CONMED CORP
Form 10-Q
May 07, 2007

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-Q

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

For the quarterly period ended March 31, 2007	Commission File Number 0-16093

CONMED CORPORATION
(Exact name of registrant as specified in its charter)

New York	**16-0977505**
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)
525 French Road, Utica, New York	**13502**
(Address of principal executive offices)	(Zip Code)

(315) 797-8375
(Registrant's telephone number, including area code)

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.
Yes ý No o

Indicate by check mark whether the Registrant is a large accelerated filer, an accelerated filer, or a non-accelerated filer. See definition of “accelerated filer and large accelerated filer” in Rule 12b-2 of the Exchange Act (Check one).

Large accelerated filer ý Accelerated filer o Non-accelerated filer o

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes o No ý

The number of shares outstanding of registrant's common stock, as of May 1, 2007 is 28,289,449 shares.

CONMED CORPORATION

QUARTERLY REPORT ON FORM 10-Q
FOR THE QUARTER ENDED MARCH 31, 2007

PART I FINANCIAL INFORMATION

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PART I FINANCIAL INFORMATION
Item 1.

CONMED CORPORATION
CONSOLIDATED CONDENSED STATEMENTS OF INCOME
(Unaudited, in thousands except per share amounts)

	Three Months Ended March 31, 2006	Three Months Ended March 31, 2007
Net sales	$ 158,466	$ 171,014
Cost of sales	80,566	85,789
Gross profit	77,900	85,225
Selling and administrative expense	58,374	59,805
Research and development expense	7,825	7,594
Other expense (income)	570	(5,414)
	66,769	61,985
Income from operations	11,131	23,240
Interest expense	4,866	4,516
Income before income taxes	6,265	18,724
Provision for income taxes	1,925	6,802
Net income	$ 4,340	$ 11,922
Per share data:		
Net income		
Basic	$ .15	$ .43
Diluted	.15	.42
Weighted average common shares		
Basic	28,082	27,987
Diluted	28,358	28,559

See notes to consolidated condensed financial statements.

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CONMED CORPORATION
CONSOLIDATED CONDENSED BALANCE SHEETS
(Unaudited, in thousands except share and per share amounts)

	December 31, 2006	March 31, 2007
ASSETS		
Current assets:		
Cash and cash equivalents	$ 3,831	$ 4,537
Accounts receivable, net	75,120	74,785
Settlement receivable	-	11,000
Inventories	151,687	153,841
Income taxes receivable	747	1,921
Deferred income taxes	15,212	15,225
Prepaid expenses and other current assets	3,286	3,037
Total current assets	249,883	264,346
Property, plant and equipment, net	116,480	117,146
Goodwill	290,512	290,878
Other intangible assets, net	191,135	189,631
Other assets	13,561	13,285
Total assets	$ 861,571	$ 875,286
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current liabilities:		
Current portion of long-term debt	$ 3,148	$ 3,148
Accounts payable	41,823	41,534
Accrued compensation and benefits	17,712	14,723
Accrued interest	727	1,986
Other current liabilities	11,795	14,119
Total current liabilities	75,205	75,510
Long-term debt	264,676	256,885
Deferred income taxes	51,004	57,266
Other long-term liabilities	30,332	28,595
Total liabilities	421,217	418,256
Commitments and contingencies		
Shareholders' equity:		
Preferred stock, par value $.01 per share;		
authorized 500,000 shares; none outstanding	-	-
Common stock, par value $.01 per share;		
100,000,000 shares authorized; 31,304,203 and		

31,299,203 shares issued in				
2006 and 2007, respectively		313		313
Paid-in capital		284,858		285,710
Retained earnings		247,425		257,897
Accumulated other comprehensive income		(8,612)		(7,978)
Less 3,321,545 and 3,125,761 shares of common stock				
in treasury, at cost in 2006 and 2007, respectively		(83,630)		(78,912)
Total shareholders' equity		440,354		457,030
Total liabilities and shareholders' equity	$	861,571	$	875,286

See notes to consolidated condensed financial statements.

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CONMED CORPORATION
CONSOLIDATED CONDENSED STATEMENTS OF CASH FLOWS
(Unaudited, in thousands)

	Three Months Ended March 31, 2006	Three Months Ended March 31, 2007
Cash flows from operating activities:		
Net income	$ 4,340	$ 11,922
Adjustments to reconcile net income		
to net cash provided by operating activities:		
Depreciation	2,723	3,059
Amortization	4,605	4,573
Stock option expense	814	852
Deferred income taxes	2,121	6,177
Gain on legal settlement	-	(6,072)
Increase (decrease) in cash flows		
from changes in assets and liabilities:		
Sale of accounts receivable	(3,000)	3,000
Accounts receivable	5,167	(2,665)
Inventories	(7,836)	(4,638)
Accounts payable	2,770	(3,523)
Income taxes receivable	(1,453)	(1,102)
Accrued compensation and benefits	30	(2,989)
Accrued interest	1,778	1,259
Other assets	(571)	1,021
Other liabilities	2,523	342
Net cash provided by operating activities	14,011	11,216
Cash flows from investing activities:		
Proceeds from sale of equity investment	1,205	-
Payments related to business acquisitions	-	(883)
Purchases of property, plant and equipment	(4,908)	(3,868)
Net cash used in investing activities	(3,703)	(4,751)
Cash flows from financing activities:		
Net proceeds from common stock issued under		
employee plans	772	3,268
Repurchase of common stock	(3,406)	-
Payments on long term debt	(6,465)	(7,791)
Net change in cash overdrafts	(183)	(1,694)
Excess tax benefits from stock-based compensation	13	-
Net cash used in financing activities	(9,269)	(6,217)
Effect of exchange rate changes		
on cash and cash equivalents	160	458

Net increase in cash and cash equivalents	1,199	706
Cash and cash equivalents at beginning of period	3,454	3,831
Cash and cash equivalents at end of period	$ 4,653	$ 4,537

See notes to consolidated condensed financial statements.

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CONMED CORPORATION
NOTES TO CONSOLIDATED CONDENSED FINANCIAL STATEMENTS
(Unaudited, in thousands except share and per share amounts)

Note 1 – Operations and significant accounting policies

Organization and operations

The accompanying consolidated condensed financial statements include the accounts of CONMED Corporation and its controlled subsidiaries ("CONMED", the "Company", "we" or "us"). All intercompany accounts and transactions have been eliminated. CONMED is a medical technology company with an emphasis on surgical devices and equipment for minimally invasive procedures and monitoring. The Company's products serve the clinical areas of arthroscopy, powered surgical instruments, electrosurgery, cardiac monitoring disposables, endosurgery and endoscopic technologies. They are used by surgeons and physicians in a variety of specialties including orthopedics, general surgery, gynecology, neurosurgery, and gastroenterology.

Note 2 - Interim financial information

The accompanying unaudited consolidated condensed financial statements have been prepared in accordance with generally accepted accounting principles for interim financial information and with the instructions to Form 10-Q and Article 10 of Regulation S-X. Accordingly, they do not include all of the information and footnotes required by generally accepted accounting principles for annual financial statements. In the opinion of management, all adjustments (consisting only of normal recurring accruals) considered necessary for a fair presentation have been included. Results for the period ended March 31, 2007 are not necessarily indicative of the results that may be expected for the year ending December 31, 2007.

The consolidated condensed financial statements and notes thereto should be read in conjunction with the financial statements and notes for the year-ended December 31, 2006 included in our Annual Report on Form 10-K.

Note 3 – Other comprehensive income

Comprehensive income (loss) consists of the following:

	Three months ended March 31,	
	2006	**2007**
Net income	$ 4,340	$ 11,922
Other comprehensive income:		
Pension liability	-	145
Foreign currency translation adjustment	173	489
Comprehensive income	$ 4,513	$ 12,556

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Accumulated other comprehensive income (loss) consists of the following:

	Cumulative Pension Liability	Accumulated Other Translation Adjustments	Comprehensive Income (loss)
Balance, December 31, 2006	$ (12,386)	$ 3,774	$ (8,612)
Pension liability	145	-	145
Foreign currency translation adjustments	-	489	489
Balance, March 31, 2007	$ (12,241)	$ 4,263	$ (7,978)

Note 4 – Income Taxes

The Company adopted Financial Accounting Standards Board ("FASB") Interpretation No. 48, "Accounting for Uncertainty in Income Taxes" ("FIN 48") on January 1, 2007. The impact of this pronouncement was not material to the Company's consolidated financial statements. As of the date of adoption the Company's unrecognized tax benefits totaled approximately $1.4 million; $1.3 million in taxes and $0.1 million in interest. If recognized, the entire amount of unrecognized tax benefits would decrease the effective income tax rate.

The Internal Revenue Service ("IRS") has completed examinations of our United States federal income tax returns through 2004. Tax years subsequent to 2004 are subject to future examination. Tax years 1998-2000 are subject to limited examination by the IRS. Substantially all material state jurisdictions are closed for examination for tax years through 2002.

It is reasonably possible that a substantial amount of unrecognized tax benefits will be resolved within 12 months as a result of the anticipated completion of the 2005 and 2006 IRS examinations and expiration of statutes of limitations on prior tax returns. Unrecognized tax benefits for these years relate to permanent deductions and tax credits. A reasonable estimate of the range of change in unrecognized tax benefits can not be made at this time.

The Company's policy is to classify interest and penalties related to income tax matters as income tax expense.

Note 5 - Inventories

Inventories consist of the following:

	December 31, 2006	March 31, 2007
Raw materials	$ 50,225	$ 56,005
Work-in-process	17,815	20,930
Finished goods	83,647	76,906

Total	$ 151,687	$ 153,841

Note 6 – Earnings per share

Basic earnings per share ("basic EPS") is computed by dividing net income by the weighted average number of common shares outstanding for the reporting period. Diluted earnings per share ("diluted EPS") gives effect to all dilutive potential shares

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outstanding resulting from employee stock options, restricted stock units and stock appreciation rights during the perod. The following table sets forth the computation of basic and diluted earnings per share for the three month periods ended March 31, 2006 and 2007.

	Three months ended March 31,	
	2006	**2007**
Net income	$ 4,340	$ 11,922
Basic – weighted average shares outstanding	28,082	27,987
Effect of dilutive potential securities	276	572
Diluted – weighted average shares outstanding	28,358	28,559
Basic EPS	$ .15	$ .43
Diluted EPS	.15	.42

The shares used in the calculation of diluted EPS exclude options and SARs to purchase shares where the exercise price was greater than the average market price of common shares for the period. Such shares aggregated approximately 1.7 million and 0.6 million for the three months ended March 31, 2006 and 2007, respectively. Upon conversion of our 2.50% convertible senior subordinated notes (the "Notes"), the holder of each Note will receive the conversion value of the Note payable in cash up to the principal amount of the Note and CONMED common stock for the Note's conversion value in excess of such principal amount. As of March 31, 2007, our share price has not exceeded the conversion price of the Notes, therefore the conversion value was less than the principal amount of the Notes. Under the net share settlement method and in accordance with Emerging Issues Task Force ("EITF") Issue 04-8, "The Effect of Contingently Convertible Debt on Diluted Earnings per Share", there were no potential shares issuable under the Notes to be used in the calculation of diluted EPS. The maximum number of shares we may issue with respect to the Notes is 5,750,000.

Note 7 – Goodwill and other intangible assets

The changes in the net carrying amount of goodwill for the three months ended March 31, 2007 are as follows:

Balance as of January 1, 2007	$ 290,512
Adjustments to goodwill resulting from business acquisitions finalized	392
Foreign currency translation	(26)
Balance as of March 31, 2007	$ 290,878

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Goodwill associated with each of our principal operating units is as follows:

	December 31, 2006	March 31, 2007
CONMED Electrosurgery	$ 16,645	$ 16,645
CONMED Endosurgery	42,419	42,422
CONMED Linvatec	173,007	172,981
CONMED Patient Care	58,441	58,830
Balance	$ 290,512	$ 290,878

During our fourth quarter 2006 goodwill impairment testing, we determined that the goodwill of our Endoscopic Technologies operating unit was impaired and consequently we recorded a goodwill impairment charge of $46.7 million in the year ended December 31, 2006.

Other intangible assets consist of the following:

	December 31, 2006		March 31, 2007	
Amortized intangible assets:	Gross Carrying Amount	Accumulated Amortization	Gross Carrying Amount	Accumulated Amortization
Customer relationships	$ 113,376	$ (24,498)	$ 113,694	$ (25,368)
Patents and other intangible assets	39,609	(24,696)	38,942	(24,981)
Unamortized intangible assets:				
Trademarks and tradenames	87,344	-	87,344	-
	$ 240,329	$ (49,194)	$ 239,980	$ (50,349)

Other intangible assets primarily represent allocations of purchase price to identifiable intangible assets of acquired businesses. The weighted average amortization period for intangible assets which are amortized is 25 years. Customer relationships are being amortized over a weighted average life of 36 years. Patents and other intangible assets are being amortized over a weighted average life of 11 years.

Amortization expense related to intangible assets which are subject to amortization totaled $1,278 and $1,405 in the three months ended March 31, 2006 and 2007, respectively. These amounts have been included in selling and administrative expense on the Consolidated Condensed Statement of Income.

The estimated amortization expense for the year ending December 31, 2007, including the quarterly period ended March 31, 2007, and for each of the five succeeding years is as follows:

2007	$ 5,608
2008	5,608
2009	5,701
2010	5,031
2011	4,826
2012	4,768

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Note 8 — Guarantees

We provide warranties on certain of our products at the time of sale. The standard warranty period for our capital and reusable equipment is generally one year. Liability under service and warranty policies is based upon a review of historical warranty and service claim experience. Adjustments are made to accruals as claim data and historical experience warrant.

Changes in the carrying amount of service and product warranties for the three months ended March 31, 2007 are as follows:

Balance as of January 1, 2007	$ 3,617
Provision for warranties	1,488
Claims made	(1,487)
Balance as of March 31, 2007	$ 3,618

Note 9 – Pension plan

Net periodic pension costs consist of the following:

	Three months ended **March 31,**	
	2006	**2007**
Service cost	$ 1,405	$ 1,381
Interest cost on projected benefit obligation	827	737
Expected return on plan assets	(795)	(683)
Net amortization and deferral	298	229
Net periodic pension cost	$ 1,735	$ 1,664

We previously disclosed in our Annual Report on Form 10-K for the year-ended December 31, 2006 that we expect to make $12.0 million in contributions to our pension plan in 2007. We made $3.0 million in contributions for the quarter ended March 31, 2007.

Note 10 — Other expense (income)

Other expense (income) consists of the following:

	2006	**2007**

Acquisition-related costs	$	514	$	-
Termination of product offering		56		90
Facility closure costs		-		568
Litigation settlement		-		(6,072)
Other income	$	570	$	(5,414)

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On September 30, 2004, we acquired the business operations of the Endoscopic Technologies Division of C.R. Bard, Inc. (the "Endoscopic Technologies acquisition"). As part of the acquisition, manufacturing of the acquired products was conducted in various C.R. Bard facilities under a transition agreement. During the quarter ended March 31, 2006, we incurred $0.5 million of acquisition and transition-integration related charges associated with the Endoscopic Technologies acquisition which have been recorded in other expense (income). The Endoscopic Technologies acquisition transition was completed during 2006.

During 2004, we elected to terminate our surgical lights product line. We instituted a customer replacement program whereby all currently installed surgical lights were replaced by CONMED. We incurred approximately $0.1 million in costs related to the surgical lights customer replacement program during the quarters ended March 31, 2006 and 2007, respectively, which were recorded in other expense (income). We anticipate incurring an additional $0.3 million as the surgical lights customer replacement program is completed.

During 2006, we elected to close our facility in Montreal, Canada which manufactured products for our CONMED Linvatec line of integrated operating room systems and equipment. The products which had been manufactured in the Montreal facility will now largely be purchased from a third party vendor. The closing of this facility was completed in the first quarter of 2007. We incurred a total of $2.2 million in costs associated with this closure, of which $1.3 million related to the write-off of inventory and was included in cost of goods sold during 2006. The remaining $0.9 million (including $0.3 million in the first quarter of 2007) primarily relates to severance expense and the disposal of fixed assets which we have recorded in other expense (income). In addition, during the first quarter of 2007 we incurred $0.3 million related to the closure of a sales and customer service office which has also been recorded in other expense (income).

In November 2003, we commenced litigation against Johnson & Johnson and several of its subsidiaries, including Ethicon, Inc. for violations of federal and state antitrust laws. In the lawsuit we claimed that Johnson & Johnson engaged in illegal and anticompetitive conduct with respect to sales of product used in endoscopic surgery, resulting in higher prices to consumers and the exclusion of competition. We sought relief including an injunction restraining Johnson & Johnson from continuing its anticompetitive practices as well as receiving the maximum amount of damages allowed by law. During the litigation, Johnson & Johnson represented that the marketing practices which gave rise to the litigation have been altered with respect to CONMED. On March 31, 2007, CONMED and Johnson & Johnson settled the litigation. Under the terms of the final settlement agreement, CONMED received a payment of $11.0 million from Johnson & Johnson on April 12, 2007 in return for which we terminated the lawsuit. After deducting legal and other related costs, we have recorded a pre-tax gain of $6.1 million related to the settlement which we have recorded in other expense (income).

Note 11 — Business Segments and Geographic Areas

CONMED conducts its business through five principal operating units, CONMED Endoscopic Technologies, CONMED Endosurgery, CONMED Electrosurgery, CONMED Linvatec and CONMED Patient Care. We believe each of our segments are similar in the nature of products, production processes, customer base, distribution methods and regulatory environment. In accordance with Statement of Financial Accounting Standards No. 131 "Disclosures About Segments of an Enterprise and Related Information" ("SFAS 131"), our CONMED Endosurgery, CONMED Electrosurgery and CONMED Linvatec operating units also have similar economic characteristics and therefore qualify for aggregation under SFAS 131.

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Our CONMED Patient Care and CONMED Endoscopic Technologies operating units do not qualify for aggregation under SFAS 131 since their economic characteristics do not meet the criteria for aggregation as a result of the lower overall operating income (loss) in these segments.

CONMED Endosurgery, CONMED Electrosurgery and CONMED Linvatec consist of a single aggregated segment comprising a complete line of endo-mechanical instrumentation for minimally invasive laparoscopic procedures, electrosurgical generators and related surgical instruments, arthroscopic instrumentation for use in orthopedic surgery and small bone, large bone and specialty powered surgical instruments. CONMED Patient Care product offerings include a line of vital signs and cardiac monitoring products as well as suction instruments & tubing for use in the operating room. CONMED Endoscopic Technologies product offerings include a comprehensive line of minimally invasive endoscopic diagnostic and therapeutic instruments used in procedures in the digestive tract.

The following is net sales information by product line and reportable segment:

	2006	2007
Arthroscopy	54,700	62,243
Powered Surgical Instruments	34,200	37,550
Electrosurgery	23,375	24,026
Endosurgery	11,846	13,575
CONMED Endosurgery, Electrosurgery and Linvatec	124,121	137,394
CONMED Patient Care	19,611	20,361
CONMED Endoscopic Technologies	14,734	13,259
Total	$ 158,466	$ 171,014

Total assets, capital expenditures, depreciation and amortization information are not available by segment.

The following is a reconciliation between segment operating income (loss) and income (loss) before income taxes:

	2006	2007
CONMED Endosurgery, Electrosurgery and Linvatec	16,441	18,793
CONMED Patient Care	264	1,027
CONMED Endoscopic Technologies	(2,372)	(1,211)
Corporate	(3,202)	4,631
Income from Operations	11,131	23,240
Interest expense	4,866	4,516
Income before income taxes	$ 6,265	$ 18,724

Note 12 – Legal proceedings

From time to time, we are a defendant in certain lawsuits alleging product liability, patent infringement, or other claims incurred in the ordinary course of business. Likewise, from time to time, the Company may receive a subpoena from a government agency such as the Equal Employment Opportunity Commission, Occupational Safety and Health Administration, the Department of Labor, the Treasury Department, and other federal and state agencies or foreign governments or government agencies. These

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subpoenae may or may not be routine inquiries, or may begin as routine inquiries and over time develop into enforcement actions of various types. The product liability claims are generally covered by various insurance policies, subject to certain deductible amounts and maximum policy limits. When there is no insurance coverage, as would typically be the case primarily in lawsuits alleging patent infringement or in connection with certain government investigations, we establish sufficient reserves to cover probable losses associated with such claims. We do not expect that the resolution of any pending claims or investigations will have a material adverse effect on our financial condition or results of operations.

Manufacturers of medical products may face exposure to significant product liability claims. To date, we have not experienced any product liability claims that are material to our financial statements or condition, but any such claims arising in the future could have a material adverse effect on our business or results of operations. We currently maintain commercial product liability insurance of $25 million per incident and $25 million in the aggregate annually, which we believe is adequate. This coverage is on a claims-made basis.

Our operations are subject, and in the past have been subject, to a number of environmental laws and regulations governing, among other things, air emissions, wastewater discharges, the use, handling and disposal of hazardous substances and wastes, soil and groundwater remediation and employee health and safety. In some jurisdictions environmental requirements may be expected to become more stringent in the future. In the United States certain environmental laws can impose liability for the entire cost of site restoration upon each of the parties that may have contributed to conditions at the site regardless of fault or the lawfulness of the party's activities. While we do not believe that the present costs of environmental compliance and remediation are material, there can be no assurance that future compliance or remedial obligations could not have a material adverse effect on our financial condition or results of operations.

On April 7, 2006, CONMED received a copy of a complaint filed in the United States District for the Northern District of New York on behalf of a purported class of former CONMED Linvatec sales representatives. The complaint alleges that the former sales representatives were entitled to, but did not receive, severance in 2003 when CONMED Linvatec restructured its distribution channels. We believe that the maximum exposure related to this complaint is $2.5 to $3.0 million, not including any interest, fees or costs that might be awarded if the five named plaintiffs were to prevail on their own behalf as well as on behalf of all members of the purported class. CONMED Linvatec did not generally pay severance during the 2003 restructuring because the former sales representatives were offered sales positions with CONMED Linvatec's new manufacturer's representatives. Other than three of the five named plaintiffs in the class action, nearly all of CONMED Linvatec's former sales representatives accepted such positions.

The Company has filed motions which, if granted, would result in the dismissal of the case, subject to any appeals the plaintiffs could pursue. The Court held a hearing on the Company's motions on January 5, 2007, and took the matter under advisement. There is no fixed time frame within the Court must rule on the motions. The Company believes there is no merit to the claims asserted in the Complaint.

Note 13 – New accounting pronouncements

In September 2006, the FASB issued Statement of Financial Accounting Standards No. 157, "Fair Value Measurements" ("SFAS 157") which is effective for fiscal years

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beginning after November 15, 2007 and for interim periods within those years. SFAS 157 defines fair value, establishes a framework for measuring fair value and expands the related disclosure requirements. We are currently evaluating the potential impact of this statement.

In February 2007, the FASB issued Statement of Financial Accounting Standards No. 159, "The Fair Value Option for Financial Assets and Financial Liabilities-Including an amendment of FASB Statement No. 115" ("SFAS 159"). SFAS 159 expands the use of fair value accounting but does not affect existing standards which require assets and liabilities to be carried at fair value. Under SFAS 159, a company may elect to use fair value to measure accounts and loans receivable, available-for- sale and held-to-maturity securities, equity method investments, accounts payable, guarantees, issued debt and other eligible financial instruments. SFAS 159 is effective for fiscal years beginning after November 15, 2007. The Company is currently assessing the impact of SFAS 159 on its consolidated financial statements.

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

Forward-looking statements

In this Report on Form 10-Q, we make forward-looking statements about our financial condition, results of operations and business. Forward-looking statements are statements made by us concerning events that may or may not occur in the future. These statements may be made directly in this document or may be "incorporated by reference" from other documents. Such statements may be identified by the use of words such as "anticipates", "expects", "estimates", "intends" and "believes" and variations thereof and other terms of similar meaning.

Forward-looking statements are not guarantees of future performance

Forward-looking statements involve known and unknown risks, uncertainties and other factors, including those which may cause our actual results, performance or achievements, or industry results, to be materially different from any future results, performance or achievements expressed or implied by such forward-looking statements. Such factors include those identified under "Risk Factors" in our Annual Report on Form 10-K for the year-ended December 31, 2006 and the following, among others:

- general economic and business conditions;
- cyclical customer purchasing patterns due to budgetary and other constraints;
- changes in customer preferences;
- competition;
- changes in technology;
- the ability to evaluate, finance and integrate acquired businesses, products and companies;
- the introduction and acceptance of new products;
- changes in business strategy;
- the availability and cost of materials;
- the possibility that United States or foreign regulatory and/or administrative agencies may initiate enforcement actions against us or our distributors;
- future levels of indebtedness and capital spending;
- changes in foreign exchange and interest rates;
- quality of our management and business abilities and the judgment of our personnel;
- the risk of litigation, especially patent litigation as well as the cost associated with patent and other litigation;

- changes in regulatory requirements; and
- the availability, terms and deployment of capital.

See “Management’s Discussion and Analysis of Financial Condition and Results of Operations” below and “Risk Factors” and “Business” in our Annual Report on Form 10-K for the year-ended December 31, 2006 for a further discussion of these factors. You are

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cautioned not to place undue reliance on these forward-looking statements, which speak only as of the date hereof. We do not undertake any obligation to publicly release any revisions to these forward-looking statements to reflect events or circumstances after the date of this Quarterly Report on Form 10-Q or to reflect the occurrence of unanticipated events.

Overview:

CONMED Corporation ("CONMED", the "Company", "we" or "us") is a medical technology company with six principa product lines. These product lines and the percentage of consolidated revenues associated with each, are as follows: