during the period ending 90 days after the date of this prospectus, make any demand for, or exercise any right with respect to, the filing of a registration statement with respect to any shares of our common stock or any securities convertible into or exercisable or exchangeable for our common stock.

The restrictions described in this paragraph do not apply to:

- the sale of shares to the underwriters;
- the issuance by us of shares of common stock upon the exercise of an option or a warrant or the conversion of a security outstanding on the date of this prospectus of which the underwriters have been advised in writing;
- the registration of and issuance by us of shares of common stock in connection with acquisitions provided that such shares may not be sold by the seller until [__] days after the date of this prospectus;
- transactions by any person other than Integra relating to shares of common stock or other securities acquired in open market transactions after the completion of the offering of the shares;
- the grant of options or stock under our equity and incentive plans as in effect on the date of this prospectus; and
- the transfer of shares by any person other than Integra to a member of that person's immediate family or any affiliate of that person if the transferee agrees to be subject to the restrictions described above.

In order to facilitate the offering of the common stock, the underwriters may engage in transactions that stabilize, maintain or otherwise affect the price of the common stock. Specifically, the underwriters may over-allot in connection with the offering, creating a short position in the common stock for their own account. In addition, to cover over-allotments or to stabilize the price of the common stock, the underwriters may bid for, and purchase, shares of common stock in the open market. Finally, the underwriting syndicate may reclaim selling concessions allowed to an underwriter or a dealer for distributing the common stock in the offering, if the syndicate repurchases previously distributed common stock in transactions to cover syndicate short positions, in stabilization transactions or otherwise. Any of these activities may stabilize or maintain the market price of the common stock above independent market levels. The underwriters are not required to engage in these activities, and may end any of these activities at any time.

In addition, in connection with this offering, certain of the underwriters (and selling group members) may engage in passive market making transactions in the common stock on the Nasdaq National Market, prior to the pricing and completion of the offering. Passive market making consists of displaying bids on the Nasdaq National Market no higher than the bid prices of independent market makers and making purchases at prices no higher than these independent bids and effected in response to order flow. Net purchases by a passive market maker on each day are limited to a specified percentage of the passive market maker's average daily trading volume in the common stock during a specified period and must be discontinued when such limit is reached. Passive market making may cause the price of the common stock to be higher than the price that otherwise would exist in the open market in the absence of such transactions. If passive market making is commenced, it may be discontinued at any time.

Integra and the underwriters have agreed to indemnify each other against certain liabilities, including liabilities under the Securities Act of 1933.

LEGAL MATTERS

Latham & Watkins in New York, New York will pass upon the validity of the shares of common stock offered under this prospectus and certain other legal matters. John B. Henneman, III will pass upon certain other legal matters. Counsel to the underwriters will pass upon certain legal matters for the underwriters.

EXPERTS

The financial statements incorporated in this Prospectus by reference to the Annual Report on Form 10-K/A of Integra LifeSciences Holdings Corporation for the year ended December 31, 2000, have been so incorporated in reliance on the report of PricewaterhouseCoopers LLP, independent accountants, given on the authority of said firm as experts in auditing and accounting.

WHERE TO FIND ADDITIONAL INFORMATION

Integra is subject to the informational requirements of the Securities Exchange Act of 1934, and files annual, quarterly and special reports, proxy statements and other information with the SEC. You may read and copy any reports, proxy statements and other information we file at the SEC's public reference room at 450 Fifth Street, N.W., Washington, D.C. 20549 and at the SEC's regional offices at Seven World Trade Center, 13th Floor, New York, New York 10048 and Citicorp Center, 500 West Madison Street, Suite 1400, Chicago, Illinois 60661-2511. Please call the SEC at 1-800-SEC-0300 for further information on the public reference rooms. You may also access filed documents at the SEC's Website at www.sec.gov.

We have filed a registration statement on Form S-3 and related exhibits with the SEC under the Securities Act of 1933. The registration statement contains additional information about Integra and the securities. You may inspect the registration statement and exhibits without charge and obtain copies from the SEC at prescribed rates at the locations above.

The SEC allows us to incorporate by reference the information we file with it, which means that we can disclose important information to you by referring to those documents. The information incorporated by reference is an important part of this prospectus, and information that we file later with the SEC will automatically update and supersede this information. We incorporate by reference the following documents we have filed, or may file, with the SEC:

- Our 2000 Annual Report on Form 10-K/A filed with the SEC on May 24, 2001;
- Our Quarterly Report for the quarterly period ended March 31, 2001, on Form 10-Q filed with the SEC on May 15, 2001;

- Our Proxy Statement for the 2001 Annual Meeting of Stockholders filed with the SEC on April 20, 2001;

- Our Current Reports on Form 8-K filed with the SEC on January 8, 2001 and May 25, 2001; and

- All documents filed by us with the SEC under Sections 13(a), 13(c), 14 or 15(d) of the Securities Exchange Act of 1934 after the date of this prospectus and before the termination of this offering.

A statement contained in a document incorporated by reference herein shall be deemed to be modified or superceded for purposes of this prospectus to the extent that a statement contained herein or in any other subsequently filed document which is also incorporated herein modifies or replaces such statement. Any statements so modified or superceded shall not be deemed, except as so modified or superceded, to constitute a part of this prospectus.

You may request a free copy of any of the documents incorporated by reference in this prospectus by writing or telephoning us at the following address:

Integra LifeSciences Holdings Corporation
311-C Enterprise Drive Plainsboro, NJ 08536
(609) 275-0500
Attn: Director of Finance

You should rely only on the information incorporated by reference or provided in this prospectus and any supplement. We have not authorized anyone else to provide you with different information. You should not assume that the information in this prospectus is accurate as of any date other than the dates on the front of these documents.

[LOGO]

INTEGRA LIFESCIENCES HOLDINGS CORPORATION

PROSPECTUS

, 2001

PART II
INFORMATION NOT REQUIRED IN PROSPECTUS

ITEM 14. OTHER EXPENSES OF ISSUANCE AND DISTRIBUTION OF INTEGRA

The following table sets forth the various expenses in connection with the sale and distribution of the securities being registered, other than the underwriting discounts and commissions. All amounts shown are estimates except for the SEC registration fee and the NASD filing fee. All of these fees are being paid by Integra.

Registration fee	$24,581.30(1)
NASD Filing Fee	--
Blue Sky Fees and Expenses	5,000
Legal fees and expenses	150,000
Accounting fees and expenses	50,000
Printing and engraving expenses	110,000
Miscellaneous	50,000
Total	$483,750

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(1) $18,750 of the registration fee was paid on February 14, 2001.

ITEM 15. INDEMNIFICATION OF OFFICERS AND DIRECTORS

Officers and directors of Integra are covered by certain provisions of the DGCL, the charter, the bylaws and insurance policies which serve to limit, and, in certain instances, to indemnify them against, certain liabilities which they may incur in such capacities. These various provisions are described below.

ELIMINATION OF LIABILITY IN CERTAIN CIRCUMSTANCES. In June 1986, Delaware enacted legislation which authorizes corporations to limit or eliminate the personal liability of directors to corporations and their stockholders for monetary damages for breach of directors' fiduciary duty of care. This duty of care requires that, when acting on behalf of the corporation, directors must exercise an informed business judgment based on all significant information reasonably available to them. Absent the limitations now authorized by such legislation, directors are accountable to corporations and their stockholders for monetary damages for conduct constituting negligence or gross negligence in the exercise of their duty of care. Although the statute does not change directors' duty of care, it enables corporations to limit available relief to equitable remedies such as injunction or rescission. The charter limits the liability of directors to Integra or its stockholders (in their capacity as directors but not in their capacity as officers) to the fullest extent permitted by such legislation. Specifically, the directors of Integra will not be personally liable for monetary damages for breach of a director's fiduciary duty as director, except for liability: (1) for any breach of the director's duty of loyalty to Integra or its stockholders; (2) for acts or omissions not in good faith or which involve intentional misconduct or a knowing violation of law; (3) for unlawful payments of dividends or unlawful share repurchases or redemptions as provided in Section 174 of the DGCL; or (4) for any transaction from which the director derived an improper personal benefit.

INDEMNIFICATION AND INSURANCE. As a Delaware corporation, Integra has the power, under specified circumstances generally requiring the director or officer

to act in good faith and in a manner he reasonably believes to be in or not opposed to Integra's best interests, to indemnify its directors and officers in connection with actions, suits or proceedings brought against them by a third party or in the name of Integra, by reason of the fact that they were or are such directors or officers, against expenses, judgments, fines and amounts paid in settlement in connection with any such action, suit or proceeding. The bylaws generally provide for mandatory indemnification of Integra's directors and officers to the full extent provided by Delaware corporate law. In addition, Integra has entered into indemnification agreements with its directors and officers which generally provide for mandatory indemnification under circumstances for which indemnification would otherwise be discretionary under Delaware law.

Integra intends to purchase and maintain insurance on behalf of any person who is or was a director or officer of Integra, or is or was a director or officer of Integra serving at the request of Integra as a director, officer, employee

or agent of another corporation, partnership, joint venture, trust, employee benefit plan or other enterprise against any liability asserted against him and incurred by him in any such capacity, or arising out of his status as such, whether or not Integra would have the power or obligation to indemnify him against such liability under the provisions of the bylaws.

ITEM 16. EXHIBITS

EXHIBIT NUMBER	DESCRIPTION
1.1+	Form of Underwriting Agreement.
2.1(1)	Asset Purchase Agreement, dated as of January 14, 2000, by and among Clinical Neuro Systems, Inc., Surgical Sales Corporation (trading as CONNELL NEUROSURGICAL) and George J. Connell.
2.2(2)	Purchase Agreement, dated January 5, 1999, among Integra LifeSciences Corporation, Rystan Company, Inc., and Healthpoint, Ltd.**
2.3(3)	Asset Purchase Agreement, dated as of March 29, 1999, by and among Heyer-Schulte Neurocare, L.P., Neuro Navigational, L.L.C., Integra Neurocare LLC and Redmond Neurocare LLC**.
2.4(6)	Purchase Agreement, dated March 20, 2000, by and among NMT Medical, Inc., NMT Neurosciences (US), Inc., NMT Neurosciences Holdings (UK) Ltd., NMT Neurosciences (UK) Ltd., Spembly Medical Ltd., Spembly Cryosurgery Ltd., Swedemed AB, Integra NeuroSciences Holdings (UK) Ltd. and Integra Selector Corporation.

2.5(6)	Asset Purchase Agreement, dated March 20, 2000, by and among NMT Neurosciences (US), Inc., NMT Medical, Inc. and Integra Selector Corporation.
4.1(4)	Certificate of Designation, Preferences and Rights of Series A Convertible Preferred Stock as filed with the Delaware Secretary of State on April 14, 1998.
4.2(5)	Certificate of Designation, Preferences and Rights of Series B Convertible Preferred Stock as filed with the Delaware Secretary of State on March 12, 1999.
4.3(3)	Warrant to Purchase 60,000 shares of Common Stock of Integra LifeSciences Corporation issued to SFM Domestic Investments LLC.
4.4(3)	Warrant to Purchase 180,000 shares of Common Stock of Integra LifeSciences Corporation issued to Quantum Industrial Partners LDC.
4.5(7)	Certificate of Designation, Rights and Preferences of Series C Convertible Preferred Stock of Integra LifeSciences Holdings Corporation dated March 21, 2000.
4.6(7)	Certificate of Amendment of Certificate of Designation, Rights and Preferences of Series B Convertible Preferred Stock of Integra LifeSciences Holdings Corporation dated March 21, 2000.
4.7(7)	Warrant to Purchase 270,550 Shares of Common Stock of Integra LifeSciences Holdings Corporation issued to Quantum Industrial Partners LDC.
4.8(7)	Warrant to Purchase 29,450 Shares of Common Stock of Integra LifeSciences Holdings Corporation issued to SFM Domestic Investments LLC.
4.9(8)	Stock Option Grant and Agreement dated December 22, 2000 between Integra LifeSciences Holdings Corporation and Stuart M. Essig.

4.10(8)	Stock Option Grant and Agreement dated December 22, 2000 between Integra LifeSciences Holdings Corporation and Stuart M. Essig.
4.11(8)	Restricted Units Agreement dated December 22, 2000 between Integra LifeSciences Holdings Corporation and Stuart M. Essig.
4.12(9)	Second Amendment to Certificate of Rights, Designations and Preferences of Series B Convertible Preferred Stock.
4.13(9)	First Amendment to Certificate of Rights, Designations and Preferences of Series C Convertible Preferred Stock.
5.1+	Opinion of counsel regarding legality of securities being registered hereunder.

12.1*	Statement of the Calculation of Ratio of Earnings to Fixed Charges and Statement of the Calculation of Ratio of Earnings to Combined Fixed Charges and Preferred Stock Dividends.
21.1	Subsidiaries of the Company
23.1+	Opinion of Latham & Watkins
23.2*	Consent of PricewaterhouseCoopers LLP, independent accountants
24.1*	Power of Attorney (included in signature page)

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* Previously filed with the original filing of this Registration Statement on Form S-3 (Registration No. 333-62176) on June 1, 2001.

** Schedules and other attachments to the indicated exhibit were omitted. We agree to furnish supplementally to the SEC upon request a copy of any omitted schedules or attachments.

\+ To be filed by amendment

(1) Filed as an exhibit to Integra's Current Report on Form 8-K dated January 14, 2000, and incorporated herein by reference.

(2) Filed as an exhibit to Integra's Current Report on Form 8-K dated January 5, 1999, and incorporated herein by reference.

(3) Filed as an exhibit to Integra's Current Report on Form 8-K dated March 29, 1999, and incorporated herein by reference.

(4) Filed as an exhibit to Integra's Quarterly Report on Form 10-Q for the quarter ended March 31, 1998, as filed with the SEC on May 15, 1998, and incorporated by reference herein.

(5) Filed as an exhibit to Integra's Annual Report on Form 10-K for the fiscal year ended December 31, 1998, as filed with the , and incorporated herein by reference.

(6) Filed as an exhibit to Integra's Current Report on Form 8-K dated March 20, 2000, and incorporated herein by reference.

(7) Filed as an exhibit to Integra's Current Report on Form 8-K dated March 29, 2000, and incorporated herein by reference.

(8) Filed as an exhibit to Integra's Current Report on Form 8-K dated December 22, 2000, and incorporated herein by reference.

(9) Filed as an exhibit to Integra's Current Report on Form 8-K dated May 15, 2001, and incorporated herein by reference.

ITEM 17. UNDERTAKINGS.

(a) The undersigned Registrant hereby undertakes that, for purposes of determining any liability under the Securities Act of 1933, each filing of the Registrant's annual report pursuant to Section 13(a) or Section 15(d) of the Securities Exchange Act of 1934 (and, where applicable, each filing of an employee benefit plan's annual report pursuant to Section 15(d) of the Securities Exchange Act of 1934) that is incorporated by reference in the registration statement shall be deemed to be a new registration statement relating to the securities offered therein, and the offering of such securities at that time shall be deemed to be the initial bona fide offering thereof.

(b) Insofar as indemnification for liabilities arising under the Securities Act of 1933 may be permitted to directors, officers and controlling persons of the registrant under provisions described in Item 14 or otherwise, the registrant has been advised that in the opinion of the SEC such indemnification is against public policy as expressed in the Securities Act of 1933 and is, therefore, unenforceable. If a claim for indemnification against such liabilities (other than the payment by the registrant of expenses incurred or paid by a director, officer or controlling person of

the registrant in the successful defense of any action, suit or proceeding) is asserted by such director, officer or controlling person in connection with the securities being registered, the registrant will, unless in the opinion of its counsel the matter has been settled by controlling precedent, submit to a court of appropriate jurisdiction the question whether such indemnification by it is against public policy as expressed in the Securities Act of 1933 and will be governed by the final adjudication of such issue.

(c) The undersigned Registrant hereby undertakes that:

(1) For purposes of determining any liability under the Securities Act, the information omitted from the form of prospectus filed as a part of this Registration Statement in reliance upon Rule 430A and contained in the form of prospectus filed by the Registrant pursuant to Rule 424(b)(1) or (4) or 497(h) under the Securities Act of 1933 shall be deemed part of this Registration Statement as of the time it was declared effective.

(2) For the purpose of determining any liability under the Securities Act of 1933, each post-effective amendment that contains a form of prospectus shall be deemed to be a new Registration Statement relating to the securities offered therein, and the offering of such securities at such time shall be deemed to be the initial bona fide offering thereof.

SIGNATURES

Under the requirements of the Securities Act of 1933, as amended, the Registrant certifies that it has reasonable grounds to believe that it meets all of the requirements for filing on Form S-3, and has duly caused this Registration Statement on Form S-3 to be signed on its behalf by the undersigned, thereunto duly authorized, in the City of Plainsboro, State of New Jersey, on July 9, 2001.

INTEGRA LIFESCIENCES HOLDINGS CORPORATION

By: /s/ JOHN B. HENNEMAN, III

John B. Henneman, III
Senior Vice President,
Chief Administrative Officer

Under the requirements of the Securities Act of 1933, as amended, this Registration Statement has been signed by the following persons in the capacities and on the dates indicated.

SIGNATURE	TITLE	DATE
*	President, Chief Executive Officer and Director	July 9, 2001
Stuart M. Essig, Ph.D.		
*	Executive Vice President, Chief Operating Officer and Director	July 9, 2001
George W. McKinney, III, Ph.D.		
*	Senior Vice President, Finance and Treasurer	July 9, 2001
David B. Holtz		
*	Chairman and Director	July 9, 2001
Richard E. Caruso, Ph.D		
*	Director	July 9, 2001
James M. Sullivan		
*	Director	July 9, 2001
Keith Bradley, Ph.D.		
*	Director	July 9, 2001
Neal Moszkowski		

/s/ JOHN B. HENNEMAN, III
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*By: John. B. Henneman, III
ATTORNEY-IN-FACT