

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 quarter ended
March 31, 2019

Commission File Number
0-16093

CONMED CORPORATION

(Exact name of the registrant as specified in its charter)

New York

(State or other jurisdiction of
incorporation or organization)

525 French Road, Utica, New York
(Address of principal executive offices)

16-0977505

(I.R.S. Employer
Identification No.)

13502

(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 No

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files).

Yes No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, smaller reporting company or an emerging growth company. See the definitions of "large accelerated filer", "accelerated filer", "smaller reporting company" and "emerging growth company" in Rule 12b-2 of the Exchange Act (Check one).

Large accelerated filer Accelerated filer Non-accelerated filer

Smaller reporting company Emerging growth company

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act.

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act).

Yes No

The number of shares outstanding of registrant's common stock, as of April 24, 2019 is 28,231,270 shares.

CONMED CORPORATION
QUARTERLY REPORT ON FORM 10-Q
FOR THE QUARTER ENDED MARCH 31, 2019

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PART I FINANCIAL INFORMATION

Item 1.

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

	Three Months Ended	
	March 31,	
	2019	2018
Net sales	\$ 218,378	\$ 202,064
Cost of sales	96,940	92,507
Gross profit	121,438	109,557
Selling and administrative expense	99,226	84,568
Research and development expense	10,575	7,711
Operating expenses	109,801	92,279
Income from operations	11,637	17,278
Other expense	4,225	—
Interest expense	9,369	4,818
Income (loss) before income taxes	(1,957)	12,460
Provision (benefit) for income taxes	(2,978)	1,803
Net income	<u>\$ 1,021</u>	<u>\$ 10,657</u>
Comprehensive income	<u>\$ 1,096</u>	<u>\$ 13,402</u>
<i>Per share data:</i>		
Net income		
Basic	\$ 0.04	\$ 0.38
Diluted	0.04	0.37
Weighted average common shares		
Basic	28,173	28,008
Diluted	29,034	28,573

See notes to consolidated condensed financial statements.

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

	March 31, 2019	December 31, 2018
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 23,407	\$ 17,511
Accounts receivable, net	172,195	181,550
Inventories	171,087	154,599
Prepaid expenses and other current assets	24,020	20,691
Total current assets	390,709	374,351
Property, plant and equipment, net	116,976	113,245
Goodwill	615,152	400,440
Other intangible assets, net	547,025	413,193
Other assets	90,975	67,909
Total assets	\$ 1,760,837	\$ 1,369,138
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current liabilities:		
Current portion of long-term debt	\$ 14,385	\$ 18,336
Accounts payable	54,491	53,498
Accrued compensation and benefits	29,998	42,924
Other current liabilities	52,397	46,186
Total current liabilities	151,271	160,944
Long-term debt	803,555	438,564
Deferred income taxes	76,604	81,061
Other long-term liabilities	36,350	26,299
Total liabilities	1,067,780	706,868
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; 31,299,194 shares issued in 2019 and 2018, respectively	313	313
Paid-in capital	374,555	341,738
Retained earnings	460,229	464,851
Accumulated other comprehensive loss	(55,662)	(55,737)
Less: 3,077,735 and 3,167,422 shares of common stock in treasury, at cost in 2019 and 2018, respectively	(86,378)	(88,895)
Total shareholders' equity	693,057	662,270
Total liabilities and shareholders' equity	\$ 1,760,837	\$ 1,369,138

See notes to consolidated condensed financial statements.

CONMED CORPORATION
CONSOLIDATED CONDENSED STATEMENTS OF SHAREHOLDERS' EQUITY
(Unaudited, in thousands except share and per share amounts)

	Common Stock		Paid-in Capital	Retained Earnings	Accumulated Other Comprehensive Loss	Treasury Stock	Shareholders' Equity
	Shares	Amount					
Balance at December 31, 2018	31,299	\$ 313	\$ 341,738	\$ 464,851	\$ (55,737)	\$ (88,895)	\$ 662,270
Common stock issued under employee plans			(769)			2,517	1,748
Stock-based compensation			2,703				2,703
Dividends on common stock (\$0.20 per share)				(5,643)			(5,643)
Convertible note discount (net of income tax expense of \$12,470)			39,145				39,145
Convertible note hedge, (net of income tax benefit of \$12,369)			(38,829)				(38,829)
Issuance of warrants			30,567				30,567
Comprehensive income (loss):							
Foreign currency translation adjustments					(578)		
Pension liability (net of income tax expense of \$173)					547		
Cash flow hedging gain (net of income tax expense of \$34)					106		
Net income				1,021			
Total comprehensive income							1,096
Balance at March 31, 2019	31,299	\$ 313	\$ 374,555	\$ 460,229	\$ (55,662)	\$ (86,378)	\$ 693,057

	Common Stock		Paid-in Capital	Retained Earnings	Accumulated Other Comprehensive Loss	Treasury Stock	Shareholders' Equity
	Shares	Amount					
Balance at December 31, 2017	31,299	\$ 313	\$ 333,795	\$ 440,085	\$ (49,078)	\$ (93,683)	\$ 631,432
Common stock issued under employee plans			(1,344)			2,001	657
Stock-based compensation			2,303				2,303
Dividends on common stock (\$0.20 per share)				(5,606)			(5,606)
Comprehensive income:							
Foreign currency translation adjustments					649		
Pension liability (net of income tax expense of \$162)					510		
Cash flow hedging gain (net of income tax expense of \$505)					1,586		
Net income				10,657			
Total comprehensive income							13,402
Cumulative effect of change in accounting principle ⁽¹⁾				440			440
Balance at March 31, 2018	31,299	\$ 313	\$ 334,754	\$ 445,576	\$ (46,333)	\$ (91,682)	\$ 642,628

⁽¹⁾We recorded the cumulative impact of adopting ASU 2014-09, Revenue from Contracts with Customers, (and its amendments) as of January 1, 2018.

See notes to consolidated condensed financial statements.

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

	Three Months Ended	
	March 31,	
	2019	2018
Cash flows from operating activities:		
Net income	\$ 1,021	\$ 10,657
Adjustments to reconcile net income to net cash provided by (used in) operating activities:		
Depreciation	4,442	4,502
Amortization of debt discount	1,510	—
Amortization	12,905	10,749
Stock-based compensation	2,703	2,303
Deferred income taxes	(4,699)	(736)
Loss on early extinguishment of debt	300	—
Increase (decrease) in cash flows from changes in assets and liabilities:		
Accounts receivable	13,733	10,145
Inventories	(11,971)	(4,615)
Accounts payable	(1,776)	8,006
Accrued compensation and benefits	(13,695)	(7,052)
Other assets	(10,047)	(9,758)
Other liabilities	1,654	821
	<u>(4,941)</u>	<u>14,365</u>
Net cash provided by (used in) operating activities	<u>(3,920)</u>	<u>25,022</u>
Cash flows from investing activities:		
Purchases of property, plant and equipment	(4,022)	(3,783)
Payments related to business acquisition, net of cash acquired	(364,928)	—
Net cash used in investing activities	<u>(368,950)</u>	<u>(3,783)</u>
Cash flows from financing activities:		
Payments on term loan	(144,375)	(3,281)
Proceeds from term loan	265,000	—
Payments on revolving line of credit	(342,000)	(49,000)
Proceeds from revolving line of credit	299,000	24,000
Proceeds from convertible notes	345,000	—
Payments related to contingent consideration	(2,859)	—
Payments related to debt issuance costs	(16,210)	—
Dividends paid on common stock	(5,626)	(5,592)
Purchases of convertible hedges	(51,198)	—
Proceeds from issuance of warrants	30,567	—
Other, net	1,655	577
Net cash provided by (used in) financing activities	<u>378,954</u>	<u>(33,296)</u>
Effect of exchange rate changes on cash and cash equivalents	<u>(188)</u>	<u>566</u>
Net increase (decrease) in cash and cash equivalents	5,896	(11,491)
Cash and cash equivalents at beginning of period	<u>17,511</u>	<u>32,622</u>
Cash and cash equivalents at end of period	<u>\$ 23,407</u>	<u>\$ 21,131</u>
Non-cash investing and financing activities:		
Contractual obligations from asset acquisition	\$ 5,500	\$ 10,000
Dividends payable	\$ 5,643	\$ 5,606

See notes to consolidated condensed financial statements.

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

Note 1 – Operations

CONMED Corporation (“CONMED”, the “Company”, “we” or “us”) is a medical technology company that provides surgical devices and equipment for minimally invasive procedures. The Company’s products are used by surgeons and physicians in a variety of specialties including orthopedics, general surgery, gynecology, neurosurgery, thoracic surgery 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. The information herein reflects all normal recurring material adjustments, which are, in the opinion of management, necessary for the fair statements of the results for the periods presented. The consolidated condensed financial statements herein consist of all wholly-owned domestic and foreign subsidiaries with all significant intercompany transactions eliminated. Results for the period ended March 31, 2019 are not necessarily indicative of the results that may be expected for the year ending December 31, 2019.

The consolidated condensed financial statements and notes thereto should be read in conjunction with the consolidated financial statements and notes for the year ended December 31, 2018 included in our Annual Report on Form 10-K.

Note 3 - Business Acquisition

On February 11, 2019 we acquired Buffalo Filter, LLC and all of the issued and outstanding common stock of Palmerton Holdings, Inc. from Filtration Group FGC LLC (the "Buffalo Filter Acquisition") for approximately \$365 million in cash. Buffalo Filter develops, manufactures and markets smoke evacuation technologies that are complementary to our general surgery offering. The acquisition was funded through a combination of cash on hand and long-term borrowings as further described below.

The following table summarizes the estimated fair values of the assets acquired and liabilities assumed as a result of the Buffalo Filter Acquisition. The assessment of fair value is based on preliminary valuations and estimates that were available to management at the time the consolidated condensed financial statements were prepared. Accordingly, the allocation of purchase price is preliminary and therefore subject to adjustment during the measurement adjustment period.

Cash	\$	119
Other current assets		9,315
Current assets		9,434
Property, plant & equipment		4,036
Deferred income taxes		80
Goodwill		214,793
Customer relationships		125,000
Developed technology		9,000
Trademarks & tradenames		7,000
Other non-current assets		166
Total assets acquired	\$	369,509
Current liabilities assumed		4,462
Total liabilities assumed		4,462
Net assets acquired	\$	365,047

The goodwill recorded as part of the acquisition primarily represents revenue synergies, as well as operating efficiencies and cost savings. Goodwill deductible for tax purposes is \$214.8 million. The weighted amortization period for intangibles acquired is 16 years. Customer relationships, developed technology and trademarks and tradenames are being amortized over a weighted average life of 16, 10 and 20 years, respectively.

The unaudited pro forma information for the quarters ended March 31, 2019 and 2018, assuming Buffalo Filter Acquisition occurred as of January 1, 2018 are presented below. This information has been prepared for comparative purposes only and does not purport to be indicative of the results of operations which actually would have resulted had the Buffalo Filter acquisition occurred on the dates indicated, or which may result in the future.

	Three Months Ended March 31,	
	2019	2018
Net sales	\$ 223,397	\$ 211,273
Net income (loss)	8,745	(3,210)

These pro forma results include certain adjustments, primarily due to increases in amortization expense due to fair value adjustments of intangible assets, increases in interest expense due to additional borrowings incurred to finance the acquisition and amortization of debt issuance costs incurred to finance the transaction, and acquisition related costs including transaction costs such as legal, accounting, valuation and other professional services as well as integration costs such as severance and retention.

Acquisition related costs included in the determination of pro forma net income for the three months ended March 31, 2018 included \$0.7 million in cost of goods sold and \$7.2 million included in selling and administrative expenses on the consolidated condensed statement of comprehensive income. Such amounts are excluded from the determination of pro forma net income for the three months ended March 31, 2019.

Net sales associated with Buffalo Filter of \$6.1 million have been recorded in the consolidated condensed statement of comprehensive income for the three months ended March 31, 2019. It is impracticable to determine the earnings recorded in the consolidated condensed statement of comprehensive income for the three months ended March 31, 2019 as these amounts are not separately measured.

Note 4 - Revenues

The following tables present revenue disaggregated by primary geographic market where the products are sold, by product line and timing of revenue recognition:

	Three Months Ended March 31, 2019			Three Months Ended March 31, 2018		
	Orthopedic Surgery	General Surgery	Total	Orthopedic Surgery	General Surgery	Total
Primary Geographic Markets						
United States	\$ 45,256	\$ 71,770	\$ 117,026	\$ 43,152	\$ 63,099	\$ 106,251
Americas (excluding the United States)	15,042	7,462	22,504	16,771	7,679	24,450
Europe, Middle East & Africa	30,402	15,930	46,332	28,302	12,984	41,286
Asia Pacific	22,737	9,779	32,516	20,637	9,440	30,077
Total sales from contracts with customers	<u>\$ 113,437</u>	<u>\$ 104,941</u>	<u>\$ 218,378</u>	<u>\$ 108,862</u>	<u>\$ 93,202</u>	<u>\$ 202,064</u>

Timing of Revenue Recognition

Goods transferred at a point in time	\$ 104,739	\$ 104,425	\$ 209,164	\$ 100,791	\$ 92,881	\$ 193,672
Services transferred over time	8,698	516	9,214	8,071	321	8,392
Total sales from contracts with customers	<u>\$ 113,437</u>	<u>\$ 104,941</u>	<u>\$ 218,378</u>	<u>\$ 108,862</u>	<u>\$ 93,202</u>	<u>\$ 202,064</u>

Contract liability balances related to the sale of extended warranties to customers are as follows:

	<u>March 31, 2019</u>	<u>December 31, 2018</u>
Contract liability	\$ 12,027	\$ 11,043

Revenue recognized during the three months ended March 31, 2019 and March 31, 2018 from amounts included in contract liabilities at the beginning of the period were \$2.3 million and \$1.8 million, respectively. There were no material contract assets as of March 31, 2019 and December 31, 2018.

Note 5 – Comprehensive Income

Comprehensive income consists of the following:

	Three Months Ended March 31,	
	2019	2018
Net income	\$ 1,021	\$ 10,657
Other comprehensive income (loss):		
Pension liability, net of income tax (income tax expense of \$173 and \$162 for the three months ended March 31, 2019 and 2018, respectively)	547	510
Cash flow hedging gain, net of income tax (income tax expense of \$34 and \$505 for the three months ended March 31, 2019 and 2018, respectively)	106	1,586
Foreign currency translation adjustment	(578)	649
Comprehensive income	<u>\$ 1,096</u>	<u>\$ 13,402</u>

Accumulated other comprehensive loss consists of the following:

	Cash Flow Hedging Gain (Loss)	Pension Liability	Cumulative Translation Adjustments	Accumulated Other Comprehensive Income (Loss)
Balance, December 31, 2018	\$ 4,085	\$ (31,718)	\$ (28,104)	\$ (55,737)
Other comprehensive income (loss) before reclassifications, net of tax	1,318		(578)	740
Amounts reclassified from accumulated other comprehensive income (loss) before tax ^a	(1,598)	720	—	(878)
Income tax	386	(173)	—	213
Net current-period other comprehensive income (loss)	106	547	(578)	75
Balance, March 31, 2019	<u>\$ 4,191</u>	<u>\$ (31,171)</u>	<u>\$ (28,682)</u>	<u>\$ (55,662)</u>

	Cash Flow Hedging Gain (Loss)	Pension Liability	Cumulative Translation Adjustments	Accumulated Other Comprehensive Income (Loss)
Balance, December 31, 2017	\$ (3,530)	\$ (25,813)	\$ (19,735)	\$ (49,078)
Other comprehensive income (loss) before reclassifications, net of tax	629	—	649	1,278
Amounts reclassified from accumulated other comprehensive income (loss) before tax ^a	1,262	672	—	1,934
Income tax	(305)	(162)	—	(467)
Net current-period other comprehensive income (loss)	1,586	510	649	2,745
Balance, March 31, 2018	\$ (1,944)	\$ (25,303)	\$ (19,086)	\$ (46,333)

(a) The cash flow hedging gain (loss) and pension liability accumulated other comprehensive income (loss) components are included in sales or cost of sales and as a component of net periodic pension cost, respectively. Refer to Note 6 and Note 12, respectively, for further details.

Note 6 – Fair Value of Financial Instruments

We enter into derivative instruments for risk management purposes only. We operate internationally and in the normal course of business are exposed to fluctuations in interest rates, foreign exchange rates and commodity prices. These fluctuations can increase the costs of financing, investing and operating the business. We use forward contracts, a type of derivative instrument, to manage certain foreign currency exposures.

By nature, all financial instruments involve market and credit risks. We enter into forward contracts with major investment grade financial institutions and have policies to monitor the credit risk of those counterparties. While there can be no assurance, we do not anticipate any material non-performance by any of these counterparties.

Foreign Currency Forward Contracts. We hedge forecasted intercompany sales denominated in foreign currencies through the use of forward contracts. We account for these forward contracts as cash flow hedges. To the extent these forward contracts meet hedge accounting criteria, changes in their fair value are not included in current earnings but are included in accumulated other comprehensive loss. These changes in fair value will be recognized into earnings as a component of sales or cost of sales when the forecasted transaction occurs.

We also enter into forward contracts to exchange foreign currencies for United States dollars in order to hedge our currency transaction exposures. These forward contracts settle each month at month-end, at which time we enter into new forward contracts. We have not designated these forward contracts as hedges and have not applied hedge accounting to them.

The following table presents the notional contract amounts for forward contracts outstanding:

		As of	
		March 31, 2019	December 31, 2018
FASB ASC Topic 815 Designation			
Forward exchange contracts	Cash flow hedge	\$ 155,730	\$ 155,313
Forward exchange contracts	Non-designated	42,977	39,631

The remaining time to maturity as of March 31, 2019 is within two years for designated foreign exchange contracts and approximately one month for non-designated forward exchange contracts.

Statement of comprehensive income presentation
Derivatives designated as cash flow hedges

Foreign exchange contracts designated as cash flow hedges had the following effects on accumulated other comprehensive income (loss) and net earnings on our consolidated condensed statement of comprehensive income and our consolidated condensed balance sheet:

Derivative Instrument	Amount of Gain (Loss) Recognized in AOCI		Statement of Consolidated Condensed of Comprehensive Income		Amount of Gain (Loss) Reclassified from AOCI		
	Three Months Ended March 31,		Three Months Ended March 31,		Three Months Ended March 31,		
	2019	2018	Total Amount of Line Item Presented		2019	2018	
			Location of amount reclassified	2019	2018	2019	2018
Foreign exchange contracts	\$ 1,738	\$ 829	Net Sales	\$ 218,378	\$ 202,064	\$ 1,497	\$ (1,413)
			Cost of Sales	96,940	92,507	101	151
Pre-tax gain (loss)	\$ 1,738	\$ 829				\$ 1,598	\$ (1,262)
Tax expense (benefit)	420	200				386	(305)
Net gain (loss)	\$ 1,318	\$ 629				\$ 1,212	\$ (957)

At March 31, 2019, \$4.0 million of net unrealized gains on forward contracts accounted for as cash flow hedges, and included in accumulated other comprehensive loss, are expected to be recognized in earnings in the next twelve months.

Derivatives not designated as cash flow hedges

Net gains and losses from derivative instruments not accounted for as hedges offset by gains and losses on our intercompany receivables on our condensed consolidated statements of earnings were:

Derivative Instrument	Location on Consolidated Condensed Statement of Comprehensive Income	Three Months Ended March 31,	
		2019	2018
Net gain (loss) on currency hedge contracts	Selling and administrative expense	\$ (181)	\$ (69)
Net gain (loss) on currency transaction exposures	Selling and administrative expense	\$ (229)	\$ (127)

Balance sheet presentation

We record these forward foreign exchange contracts at fair value. The following tables summarize the fair value for forward foreign exchange contracts outstanding at March 31, 2019 and December 31, 2018:

March 31, 2019	Location on Condensed Balance Sheet	Asset Fair Value	Liabilities Fair Value	Net Fair Value
Derivatives designated as hedged instruments:				
Foreign exchange contracts	Prepays and other current assets	\$ 5,291	\$ (65)	\$ 5,226
Foreign exchange contracts	Other long-term assets	428	(128)	300
		<u>\$ 5,719</u>	<u>\$ (193)</u>	<u>\$ 5,526</u>
Derivatives not designated as hedging instruments:				
Foreign exchange contracts	Prepays and other current assets	14	(102)	(88)
Total derivatives		<u>\$ 5,733</u>	<u>\$ (295)</u>	<u>\$ 5,438</u>
December 31, 2018	Location on Condensed Balance Sheet	Asset Fair Value	Liabilities Fair Value	Net Fair Value
Derivatives designated as hedged instruments:				
Foreign exchange contracts	Prepays and other current assets	\$ 5,817	\$ (431)	\$ 5,386
Derivatives not designated as hedging instruments:				
Foreign exchange contracts	Prepays and other current assets	19	(217)	(198)
Total derivatives		<u>\$ 5,836</u>	<u>\$ (648)</u>	<u>\$ 5,188</u>

Our forward foreign exchange contracts are subject to a master netting agreement and qualify for netting in the consolidated condensed balance sheets.

Fair Value Disclosure. FASB guidance defines fair value and establishes a framework for measuring fair value and related disclosure requirements. This guidance applies when fair value measurements are required or permitted. The guidance indicates, among other things, that a fair value measurement assumes that the transaction to sell an asset or transfer a liability occurs in the principal market for the asset or liability or, in the absence of a principal market, the most advantageous market for the asset or liability. Fair value is defined based upon an exit price model.

Valuation Hierarchy. A valuation hierarchy was established for disclosure of the inputs to the valuations used to measure fair value. This hierarchy prioritizes the inputs into three broad levels as follows. Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities. Level 2 inputs are quoted prices for similar assets and liabilities in active markets; quoted prices for identical or similar assets in markets that are not active; inputs other than quoted prices that are observable for the asset or liability, including interest rates, yield curves and credit risks or inputs that are derived principally from, or corroborated by, observable market data through correlation. Level 3 inputs are unobservable inputs based on our own assumptions used to measure assets and liabilities at fair value. A financial asset or liability's classification within the hierarchy is determined based on the lowest level input that is significant to the fair value measurement. There have been no significant changes in the assumptions.

Valuation Techniques. Assets and liabilities carried at fair value and measured on a recurring basis as of March 31, 2019 consist of forward foreign exchange contracts. The Company values its forward foreign exchange contracts using quoted prices for similar assets. The most significant assumption is quoted currency rates. The value of the forward foreign exchange contract assets and liabilities were valued using Level 2 inputs and are listed in the table above.

The carrying amounts reported in our consolidated condensed balance sheets for cash and cash equivalents, accounts receivable, accounts payable and long-term debt approximate fair value.

Note 7 - Inventories

Inventories consist of the following:

	March 31, 2019	December 31, 2018
Raw materials	\$ 49,366	\$ 45,898
Work-in-process	18,476	15,000
Finished goods	103,245	93,701
Total	<u>\$ 171,087</u>	<u>\$ 154,599</u>

Note 8 – 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 outstanding resulting from employee stock options, restricted stock units, performance share units and stock appreciation rights (“SARs”) during the period.

The following table sets forth the computation of basic and diluted earnings per share for the three months ended March 31, 2019 and 2018:

	Three Months Ended March 31,	
	2019	2018
Net income	<u>\$ 1,021</u>	<u>\$ 10,657</u>
Basic – weighted average shares outstanding	28,173	28,008
Effect of dilutive potential securities	861	565
Diluted – weighted average shares outstanding	<u>29,034</u>	<u>28,573</u>
Net income (per share)		
Basic	\$ 0.04	\$ 0.38
Diluted	0.04	0.37

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 and the effect of the inclusion would be anti-dilutive. Such shares aggregated approximately 0.3 million and 0.4 million for the three months ended March 31, 2019 and 2018. As more fully described in Note 17, our 2.625% convertible notes due in 2024 (the “Notes”) are convertible under certain circumstances, as defined in the indenture, into a combination of cash and CONMED common stock. As a result of convertible note hedge transactions, potential dilution upon conversion of the Notes occurs when the market price per share of our common stock, as measured under the terms of the convertible note hedge transactions, is greater than the strike price of the convertible note hedge transactions (\$114.92). As of March 31, 2019, our share price has not exceeded the strike price of the convertible note hedge transactions. Therefore, under the net share settlement method, there were no potential shares issuable under the Notes to be used in the calculation of diluted EPS.

Note 9 – Leases

The Company adopted ASU No. 2016-02, Leases (Topic 842) on January 1, 2019 and applied the modified retrospective approach to adoption whereby the standard is applied only to the current period. The Company leases various manufacturing facilities, office facilities and equipment under operating and finance leases. We determine if an arrangement is a lease at inception. Right-of-use ("ROU") assets represent our right to use an underlying asset for the lease term and lease liabilities represent our obligation to make lease payments arising from the lease. Operating lease ROU assets and liabilities are recognized at the lease commencement date based on the present value of lease payments over the lease term. As most of our leases do not provide an implicit rate, we use our incremental borrowing rate based on the information available at commencement date in determining the present value of lease payments. We use the implicit rate when readily determinable. Our lease terms may include options to extend or terminate the lease when it is reasonably certain that we will exercise that option. Lease expense for lease payments is recognized on a straight-line basis over the lease term. Certain of our leases include variable lease payments, mainly when a lease is tied to an index rate. These variable lease payments are recorded as expense in the period incurred and are not material.

The Company has lease agreements with lease and non-lease components, which we account for separately. For certain equipment leases, we apply a portfolio approach to efficiently account for the operating lease ROU assets and lease liabilities. We also elected the short-term lease exemption and do not recognize leases with terms less than one year on the balance sheet. The related short-term lease expense is not material.

Our leases have remaining lease terms of one year to twelve years, some of which include options to extend the leases for up to five years, and some of which include options to terminate the leases within one year. We only account for such extensions or early terminations when it is reasonably certain we will exercise such options.

Lease costs consists of the following:

	Three Months Ended, March 31, 2019
Operating lease cost	\$ 1,996
Finance lease cost:	
Depreciation	53
Interest on lease liabilities	7
Total finance lease cost	60
Total lease cost	\$ 2,056

Supplemental balance sheet information related to leases is as follows:

	March 31, 2019
Operating leases	
Other assets (net of lease impairment of \$1,325)	\$ 16,277
Other current liabilities	\$ 6,810
Other long-term liabilities	11,133
Total operating lease liabilities	\$ 17,943
Finance leases	
Property, plant and equipment, gross	\$ 1,131
Accumulated depreciation	(302)
Property, plant and equipment, net	\$ 829
Current portion of long-term debt	\$ 299
Long-term debt	244
Total finance lease liabilities	\$ 543
Weighted average remaining lease term (in years)	
Operating leases	3.80 years
Finance leases	3.83 years
Weighted average discount rate	
Operating leases	4.41%
Finance leases	4.90%

Supplemental cash flow information related to leases was as follows:

	Three Months Ended
	March 31, 2019
Cash paid for amounts included in the measurement of lease liabilities:	
Operating cash flows from operating leases	\$ 2,123
Financing cash flows from finance leases	93
Right-of-use assets obtained in exchange for lease obligations:	
Operating leases	444
Finance leases	—

Maturities of lease liabilities as of March 31, 2019 are as follows:

	<u>Finance Lease</u>	<u>Operating Lease</u>
Remaining, 2019	\$ 260	\$ 6,026
2020	219	4,921
2021	21	3,063
2022	76	2,419
2023	—	1,549
2024	—	718
Thereafter	—	770
Total lease payments	<u>576</u>	<u>19,466</u>
Less imputed interest	<u>(33)</u>	<u>(1,523)</u>
Total lease liabilities	<u>\$ 543</u>	<u>\$ 17,943</u>

As of March 31, 2019, we have no additional operating or finance leases that have not yet commenced. Maturities of lease liabilities under ASC 840 are consistent with the above disclosure.

The Company places certain of our capital equipment with customers on a loaned basis and at no charge in exchange for commitments to purchase related single-use products over time periods generally ranging from one to three years. Placed equipment is loaned and subject to return if minimum single-use purchases are not met. The Company accounts for these placements as operating leases but applies a practical expedient and does not separate the nonlease and lease components from the combined component. Accordingly, the Company accounts for the combined component as a single performance obligation with revenue recognized upon shipment of the related single use-products. The cost of the equipment is amortized over its estimated useful life which is generally five years.

Note 10 – Goodwill and Other Intangible Assets

The changes in the net carrying amount of goodwill for the three months ended March 31, 2019 are as follows:

Balance as of December 31, 2018	\$ 400,440
Goodwill resulting from business acquisition	214,793
Foreign currency translation	<u>(81)</u>
Balance as of March 31, 2019	<u>\$ 615,152</u>

Assets and liabilities of acquired businesses are recorded at their estimated fair values as of the date of acquisition. Goodwill represents costs in excess of fair values assigned to the underlying net assets of acquired businesses. During the three months ended March 31, 2019, the Company acquired Buffalo Filter as further described in Note 3. Goodwill resulting from the acquisition amounted to \$214.8 million and acquired intangible assets including customer and distributor relationships, developed technology and trademarks and tradenames amounted to \$141.0 million.

Other intangible assets consist of the following:

	March 31, 2019			December 31, 2018	
	Weighted Average Amortization Period (Years)	Gross Carrying Amount	Accumulated Amortization	Gross Carrying Amount	Accumulated Amortization
Amortized intangible assets:					
Customer and distributor relationships	24	\$ 339,529	\$ (101,057)	\$ 214,577	\$ (97,131)
Sales representation, marketing and promotional rights	25	149,376	(43,500)	149,376	(42,000)
Patents and other intangible assets	15	68,704	(44,783)	61,473	(44,242)
Developed technology	15	100,965	(8,753)	91,965	(7,369)
Unamortized intangible assets:					
Trademarks and tradenames		86,544	—	86,544	—
	22	\$ 745,118	\$ (198,093)	\$ 603,935	\$ (190,742)

Customer and distributor relationships, trademarks and tradenames, developed technology and patents and other intangible assets primarily represent allocations of purchase price to identifiable intangible assets of acquired businesses. Sales representation, marketing and promotional rights represent intangible assets created under our agreement with Musculoskeletal Transplant Foundation (“MTF”).

Amortization expense related to intangible assets which are subject to amortization totaled \$7.4 million and \$5.5 million in the three months ended March 31, 2019 and 2018, respectively, and is included as a reduction of revenue (for amortization related to our sales representation, marketing and promotional rights) and in selling and administrative expense (for all other intangible assets) in the consolidated condensed statements of comprehensive income. Included in developed technology is \$5.5 million of earn-out consideration that is considered probable as of March 31, 2019 associated with a prior asset acquisition. This is recorded in other current liabilities at March 31, 2019.

The estimated intangible asset amortization expense remaining for the year ending December 31, 2019 and for each of the five succeeding years is as follows:

	Amortization included in expense	Amortization recorded as a reduction of revenue	Total
Remaining, 2019	\$ 20,764	\$ 4,500	\$ 25,264
2020	27,890	6,000	33,890
2021	27,099	6,000	33,099
2022	25,849	6,000	31,849
2023	25,061	6,000	31,061
2024	24,358	6,000	30,358

Note 11 – Guarantees

We provide warranties on certain of our products at the time of sale and sell extended warranties. The standard warranty period for our capital equipment is generally 1 year and our extended warranties typically vary from one to three years. 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 standard warranties for the three months ended March 31, are as follows:

	<u>2019</u>	<u>2018</u>
Balance as of January 1,	\$ 1,585	\$ 1,750
Provision for warranties	486	323
Claims made	(343)	(290)
Balance as of March 31,	<u>\$ 1,728</u>	<u>\$ 1,783</u>

Costs associated with extended warranty repairs are recorded as incurred and amounted to \$1.4 million and \$1.3 million for the three months ended March 31, 2019 and 2018, respectively.

Note 12 – Pension Plan

Net periodic pension cost consists of the following:

	<u>Three Months Ended March 31,</u>	
	<u>2019</u>	<u>2018</u>
Service cost	\$ 253	\$ 169
Interest cost on projected benefit obligation	782	701
Expected return on plan assets	(1,181)	(1,354)
Net amortization and deferral	720	672
Net periodic pension cost	<u>\$ 574</u>	<u>\$ 188</u>

We do not expect to make any pension contributions during 2019. Non-service cost of \$0.3 million is included in other expense in the consolidated condensed statement of comprehensive income for the three months ended March 31, 2019.

Note 13 – Acquisition, Restructuring and Other Expense

Acquisition, restructuring and other expense consists of the following:

	Three Months Ended March 31,	
	2019	2018
Business acquisition costs included in cost of sales	\$ 660	\$ —
Business acquisition costs included in selling and administrative expense	\$ 7,245	\$ —
Debt refinancing costs included in other expense	\$ 3,904	\$ —

During the three months ended March 31, 2019, we incurred \$0.7 million in costs for inventory adjustments associated with the acquisition of Buffalo Filter as further described in Note 3. These costs were charged to cost of sales.

During the three months ended March 31, 2019, we incurred \$7.2 million in costs associated with the February 11, 2019 acquisition of Buffalo Filter as further described in Note 3 that were included in selling and administrative expense. These costs include investment banking fees, consulting fees, legal fees and integration related costs.

During the three months ended March 31, 2019, we incurred a \$3.6 million charge related to commitment fees paid to certain of our lenders, which provided a financing commitment for the Buffalo Filter acquisition and recorded a loss on the early extinguishment of debt of \$0.3 million in conjunction with the sixth amended and restated senior credit agreement as further described in Note 17.

Note 14 — Business Segments

We are accounting and reporting for our business as a single operating segment entity engaged in the development, manufacturing and sale on a global basis of surgical devices and related equipment. Our product lines consist of orthopedic surgery and general surgery. Orthopedic surgery consists of sports medicine instrumentation and small bone, large bone and specialty powered surgical instruments as well as imaging systems for use in minimally invasive surgery procedures including 2DHD and 3DHD vision technologies and service fees related to the promotion and marketing of sports medicine allograft tissue. General surgery consists of a complete line of endo-mechanical instrumentation for minimally invasive laparoscopic and gastrointestinal procedures, a line of cardiac monitoring products as well as electrosurgical generators and related instruments. These product lines' net sales are as follows:

	Three Months Ended March 31,	
	2019	2018
Orthopedic surgery	\$ 113,437	\$ 108,862
General surgery	104,941	93,202
Consolidated net sales	\$ 218,378	\$ 202,064

Note 15 – Legal Proceedings

From time to time, we are subject to claims alleging product liability, patent infringement or other claims incurred in the ordinary course of business. These may involve our United States or foreign operations, or sales by foreign distributors. Likewise, from time to time, the Company may receive an information request or subpoena from a government agency such as the Securities and Exchange Commission, Department of Justice, Equal Employment Opportunity Commission, the Occupational Safety and Health Administration, the Department of Labor, the Treasury Department or other federal and state agencies or foreign governments or government agencies. These information requests or subpoenas may or may not be routine inquiries, or may begin as routine inquiries and over time develop into enforcement actions of various types. Likewise, we receive reports of alleged misconduct from employees and third parties, which we investigate as appropriate.

Manufacturers of medical devices have been the subject of various enforcement actions relating to interactions with health care providers domestically or internationally whereby companies are claimed to have provided health care providers with inappropriate incentives to purchase their products. Similarly, the Foreign Corrupt Practices Act ("FCPA") imposes obligations on manufacturers with respect to interactions with health care providers who may be considered government officials based on their affiliation with public hospitals. The FCPA also requires publicly listed manufacturers to maintain accurate books and records, and maintain internal accounting controls sufficient to provide assurance that transactions are accurately recorded, lawful and in accordance with management's authorization. The FCPA poses unique challenges both because manufacturers operate in foreign cultures in which conduct illegal under the FCPA may not be illegal in local jurisdictions, and because, in some cases, a United States manufacturer may face risks under the FCPA based on the conduct of third parties over whom the manufacturer may not have complete control. While CONMED has not experienced any material enforcement action to date, there can be no assurance that the Company will not be subject to a material enforcement action in the future, or that the Company will not incur costs including, in the form of fees for lawyers and other consultants, that are material to the Company's results of operations in the course of responding to a future inquiry or investigation.

Manufacturers of medical products may face exposure to significant product liability claims. To date, we have not experienced any product liability claims that have been material to our financial statements or financial condition, but any such claims arising in the future could have a material adverse effect on our business, results of operations or cash flows. We currently maintain commercial product liability insurance of \$30 million per incident and \$30 million in the aggregate annually, which we believe is adequate. This coverage is on a claims-made basis. There can be no assurance that claims will not exceed insurance coverage, that the carriers will be solvent or that such insurance will be available to us in the future at a reasonable cost.

We record reserves sufficient to cover probable and estimable losses associated with any such pending claims. We do not expect that the resolution of any pending claims, investigations or reports of alleged misconduct will have a material adverse effect on our financial condition, results of operations or cash flows. There can be no assurance, however, that future claims or investigations, or the costs associated with responding to such claims, investigations or reports of misconduct, especially claims and investigations not covered by insurance, will not have a material adverse effect on our financial condition, results of operations or cash flows.

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 would not have a material adverse effect on our financial condition, results of operations or cash flows.

In 2014, the Company acquired EndoDynamix, Inc. The agreement governing the terms of the acquisition provides that, if various conditions are met, certain contingent payments relating to the first commercial sale of the products (the milestone payment), as well as royalties based on sales (the revenue based payments), are due to the seller. In 2016, we notified the seller that there was a need to redesign the product, and that, as a consequence, the first commercial sale had been delayed. Consequently, the payment of contingent milestone and revenue-based payments were delayed. On January 18, 2017, the seller provided notice ("the Notice") seeking \$12.7 million, which essentially represents the seller's view as to the sum of the projected contingent milestone and revenue-based payments on an accelerated basis. CONMED responded to the Notice denying that there was any basis for acceleration of the payments due under the acquisition agreement. On February 22, 2017, the representative of the former shareholders of EndoDynamix filed a complaint in Delaware Chancery Court claiming breach of contract with respect to the duty to commercialize the product and seeking the contingent payments on an accelerated basis. We believe that there was a substantive contractual basis to support the Company's decision to redesign the product, such that there was no legitimate basis for seeking the acceleration of the contingent payments at that time. In the third quarter of 2018, the Company decided to halt the development of the EndoDynamix clip applicator. While we previously recorded a charge to write off assets and released a previously accrued contingent consideration liability, we expect to defend the claims asserted by the sellers of EndoDynamix in the Delaware Court, although there can be no assurance that we will prevail in the litigation.

Note 16 – New Accounting Pronouncements

Recently Adopted Accounting Standards

In February 2016, the FASB issued ASU No. 2016-02, Leases (Topic 842) ("ASU 2016-02"), along with amendments

issued in 2017 and 2018. This ASU requires lessees to record leases on their balance sheets but recognize the expense on their income statements in a manner similar to current practice. ASU 2016-02 states that a lessee would recognize a lease liability for the obligation to make lease payments and a right-of-use ("ROU") asset for the right to use the underlying asset for the lease term.

The Company adopted the new standard on January 1, 2019, and applied the modified retrospective approach along with the package of transition practical expedients. The Company has lease agreements with lease and non-lease components, which we account for separately. For certain equipment leases, we apply a portfolio approach to efficiently account for the operating lease ROU assets and lease liabilities. We also elected the short-term lease exemption and do not recognize leases with terms less than one year on the balance sheet. The related short-term lease expense is not material. On January 1, 2019, we recorded initial right-of-use assets and lease liabilities, that were previously unrecorded under prior GAAP, of \$17.9 million. Operating lease ROU assets are included in other assets and lease liabilities are included in other current liabilities and other long-term liabilities. Our accounting for finance leases, which were capital leases under prior GAAP, remained substantially unchanged. Finance leases are included in property and equipment, current portion of long-term debt and long-term debt in our consolidated balance sheets. This update did not have a material impact on our net income, earnings per share or cash flows. Refer to Note 9 for further detail on leases.

In August 2017, the FASB issued ASU No. 2017-12, Derivatives and Hedging (Topic 815): Targeted Improvements to Accounting for Hedging Activities. This ASU makes more financial and non-financial hedging strategies eligible for hedge accounting. It also amends the presentation and disclosure requirements and changes how companies assess effectiveness. It is intended to more closely align hedge accounting with companies' risk management strategies, simplify the application of hedge accounting and increase transparency as to the scope and results of hedging programs. This guidance is effective for fiscal years beginning after December 15, 2018, including interim periods within that reporting period. Early adoption is permitted. We adopted this update on January 1, 2019 and it did not have a material impact on our consolidated financial statements.

In August 2018, the SEC adopted a final rule under SEC Release No. 33-10532, Disclosure Update and Simplification, that amends certain disclosure requirements that were redundant, duplicative, overlapping, outdated or superseded. The amendments also expanded the disclosure requirements on the analysis of shareholders' equity for interim financial statements, in which registrants must now analyze changes in shareholders' equity, in the form of reconciliation, for the current and comparative year-to-date periods, with subtotals for each interim period. This final rule was effective on November 5, 2018. The Company adopted all relevant disclosure requirements during the fourth quarter of 2018, with the exception of the shareholders' equity interim disclosures, which was allowed to be adopted as of January 1, 2019.

Recently Issued Accounting Standards, Not Yet Adopted

In June 2016, the FASB issued ASU No. 2016-13 Financial Instruments-Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments which requires instruments measured at amortized cost, including accounts receivable, to be presented at the net amount expected to be collected. The new model requires an entity to estimate credit losses based on historical information, current information, and reasonable and supportable forecasts, including estimates of prepayments. The update is effective for fiscal years beginning after December 31, 2019 and early adoption is permissible during any interim period after December 31, 2018. The Company is currently assessing the impact of this guidance on our consolidated financial statements.

In August 2018, the FASB issued ASU 2018-13, Fair Value Measurement (Topic 820): Disclosure Framework-Changes to the Disclosure Requirements for Fair Value Measurement, which modifies the disclosure requirements on fair value measurements. This update is effective for fiscal years beginning after December 15, 2019 and early adoption is permitted. The Company is currently assessing the impact of this guidance on our consolidated financial statements.

In August 2018, the FASB issued ASU 2018-14, Compensation-Retirement Benefits-Defined Benefit Plans-General (Topic 715-20): Disclosure Framework-Changes to the Disclosure Requirements for Defined Benefit Plans, which modifies the disclosure requirements for defined benefit pension plans and other postretirement plans. This ASU is effective for fiscal years beginning after December 15, 2020 and early adoption is permitted. The Company is currently assessing the impact of this guidance on our consolidated financial statements.

Note 17 - Long-Term Debt

Long-term debt consists of the following:

	March 31, 2019	December 31, 2018
Revolving line of credit	\$ 269,000	\$ 312,000
Term loan, net of deferred debt issuance costs of \$1,826 and \$311 in 2019 and 2018, respectively	263,174	144,064
2.625% convertible notes, net of deferred debt issuance costs of \$10,508 and unamortized discount of \$50,105 in 2019	284,387	—
Financing leases	543	—
Mortgage notes	836	836
Total debt	817,940	456,900
Less: Current portion	14,385	18,336
Total long-term debt	<u>\$ 803,555</u>	<u>\$ 438,564</u>

On February 7, 2019 we entered into a sixth amended and restated senior credit agreement consisting of: (a) a \$265.0 million term loan facility and (b) a \$585.0 million revolving credit facility. The revolving credit facility will terminate and the loans outstanding under the term loan facility will expire on the earlier of (i) February 7, 2024 or (ii) 91 days prior to the earliest scheduled maturity date of the 2.625% convertible notes due in 2024 described below, (if, as of such date, more than \$150.0 million in aggregate principal amount of such convertible notes (or any refinancing thereof) remains outstanding). The term loan facility is payable in quarterly installments increasing over the term of the facility. Proceeds from the term loan facility and borrowings under the revolving credit facility were used to repay the then existing senior credit agreement and in part to finance the acquisition of Buffalo Filter. Initial interest rates are at LIBOR plus an interest rate margin of 1.875% (4.375% at March 31, 2019). For those borrowings where we elect to use the alternate base rate, the initial base rate will be the greatest of (i) the Prime Rate, (ii) the Federal Funds Rate plus 0.50% or (iii) the one-month Eurocurrency Rate plus 1.00%, plus, in each case, an interest rate margin.

There were \$265.0 million in borrowings outstanding on the term loan facility as of March 31, 2019. There were \$269.0 million in borrowings outstanding under the revolving credit facility as of March 31, 2019. Our available borrowings on the revolving credit facility at March 31, 2019 were \$313.0 million with approximately \$3.0 million of the facility set aside for outstanding letters of credit.

The sixth amended and restated senior credit agreement is collateralized by substantially all of our personal property and assets. The sixth amended and restated senior credit agreement contains covenants and restrictions which, among other things, require the maintenance of certain financial ratios and restrict dividend payments and the incurrence of certain indebtedness and other activities, including acquisitions and dispositions. We were in full compliance with these covenants and restrictions as of March 31, 2019. We are also required, under certain circumstances, to make mandatory prepayments from net cash proceeds from any issuance of equity and asset sales.

On January 29, 2019, we issued \$345.0 million in 2.625% convertible notes due in 2024 (the "Notes"). Interest is payable semi-annually in arrears on February 1 and August 1 of each year, commencing August 1, 2019. The Notes will mature on February 1, 2024, unless earlier repurchased or converted. The Notes represent subordinated unsecured obligations and are convertible under certain circumstances, as defined in the indenture, into a combination of cash and CONMED common stock. The Notes may be converted at an initial conversion rate of 11.2608 shares of our common stock per \$1,000 principal amount of Notes (equivalent to an initial conversion price of approximately \$88.80 per share of common stock). Holders of the Notes may convert their Notes at their option at any time on or after November 1, 2023 through the second scheduled trading day preceding the maturity date. Holders of their Notes will also have the right to convert the Notes prior to November 1, 2023, but only upon the occurrence of specified events. The conversion rate is subject to anti-dilution adjustments if certain events occur. A portion of the net proceeds from the offering of the notes were used as part of the financing for the Buffalo Filter acquisition and \$21.0 million were used to pay the cost of certain convertible notes hedge transactions as further described below.

Our effective borrowing rate for nonconvertible debt at the time of issuance of the Notes was estimated to be 6.14%, which resulted in \$51.6 million of the \$345.0 million aggregate principal amount of Notes issued, or \$39.1 million after taxes, being attributable to equity. For the three months ended March 31, 2019, we have recorded interest expense related to the amortization of debt discount on the Notes of \$1.5 million at the effective interest rate of 6.14%. The debt discount on the Notes is being amortized through February 2024. For the three months ended March 31, 2019, we have recorded interest expense on the Notes of \$1.6 million, at the contractual coupon rate of 2.625%.

In connection with the offering of the Notes, we entered into convertible note hedge transactions with a number of financial institutions (each, an “option counterparty”). The convertible note hedge transactions cover, subject to anti-dilution adjustments substantially similar to those applicable to the Notes, the number of shares of our common stock underlying the Notes. Concurrently with entering into the convertible note hedge transactions, we also entered into separate warrant transactions with each option counterparty whereby we sold to such option counterparty warrants to purchase, subject to customary anti-dilution adjustments, the same number of shares of our common stock.

The convertible note hedge transactions are expected generally to reduce the potential dilution upon conversion of the Notes and/or offset any cash payments we are required to make in excess of the principal amount of converted Notes, as the case may be, in the event that the market price per share of our common stock, as measured under the terms of the convertible note hedge transactions, is greater than the strike price (\$114.92) of the convertible note hedge transactions, which initially corresponds to the conversion price of the Notes and is subject to anti-dilution adjustments substantially similar to those applicable to the conversion rate of the Notes. If, however, the market price per share of our common stock, as measured under the terms of the warrant transactions, exceeds the strike price of the warrants, there would nevertheless be dilution to the extent that such market price exceeds the strike price of the warrants, unless we elect to settle the warrants in cash.

We have a mortgage note outstanding in connection with the Largo, Florida property and facilities bearing interest at 8.25% per annum with semiannual payments of principal and interest through June 2019. The principal balance outstanding on the mortgage note aggregated \$0.8 million at March 31, 2019. The mortgage note is collateralized by the Largo, Florida property and facilities.

The scheduled maturities of long-term debt outstanding at March 31, 2019 are as follows:

Remaining, 2019	\$	10,773
2020		13,250
2021		18,219
2022		24,844
2023		467,750
2024		345,000

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 that 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, 2018 and the following, among others:

- general economic and business conditions;
- compliance with and changes in regulatory requirements;
- the possibility that United States or foreign regulatory and/or administrative agencies may initiate enforcement actions against us or our distributors;
- competition;
- changes in customer preferences;
- changes in technology;
- the introduction and acceptance of new products;
- the availability and cost of materials;
- cyclical customer purchasing patterns due to budgetary and other constraints;
- quality of our management and business abilities and the judgment of our personnel;
- the availability, terms and deployment of capital;
- future levels of indebtedness and capital spending;
- changes in foreign exchange and interest rates;
- the ability to evaluate, finance and integrate acquired businesses, products and companies;
- changes in business strategy;
- the risk of an information security breach, including a cybersecurity breach;
- the risk of a lack of allograft tissues due to reduced donations of such tissues or due to tissues not meeting the appropriate high standards for screening and/or processing of such tissues;
- the ability to defend and enforce intellectual property;
- the risk of litigation, especially patent litigation as well as the cost associated with patent and other litigation; and
- trade protection measures, tariffs and other border taxes, and import or export licensing requirements.

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, 2018 for a further discussion of these factors. You are 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 that provides surgical devices and equipment for minimally invasive procedures. The Company’s products are used by surgeons and physicians in a variety of specialties including orthopedics, general surgery, gynecology, neurosurgery, thoracic surgery and gastroenterology.

Our product lines consist of orthopedic surgery and general surgery. Orthopedic surgery consists of sports medicine instrumentation and small bone, large bone and specialty powered surgical instruments as well as imaging systems for use in minimally invasive surgery procedures including 2DHD and 3DHD vision technologies and service fees related to the promotion

and marketing of sports medicine allograft tissue. General surgery consists of a complete line of endo-mechanical instrumentation for minimally invasive laparoscopic and gastrointestinal procedures, a line of cardiac monitoring products as well as electrosurgical generators and related instruments. These product lines as a percentage of consolidated net sales are as follows:

	Three Months Ended March 31,	
	2019	2018
Orthopedic surgery	52%	54%
General surgery	48%	46%
Consolidated net sales	100%	100%

A significant amount of our products are used in surgical procedures with approximately 79% of our revenues derived from the sale of single-use products. Our capital equipment offerings also facilitate the ongoing sale of related disposable products and accessories, thus providing us with a recurring revenue stream. We manufacture substantially all of our products in facilities located in the United States and Mexico. We market our products both domestically and internationally directly to customers and through distributors. International sales approximated 46% and 47% during the three months ended March 31, 2019 and 2018, respectively.

Business Environment

On February 11, 2019 we acquired Buffalo Filter, LLC and all of the issued and outstanding common stock of Palmerton Holdings, Inc. from Filtration Group FGC LLC (the "Buffalo Filter Acquisition") for approximately \$365 million in cash. Buffalo Filter develops, manufactures and markets smoke evacuation technologies that are complementary to our general surgery offering. See Note 3 to the consolidated condensed financial statements for further information on this business acquisition. The acquisition was funded through a combination of cash on hand and long-term borrowings as further described below.

We financed the purchase price for the Buffalo Filter Acquisition using a combination of the issuance of \$345.0 million of 2.625% convertible notes due 2024 issued on January 29, 2019 (the Convertible Notes") and the incurrence of indebtedness under our sixth amended and restated senior secured credit agreement, which closed on February 7, 2019. Refer to Financing Cash Flows and Note 17 to the consolidated condensed financial statements for further details.

Critical Accounting Policies

Preparation of our financial statements requires us to make estimates and assumptions which affect the reported amounts of assets, liabilities, revenues and expenses. Note 1 to the Consolidated Financial Statements in our Annual Report on Form 10-K for the year-ended December 31, 2018 describes the significant accounting policies used in preparation of the Consolidated Financial Statements. On an ongoing basis, we evaluate the critical accounting policies used to prepare our consolidated financial statements, including, but not limited to, those related to:

- inventory valuation; and
- goodwill and intangible assets.

See Note 9 and Note 16 to the consolidated condensed financial statements for updates to our accounting policy resulting from the adoption of ASU No. 2016-02, Leases (Topic 842), which is codified in Accounting Standards Codification ("ASC") 842.

Consolidated Results of Operations

The following table presents, as a percentage of net sales, certain categories included in our consolidated condensed statements of income for the periods indicated:

	Three Months Ended March 31,	
	2019	2018
Net sales	100.0 %	100.0%
Cost of sales	44.4	45.8
Gross profit	55.6	54.2
Selling and administrative expense	45.4	41.9
Research and development expense	4.8	3.8
Income from operations	5.3	8.6
Other expense	1.9	—
Interest expense	4.3	2.4
Income (loss) before income taxes	(0.9)	6.2
Provision (benefit) for income taxes	(1.4)	0.9
Net income	0.5 %	5.3%

Sales

The following table presents net sales by product line for the three months ended March 31, 2019 and 2018:

	Three Months Ended				
	2019	2018	As Reported	% Change	
				Impact of Foreign Currency	Constant Currency
Orthopedic surgery	\$ 113.4	\$ 108.9	4.2%	1.5%	5.7%
General surgery	105.0	93.2	12.6%	0.8%	13.4%
Net sales	\$ 218.4	\$ 202.1	8.1%	1.2%	9.3%
Single-use products	\$ 172.4	\$ 161.7	6.6%	1.2%	7.8%
Capital products	46.0	40.4	13.9%	1.4%	15.3%
Net sales	\$ 218.4	\$ 202.1	8.1%	1.2%	9.3%

Net sales increased 8.1% in the three months ended March 31, 2019 compared to the same period a year ago due to growth in both the Orthopedic and General Surgery product lines, as described below. Buffalo Filter sales were \$6.1 million during the quarter.

- Orthopedic surgery sales increased 4.2% in the three months ended March 31, 2019 primarily due to continued growth in our powered instrument offerings driven by the introduction of new products.
- General surgery sales increased 12.6% in the three months ended March 31, 2019 driven by \$6.1 million in sales from the Buffalo Filter acquisition, continued strong AirSeal® sales and new product introductions.

Cost of Sales

Cost of sales increased to \$96.9 million in the three months ended March 31, 2019 as compared to \$92.5 million in the three months ended March 31, 2018. Gross profit margins increased 1.4 percentage points to 55.6% in the three months ended March 31, 2019 as compared to 54.2% in the three months ended March 31, 2018. The increase in gross profit margins of 1.4 percentage points in the three months ended March 31, 2019 was mainly a result of favorable inventory variances in the current year (1.7 percentage points) offset by a \$0.7 million (0.3 percentage points) charge related to inventory adjustments associated with the Buffalo Filter Acquisition as further described in Note 13.

Selling and Administrative Expense

Selling and administrative expense increased to \$99.2 million in the three months ended March 31, 2019 as compared to \$84.6 million in the three months ended March 31, 2018. Selling and administrative expense as a percentage of net sales increased to 45.4% in the three months ended March 31, 2019 as compared to 41.9% in the three months ended March 31, 2018.

The 3.5 percentage point increase in selling and administrative expense as a percentage of net sales in the three months ended March 31, 2019 as compared to the same period a year ago is mainly due to costs related to the Buffalo Filter Acquisition, including \$7.2 million for investment banking fees, consulting fees, legal fees and integration related costs as further described in Note 3 and Note 13.

Research and Development Expense

Research and development expense increased to \$10.6 million in the three months ended March 31, 2019 as compared to \$7.7 million in the three months ended March 31, 2018. As a percentage of net sales, research and development expense increased 1.0 percentage point to 4.8% in the three months ended March 31, 2019 as compared to 3.8% in the three months ended March 31, 2018. The increase resulted from our continued efforts to increase new product development.

Other Expense

Other expense in the three months ended March 31, 2019 mainly related to costs associated with our sixth amended and restated senior credit agreement entered into on February 7, 2019 as further described in Note 17. These costs include a \$3.6 million charge related to commitment fees paid to certain of our lenders, which provided a financing commitment for the Buffalo Filter acquisition, and a loss on the early extinguishment of debt of \$0.3 million.

Interest Expense

Interest expense increased to \$9.4 million in the three months ended March 31, 2019 from \$4.8 million in the three months ended March 31, 2018 due the additional borrowings under the sixth amended and restated senior credit agreement and the issuance of \$345.0 million in 2.625% convertible notes due in 2024, as further described in Note 17. The weighted average interest rates on our borrowings increased to 3.97% in the three months ended March 31, 2019 as compared to 3.93% in the three months ended March 31, 2018.

Provision for Income Taxes

Income tax benefit has been recorded at an effective tax rate of 152.2% for the three months ended March 31, 2019 compared to income tax expense recorded at an effective tax rate of 14.5% for the three months ended March 31, 2018. The higher effective rate for the three months ended March 31, 2019, as compared to the same period in the prior year, was primarily the result of recording discrete income tax benefits associated with stock options and other federal income tax items which increased the effective rate by 120.7% for the three months ended March 31, 2019 as compared to a reduction of 17.4% for discrete items during the three months ended March 31, 2018. In addition, the lower federal statutory tax rate of 21% enacted with Tax Reform was offset by other provisions of Tax Reform including global intangible low-taxed income ("GILTI") as well as income earned in foreign jurisdictions with effective tax rates in excess of the federal statutory rate. A reconciliation of the United States statutory income tax rate to our effective tax rate is included in our Annual Report on Form 10-K for the year ended December 31, 2018, under Note 7 to the consolidated financial statements.

Non-GAAP Financial Measures

Net sales on an "constant currency" basis is a non-GAAP measure. The Company analyzes net sales on a constant currency basis to better measure the comparability of results between periods. To measure percentage sales growth in constant currency,

the Company removes the impact of changes in foreign currency exchange rates that affect the comparability and trend of net sales.

Because non-GAAP financial measures are not standardized, it may not be possible to compare this financial measure with other companies' non-GAAP financial measures having the same or similar names. This adjusted financial measure should not be considered in isolation or as a substitute for reported net sales growth, the most directly comparable GAAP financial measure. This non-GAAP financial measure is an additional way of viewing net sales that, when viewed with our GAAP results, provides a more complete understanding of our business. The Company strongly encourages investors and shareholders to review our financial statements and publicly-filed reports in their entirety and not to rely on any single financial measure.

Liquidity and Capital Resources

Our liquidity needs arise primarily from capital investments, working capital requirements and payments on indebtedness under the sixth amended and restated senior credit agreement, described below. We have historically met these liquidity requirements with funds generated from operations and borrowings under our revolving credit facility. In addition, we have historically used term borrowings, including borrowings under the sixth amended and restated senior credit agreement, the issuance of convertible notes, and borrowings under separate loan facilities, in the case of real property purchases, to finance our acquisitions. We also have the ability to raise funds through the sale of stock or we may issue debt through a private placement or public offering. Management believes that cash flow from operations, including cash and cash equivalents on hand and available borrowing capacity under our sixth amended and restated senior credit agreement, will be adequate to meet our anticipated operating working capital requirements, debt service, funding of capital expenditures and common stock repurchases in the foreseeable future.

Operating cash flows

Our net working capital position was \$239.4 million at March 31, 2019. Net cash provided by (used in) operating activities was \$(3.9) million and \$25.0 million in the three months ended March 31, 2019 and 2018, respectively, generated on net income of \$1.0 million and \$10.7 million for the three months ended March 31, 2019 and 2018, respectively.

The decrease in cash flows from operating activities for the three months ended March 31, 2019 as compared to the same period a year ago is primarily due to the following:

- Lower net income in 2019 compared to 2018 due to costs incurred in conjunction with the Buffalo Filter Acquisition as further described in Note 3 and Note 13 to the consolidated condensed financial statements.
- Higher inventory levels as we continue to support new product introductions and sales growth.
- Higher commission and incentive compensation payments associated with increased sales.

Investing cash flows

Net cash used in investing activities in the three months ended March 31, 2019 increased \$365.2 million from the same period a year ago mainly due to the \$364.9 million payment for the Buffalo Filter Acquisition. Capital expenditures were \$4.0 million and \$3.8 million in the three months ended March 31, 2019 and 2018, respectively, and are expected to approximate \$16.0 million in 2019.

Financing cash flows

Net cash provided by financing activities in the three months ended March 31, 2019 was \$379.0 million compared to a use of cash of \$33.3 million during 2018. Below is a summary of the significant financing activities impacting the change during the three months ended March 31, 2019 compared to 2018:

- We received proceeds of \$345.0 million related to the issuance of 2.625% convertible notes as further described below.
- We entered into a \$265.0 million term loan in conjunction with the refinancing of our senior credit agreement. This new term loan replaced the previous term loan and resulted in net proceeds of \$120.6 million compared to \$3.3 million in payments in the prior year.
- We had net payments on our revolving line of credit of \$43.0 million compared to \$25.0 million during the three months ended March 31, 2018.
- We paid \$51.2 million to purchase hedges related to our convertible notes. Partially offsetting this, were proceeds of \$30.6 million from the issuance of warrants as further described below.
- We paid \$16.2 million in debt issuance costs associated with the 2.625% convertible notes and the sixth amended and restated senior credit agreement.

- We paid \$2.9 million in contingent consideration related to a prior asset acquisition.

On February 7, 2019 we entered into a sixth amended and restated senior credit agreement consisting of: (a) a \$265.0 million term loan facility and (b) a \$585.0 million revolving credit facility. The revolving credit facility will terminate and the loans outstanding under the term loan facility will expire on the earlier of (i) February 7, 2024 or (ii) 91 days prior to the earliest scheduled maturity date of the \$345.0 million in 2.625% convertible notes due in 2024 described below, (if, as of such date, more than \$150.0 million in aggregate principal amount of such convertible notes (or any refinancing thereof) remains outstanding). The term loan facility is payable in quarterly installments increasing over the term of the facility. Proceeds from the term loan facility and borrowings under the revolving credit facility were used to repay the then existing senior credit agreement and in part to finance the acquisition of Buffalo Filter. Initial interest rates are at LIBOR plus an interest rate margin of 1.875% (4.375% at March 31, 2019). For those borrowings where we elect to use the alternate base rate, the initial base rate will be the greatest of (i) the Prime Rate, (ii) the Federal Funds Rate plus 0.50% or (iii) the one-month Eurocurrency Rate plus 1.00%, plus, in each case, an interest rate margin.

There were \$265.0 million in borrowings outstanding on the term loan facility as of March 31, 2019. There were \$269.0 million in borrowings outstanding under the revolving credit facility as of March 31, 2019. Our available borrowings on the revolving credit facility at March 31, 2019 were \$313.0 million with approximately \$3.0 million of the facility set aside for outstanding letters of credit.

The sixth amended and restated senior credit agreement is collateralized by substantially all of our personal property and assets. The sixth amended and restated senior credit agreement contains covenants and restrictions which, among other things, require the maintenance of certain financial ratios and restrict dividend payments and the incurrence of certain indebtedness and other activities, including acquisitions and dispositions. We were in full compliance with these covenants and restrictions as of March 31, 2019. We are also required, under certain circumstances, to make mandatory prepayments from net cash proceeds from any issuance of equity and asset sales.

On January 29, 2019, we issued \$345.0 million in 2.625% convertible notes due in 2024 (the "Notes"). Interest is payable semi-annually in arrears on February 1 and August 1 of each year, commencing August 1, 2019. The Notes will mature on February 1, 2024, unless earlier repurchased or converted. The Notes represent subordinated unsecured obligations and are convertible under certain circumstances, as defined in the indenture, into a combination of cash and CONMED common stock. The Notes may be converted at an initial conversion rate of 11.2608 shares of our common stock per \$1,000 principal amount of Notes (equivalent to an initial conversion price of approximately \$88.80 per share of common stock). Holders of the Notes may convert their Notes at their option at any time on or after November 1, 2023 through the second scheduled trading day preceding the maturity date. Holders of their Notes will also have the right to convert the Notes prior to November 1, 2023, but only upon the occurrence of specified events. The conversion rate is subject to anti-dilution adjustments if certain events occur. A portion of the net proceeds from the offering of the notes were used as part of the financing for the Buffalo Filter acquisition and \$21.0 million were used to pay the cost of certain convertible notes hedge transactions as further described below.

In connection with the offering of the Notes, we entered into convertible note hedge transactions with a number of financial institutions (each, an "option counterparty"). The convertible note hedge transactions cover, subject to anti-dilution adjustments substantially similar to those applicable to the Notes, the number of shares of our common stock underlying the Notes. Concurrently with entering into the convertible note hedge transactions, we also entered into separate warrant transactions with each option counterparty whereby we sold to such option counterparty warrants to purchase, subject to customary anti-dilution adjustments, the same number of shares of our common stock.

The convertible note hedge transactions are expected generally to reduce the potential dilution upon conversion of the Notes and/or offset any cash payments we are required to make in excess of the principal amount of converted Notes, as the case may be, in the event that the market price per share of our common stock, as measured under the terms of the convertible note hedge transactions, is greater than the strike price (\$114.92) of the convertible note hedge transactions, which initially corresponds to the conversion price of the Notes and is subject to anti-dilution adjustments substantially similar to those applicable to the conversion rate of the Notes. If, however, the market price per share of our common stock, as measured under the terms of the warrant transactions, exceeds the strike price of the warrants, there would nevertheless be dilution to the extent that such market price exceeds the strike price of the warrants, unless we elect to settle the warrants in cash.

We have a mortgage note outstanding in connection with the Largo, Florida property and facilities bearing interest at 8.25% per annum with semiannual payments of principal and interest through June 2019. The principal balance outstanding on the mortgage note aggregated \$0.8 million at March 31, 2019. The mortgage note is collateralized by the Largo, Florida property and facilities.

Our Board of Directors has authorized a \$200.0 million share repurchase program. Through March 31, 2019, we have repurchased a total of 6.1 million shares of common stock aggregating \$162.6 million under this authorization and have \$37.4 million remaining available for share repurchases. The repurchase program calls for shares to be purchased in the open market or in private transactions from time to time. We may suspend or discontinue the share repurchase program at any time. We have not purchased any shares of common stock under the share repurchase program during 2019. We have financed the repurchases and may finance additional repurchases through operating cash flow and from available borrowings under our revolving credit facility.

Management believes that cash flow from operations, including cash and cash equivalents on hand and available borrowing capacity under our sixth amended and restated senior credit agreement, will be adequate to meet our anticipated operating working capital requirements, debt service, funding of capital expenditures and common stock repurchases in the foreseeable future.

Contractual Obligations

On February 7, 2019 we entered into a sixth amended and restated senior credit agreement consisting of: (a) a \$265.0 million term loan facility and (b) a \$585.0 million revolving credit facility and on January 29, 2019, we issued \$345.0 million in 2.625% convertible notes. As a result, the below is a summary of our long-term debt obligations for the next five years as of March 31, 2019.

	Payments Due by Period				
	Total	Less than 1 Year	1-3 Years	3-5 Years	More than 5 Years
Long-term debt	\$ 879,836	\$ 14,086	\$ 33,125	\$ 832,625	\$ —

New accounting pronouncements

See Note 16 to the consolidated condensed financial statements for a discussion of new accounting pronouncements.

Item 3. Quantitative and Qualitative Disclosures About Market Risk

There have been no significant changes in our primary market risk exposures or in how these exposures are managed during the three months ended March 31, 2019. Reference is made to Item 7A. of our Annual Report on Form 10-K for the year ended December 31, 2018 for a description of Qualitative and Quantitative Disclosures About Market Risk.

Item 4. Controls and Procedures

As of the end of the period covered by this report, an evaluation was carried out by CONMED Corporation's management, with the participation of our Chief Executive Officer and Chief Financial Officer, of the effectiveness of our disclosure controls and procedures (as defined in Rule 13a-15(e) and 15d-15(e) under the Securities Exchange Act of 1934). Based upon that evaluation, our Chief Executive Officer and Chief Financial Officer concluded that these disclosure controls and procedures were effective as of the end of the period covered by this report. In addition, no change in our internal control over financial reporting (as defined in Rule 13a-15(f) and 15d-15(f) under the Securities Exchange Act of 1934) occurred during the quarter ended March 31, 2019 that has materially affected, or is reasonably likely to materially affect, our internal control over financial reporting.

PART II OTHER INFORMATION

Item 1. Legal Proceedings

Reference is made to Item 3 of the Company's Annual Report on Form 10-K for the year-ended December 31, 2018 and to Note 15 of the Notes to Consolidated Condensed Financial Statements included in Part I of this Report for a description of certain legal matters.

Item 6. Exhibits

Exhibit Index

<u>Exhibit No.</u>	<u>Description of Exhibit</u>
10.1	Service Agreement between the Company and Pat Beyer, dated April 25, 2019 (Incorporated by reference to Exhibit 10.1 of the Company's Quarterly Report on Form 10-Q for the quarter ended March 31, 2019).
31.1	Certification of Curt R. Hartman pursuant to Rule 13a-14(a) or Rule 15d-14(a) of the Securities Exchange Act, as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
31.2	Certification of Todd W. Garner pursuant to Rule 13a-14(a) or Rule 15d-14(a) of the Securities Exchange Act, as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
32.1	Certifications of Curt R. Hartman and Todd W. Garner pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
101	The following materials from CONMED Corporation's Quarterly Report on Form 10-Q for the three months ended March 31, 2019 formatted in XBRL (Extensible Business Reporting Language): (i) Consolidated Condensed Statements of Comprehensive Income for the three months ended March 31, 2019 and 2018, (ii) the Consolidated Condensed Balance Sheets at March 31, 2019 and December 31, 2018, (iii) Consolidated Condensed Statements of Shareholders' Equity for the three months ended March 31, 2019 and 2018 (iv) Consolidated Condensed Statements of Cash Flows for the three months ended March 31, 2019 and 2018, and (v) Notes to Consolidated Condensed Financial Statements for the three months ended March 31, 2019. In accordance with Rule 406T of Regulation S-T, the XBRL related information in Exhibit 101 to this Quarterly Report on Form 10-Q shall not be deemed to be "filed" for purposes of Section 18 of the Exchange Act, or otherwise subject to the liability of that section, and shall not be part of any registration statement or other document filed under the Securities Act or the Exchange Act, except as shall be expressly set forth by specific reference in such filing.

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized on the date indicated below.

CONMED CORPORATION

By: /s/ Todd W. Garner

Todd W. Garner

Executive Vice President and
Chief Financial Officer

Date:

April 26, 2019

DATED

APRIL 25, 2019

BETWEEN

CONMED U.K. LIMITED (1)

PAT BEYER (2)

SERVICE AGREEMENT

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Parties:

(1) **CONMED U.K. LIMITED** a company registered in England and Wales with company number 03535936 whose registered office is situated at 73/74 Shrivenham Hundred Business Park, Swindon SN6 8TY ("we", "us", "the Company")

(2) **PAT BEYER** of The Dial House, St Peter Street, Marlow, Buckinghamshire SL7 1NQ ("you")

1. Definitions and Interpretation

1.1 In this Agreement the following expressions will, unless the context otherwise requires, have the meanings set opposite them:

"**Board**" means the Board of Directors of the Company from time to time or its duly authorized representative;

"**Business**" means the business of the development, marketing, distribution and sale of surgical and patient monitoring medical device products and services as currently conducted, and as they may be conducted in the future, as well as any other products and services as carried on by the Company and any Group Company from time to time during any period in which you were employed by or provided services to the Company or any Group Company;

"**Company Intellectual Property**" means Intellectual Property Rights created by you (whether jointly or alone) in the course of your employment with the Company, whether or not during working hours or using Company premises or resources and whether or not recorded in material form;

"**Garden Leave**" means any period during which the Company exercises its rights under clause 15;

"**Group Company**" means the Company, its subsidiaries or holding companies from time to time and any subsidiary of any holding company from time to time (for which purpose "holding company" and "subsidiary" shall have the meanings ascribed to them by Section 1159 of the Companies Act 2006 as amended) or any other business controlled by the Company or CONMED Corporation ("CONMED");

"**Intellectual Property Rights**" means patents, inventions, copyright and related rights, trademarks, trade names, service marks and domain names, rights in get-up, goodwill, rights to sue for passing off, design rights, semi-conductor topography rights, database rights, Confidential Information, moral rights, proprietary rights and any other intellectual property rights in each case whether registered or unregistered and including all applications or rights to apply for, and renewals or extensions of such rights and all similar or equivalent rights or forms of protection which subsist or will subsist now or in the future in any part of the world;

"**Invention**" means any invention, idea, discovery, development, improvement or innovation, processes, formulae, models or prototypes, whether or not patentable or capable of registration, and whether or not recorded in any medium;

"**Termination Date**" means the date on which your employment terminates or, if the Company exercises any of its powers under clause 16.1, 12 months immediately before the date such powers are exercised and references to "from the Termination Date" mean from and including the date of termination;

"**WTR**" means the Working Time Regulations 1998.

1.2 In this Agreement:

- 1.2.1 words and expressions defined in the Companies Act 2006, unless the context otherwise requires, have the same meanings when used in this Agreement;
- 1.2.2 any reference to this Agreement or to any other document include any permitted variation or amendment to this Agreement or such other document;
- 1.2.3 the use of the singular includes the plural and vice versa and words denoting any gender will include a reference to each other gender;
- 1.2.4 any reference to a clause or schedule is, except where expressly stated to the contrary, reference to the relevant clause of or schedule to this Agreement;
- 1.2.5 clauses and schedule headings and the use of bold type are included for ease of reference only and will not limit or affect the construction or interpretation of any provision of this Agreement;
- 1.2.6 any reference to any statute, statutory instrument, order, regulation or other similar instrument (including any EU order, regulation or instrument) will be construed as including references to any statutory modification, consideration or re-enactment of that provision (whether before or after the date of this Agreement) for the time being in force including all instruments, orders or regulations then in force and made under or deriving validity from it;
- 1.2.7 any phrase introduced by the terms 'include', 'including', 'in particular' or any similar expression will be construed as illustrative and will not limit the sense of the words preceding those terms.

2. Term of Employment

- 2.1 Your employment with the Company began on 9 December 2014 and this is the date that your continuous employment commenced. It shall continue subject to the remaining terms of this Agreement unless or until determined by either you or the Company in accordance with clause 14 or clause 15 below. No employment with any previous employer counts towards your continuous period of employment with the Company.

3. Job Title and Duties

- 3.1 Your job title is President, International and/or such other position or capacity with such job title and duties and other additional responsibilities as the Board may from time to time reasonably decide, and subject to the terms and conditions set out in this Agreement. Unless otherwise notified, you will report to Curt Hartman, the CEO of CONMED ("the CEO") and will be responsible for managing, supervising and overseeing CONMED's international

business. Your job responsibilities will include leading the Corporate Research and Development function and acting as President of International.

- 3.2 You are required to devote your full time and attention to the performance of your duties and to act in the best interests of the Company and all Group Companies at all times. You may be required to perform services for any Group Company without further remuneration (unless otherwise agreed) and your obligations under this Agreement will equally apply to such Group Company. However, the Company has no duty to provide any work to or vest any powers in you, and you shall have no right to perform any services for the Company or any Group Company.
- 3.3 You shall act to the best of your abilities, knowledge and expertise in carrying out your duties, and you shall use your best endeavors to maintain, develop and extend the business for the Company. You shall not do or willingly permit to be done anything which materially harms the interests of the Company or any Group Company. You shall at all times and in all respects promptly and faithfully comply with the proper and reasonable directions of the CEO and will keep the CEO fully and promptly informed (in writing if so required) of your conduct of the business and give the CEO such information relating to the Company and any Group Company to which your duties relate as may be requested from time to time.
- 3.4 You shall comply with all rules, regulations, codes of practice, codes of conduct, policies and procedures that relate to the Company or any Group Company and shall use your best endeavours to ensure that the Company and each Group Company complies in all material respects with the rules, procedures, policies and codes of any professional organisation or association of which it is or they are a member.
- 3.5 Without prejudice to the generality of clause 3.3 you shall ensure that the CEO is promptly made aware of:
 - 3.5.1 any activity, actual or threatened, which might materially affect the interests of the Company and/or any Group Company;
 - 3.5.2 any actual, potential, or maturing business opportunity enjoyed by the Company or any Group Company;
 - 3.5.3 your own misconduct or the misconduct of any agent, employees, officer, or worker of the Company or any Group Company of which you are, or ought reasonably to be, aware that may be material to the Company or any Group Company;
 - 3.5.4 any material offer of engagement or approach made by a competing business to you or any agent, employee, officer, or worker of the Company or any Group Company of which you are, or ought reasonably to be, aware;
 - 3.5.5 any other material matter relating to the Company or any of its officers or employees which you become aware of, and which could be the subject of a qualifying disclosure as defined by section 43B of the Employment Rights Act 1996.
- 3.6 You will not without the CEO's prior written consent: (a) incur any expenditure in excess of the amount authorised under the Group Approval Authority Matrix (as amended from time to time), (b) enter into any commitment, contract or arrangement outside the scope of

your normal duties, or (c) hold yourself out as having authority to do any of the acts described in this clause.

- 3.7 During your employment (including any period of notice), you will not without first obtaining the CEO's prior written consent:
- 3.7.1 be engaged or interested, either directly or indirectly (through any member of your family or household or otherwise), in any capacity in any trade, business or occupation whatsoever, other than the Business of the Company or a Group Company, provided that you shall not be prohibited from holding (whether directly or indirectly), for investment purposes only, not more than 5% of the shares or stock of any class of any public company quoted or dealt in on a recognised stock exchange);
 - 3.7.2 take any steps that are preparatory to competing with the Business of the Company or any Group Company other than making a bona fide application for new employment;
 - 3.7.3 accept any benefits from third parties or take undeclared profits from your position; or
 - 3.7.4 pledge the credit of the Company or any Group Company, other than in the day to day running of the Business or enter into any contracts or obligations involving the Company or any Group Company.
- 3.8 You confirm that you have disclosed in writing to the CEO all circumstances existing at the date of this Agreement which would require the consent of the CEO under clause 3.7 above and all circumstances in respect of which there is, or may be, a conflict of interest between the Company or any Group Company and you or any of your connected person. You agree to disclose fully to the CEO any such circumstances which may arise during your employment.
- 3.9 You agree to accept (if offered) appointment as a director of the Company or any Group Company with such executive powers as the Board shall decide in its absolute discretion and resign any such appointment if requested by the Board without any claim for damages or compensation. You agree that if you fail to resign any such appointment, the Company is hereby irrevocably authorised to appoint an individual in your name and on your behalf to sign and execute all documents and do all things necessary to constitute and give effect to such resignation. Termination, at the Board's request, of a directorship of other office held by you, will not terminate your employment or amount to a breach of the terms of this Agreement by the Company. You also agree to adhere to the Group Company's policies, as they may be amended from time to time, with respect to services on the board of directors of any non-Group Company.

4. Employee Warranties

- 4.1 You represent and warrant that:
- 4.1.1 you will not, as a consequence of entering into or performing this Agreement or any other agreements or arrangements made between you and the Company or any Group Company, be in breach of any terms binding upon you of any contract,

agreement, undertaking, court order or arrangement with, or any obligation to any third party;

- 4.1.2 you are entitled to work in the United Kingdom without any additional approvals and will notify the Company immediately if you cease to be so entitled during your employment;
- 4.1.3 you are not subject to any restriction which will hinder or restrict you from performing any duties which you are or may be required to perform under this Agreement or any other agreements or arrangements made between you and the Company or any Group Company;
- 4.1.4 you have no unspent criminal convictions;
- 4.1.5 you will whenever required co-operate fully with all requests for the completion of any form of background check or referencing that may be required by law or otherwise reasonably specified for the performance of your contractual duties;
- 4.1.6 all of the information that you have provided to the Company, and any third party acting on behalf of the Company, prior to the commencement of your employment is to your knowledge complete, true and up-to-date and you have not deliberately omitted any information relevant to your employment.

5. Place of Work

- 5.1 You shall be required to work such hours and travel within and outside of the United Kingdom as may reasonably be required for the proper performance of your duties as President of CONMED International.

6. Remuneration and Benefits

- 6.1 You will be paid a basic salary of £ 319,000 per annum, in such instalments consistent with the Company's compensation practices as they may change from time to time. Payment will normally be made by credit transfer into a bank account nominated by you. You acknowledge that you shall not be entitled to receive further remuneration in respect of overtime.
- 6.2 Provided that you hold a current driving licence, you will be eligible for a car allowance paid monthly in equal instalments of £1,000 per month, on or before the 24th day of every month or as soon thereafter as practicable (the "Car Allowance"). This payment will be subject to normal deductions for tax and National Insurance contributions (as applicable). The Car Allowance shall not be treated as part of your salary for any purpose and shall not be pensionable. The Company reserves the right to vary or withdraw the Car Allowance in any way at any time, including by reducing the amount payable to you, upon giving reasonable notice. You shall immediately inform the Company if you are disqualified from driving, and in that case shall cease to be entitled to receive the Car Allowance under this clause 6.2.
- 6.3 You will have a performance review periodically at a time of the Company's choosing, at which time the Company will also review your salary. Additional reviews of your performance may take place at the Company's absolute discretion. The Company is under no obligation to increase any element of your remuneration following any

performance review. There will be no review of salary after either you or the Company has given notice to terminate your employment.

- 6.4 You may participate in the Company's occupational pension scheme (or such other registered pension scheme as may be established by the Company to replace this scheme) (the "Scheme") subject to the rules of the Scheme as amended from time to time. For each year in which you participate in the Scheme, the Company shall make a contribution to the Scheme of £10,000 per annum ("Scheme Contributions"). Scheme Contributions shall be made by way of a deduction from your salary and shall subject to the rules of the Scheme and the tax reliefs and exemptions available from HM Revenue & Customs, in both cases as amended from time to time. In the event that your participation in the Scheme ceases for any reason, the Company's payment of Scheme Contributions shall cease with immediate effect. Full details of the Scheme may be obtained from the HR department. The Company will also pay you a pensions allowance of £69,382.34 per annum, subject to normal deductions for tax and National Insurance contributions (the "Pension Allowance"). The Pension Allowance shall not be treated as part of your salary for any purpose, and the Company reserves the right to vary or withdraw the Pension Allowance at any time.
- 6.5 The Company may award discretionary bonuses from time to time, subject to such terms and conditions as may be decided from time to time by the Board. Where the Company decides to award a bonus, it will normally be dependent on both your and the Company's performance although the award of any bonus is entirely at the Company's discretion. The award of a bonus in one year does not imply any entitlement in respect of future years and there will be no entitlement to receive any bonus if your employment has terminated or you are under notice of termination at the expected date for payment. You may also be eligible to participate in the Conmed Corporation Executive Severance Plan and Conmed Corporation Executive Bonus Plan, subject to the terms and conditions of these plans as may be in force from time to time (collectively referred to as the "**Executive Plans**"). Details of the Executive Plans will be provided to you separately.
- 6.6 Without prejudice to the Company's right to vary or discontinue any such benefits at its sole discretion, the Company shall, subject to clauses 6.7 - 6.11 (inclusive) below, provide you with the following benefits, particulars of which may be obtained from your line manager:
- 6.6.1 death in service cover of a sum equal to 3 times your basic annual salary, in accordance with arrangements made between the Company and such reputable insurer as the Company may decide from time to time, and subject to terms and conditions applicable to any such insurance;
 - 6.6.2 private medical insurance for you, in accordance with the arrangements made between the Company and such reputable insurer as the Company may decide from time to time, and subject to the terms and conditions applicable to any such insurance;
 - 6.6.3 subject to the Company's right to terminate your employment in accordance with this Agreement, long-term disability insurance, in accordance with the arrangements made between the Company and such reputable insurer as the Company may decide from time to time, and subject to the terms and conditions

applicable to any such insurance (the "**Disability Insurance Scheme**"). You may be eligible to receive a payment from the Disability Insurance Scheme where you have been absent from work due to ill health for a continuous period of 28 weeks and you meet all the other qualifying criteria stipulated by the insurers; and

- 6.6.4 personal accident and travel insurance, in accordance with the arrangements made between the Company and such reputable insurer as the Company may decide from time to time, and subject to the terms and conditions applicable to any such insurance.
- 6.7 The Company may at its absolute discretion discontinue, vary or amend any of the benefits referred to in clause 6.5 or 6.6 above at any time without compensation. The Company may also, at its discretion, change the provider of any of the benefits under clause 6.
- 6.8 During any period in which you are eligible to receive benefits under the Disability Insurance Scheme, the Company's obligations under this Agreement shall be limited to paying to you such sums as it receives in respect of you under the Disability Insurance Scheme, and for the avoidance of doubt you agree in such circumstances to accept such sums in place of further payment of salary and any other remuneration including bonus and the provision of a Car Allowance under the terms of this Agreement. During any such period you shall continue to be bound by all your obligations (other than to provide your services) under this Agreement.
- 6.9 The benefits referred to in clause 6 above are conditional on the relevant insurer accepting cover for you and accepting liability for any particular claim. In the event that the relevant insurer does not accept cover or liability in respect of you, or any claim by you in respect of the benefits referred to in clause 6, the Company shall have no obligation to provide any alternative benefit or cover in this regard or to pay any compensation in lieu of such benefit.
- 6.10 Upon termination of your employment, however arising, any and all benefits referred to under clause 6 of this Agreement shall cease with effect from the date of termination, and you shall not be entitled to any compensation for the loss of (a) any rights or benefits under any share option, bonus, long-term incentive plan or other profit sharing scheme or any Executive Plan, or (b) the benefits referred to in clause 6.6, operated by the Company or any Group Company in which you may participate. The provision of the benefits at clause 6.6 shall not restrict the Company's ability to terminate your employment in accordance with this Agreement for any reason.
- 6.11 Tax, employee's National Insurance contributions and any other deductions required by law will be deducted from all sums due to you, where appropriate. The Company is also entitled to deduct from your salary or any other payment due to you from the Company any sums owed by you. Such sums include, without limitation, repayment of any loans or advances made to you by the Company, repayment of any excess holiday pay, overpayment of salary or other benefits received by you from the Company and the cost of any damage to or loss of the Company's property caused by you.
- 6.12 On termination of your employment for whatever reason you may be required to pay, at the Company's discretion, any sums owed to the Company as a debt within 30 days of termination.

7. Expenses

The Company will reimburse you for all expenses reasonable and authorised out of pocket expenses which are wholly, necessarily and exclusively incurred by you in the discharge of your duties, in accordance with any policy on expenses issued by the Company from time to time, and subject to you providing the Company with such vouchers/receipts or other evidence of actual payment of such expenses as the Company may reasonably require. If you are provided with a credit or charge card by the Company, this must only be used for expenses which you incur in performing the duties of your employment as set out above in clause 3.

8. Normal Hours of Work

8.1 You acknowledge that, as an employee with autonomous decision-making powers, and subject to your compliance with your duties under clause 3 of this Agreement, you can determine your own working hours and that as such your working time is not measured or pre-determined. Accordingly, the regulations relating to maximum weekly working time, night work, daily and weekly rest periods in the WTR shall not apply to you during your employment. Notwithstanding that, to the extent that the above-referenced provisions of the WTR do apply to you, you agree in accordance with Regulation 5 of the WTR that the limit of maximum weekly working time set out in Regulation 4(1) of the WTR will not apply to you during your employment. You acknowledge that you may terminate such opt out at any time by giving the Company not less than three months' written notice.

9. Holiday Entitlement

9.1 You are entitled, in addition to the eight normal bank or public holidays, to take 28 working days in each holiday year, which runs from 1 January to 31 December ("Holiday Entitlement"). You will be paid your normal basic remuneration during such holidays and may be required to take some holiday during the Christmas holiday period at the Company's discretion. Holiday Entitlement is inclusive of statutory holiday under the WTR ("Statutory Holiday"). In any holiday year, the first 5.6 weeks of any holiday taken by you shall be deemed to be Statutory Holiday, and the first 4 weeks of any holiday taken by you shall be deemed to be leave under Regulation 13 of the WTR ("Regulation 13 Leave").

9.2 You are entitled to one-twelfth of your annual entitlement for each month of service rounded up to the nearest half day.

9.3 The Company reserves the right to require you to take any accrued but unused Holiday Entitlement during any period of notice given to terminate your employment, or at any other time, or, if applicable, any such holiday shall be deemed to be taken during any period of Garden Leave.

9.4 Untaken Holiday Entitlement at the end of the holiday year cannot be carried forward into any following holiday year, and such Holiday Entitlement will be forfeited without any right to payment in lieu, unless you have been unavoidably prevented from taking such holiday during the relevant year because of sickness absence or statutory maternity, paternity or adoption leave, in which case you shall be entitled to carry forward up to four weeks' Regulation 13 Leave in the case of sickness absence and any accrued untaken Holiday Entitlement in the case of absence due to statutory maternity,

paternity, adoption or shared parental leave. Any Regulation 13 Leave carried forward due to sickness absence must be taken within a 15 month period immediately following the end of the leave year in which it accrued.

- 9.5 If you are ill while on personally chosen holiday and have a doctor's certificate that confirms the number of days' illness, you will be allowed to take the number of days you were ill as holiday at a later time within the same holiday year.
- 9.6 During any continuous period of absence due to incapacity of one month or more you shall not accrue any holiday in excess of your entitlement to Regulation 13 Leave.
- 9.7 Subject to clause 9.8, upon termination of your employment you shall either be entitled to salary in lieu of any outstanding Holiday Entitlement, or be required to repay to the Company any salary received in respect of Holiday Entitlement taken in excess of your proportionate Holiday Entitlement, and any sums repayable by you may be deducted from any outstanding salary or other payments due to you.
- 9.8 If you terminate your employment without the Company's consent before the expiry of the notice required to be given by you pursuant to clause 14.1, or without giving any notice, or if the Company terminates your employment for gross misconduct, you will only be entitled to be paid a nominal sum of £1 in respect of your accrued but untaken holiday.

10. Notification of Sickness or Other Absence and Medical Examination

- 10.1 If you are unable to attend work for any reason and your absence has not previously been authorised by the Company, you must inform an appropriate manager at the Company of your absence and the full reasons for promptly. If you expect to be off for multiple days, you should notify the Company on your first day of absence with an indication of how long you expect to be absent. You must keep the Company informed on a regular basis of your progress and the date of your expected return to work.
- 10.2 If you are absent from work on account of sickness or injury for a period of less than seven days (including weekends), you need not produce a medical certificate unless you are specifically requested to do so.
- 10.3 If you are absent from work due to sickness or injury for seven days or more (including weekends) you must provide the Company with a medical certificate or fit note by the eighth day of sickness or injury. Further medical certificates must be provided to the Company on a weekly basis thereafter to cover any continued absence.
- 10.4 You agree that, any time during your employment you will consent, if required by the Company, to a medical examination by a medical practitioner nominated by the Company, at the Company's expense. You agree to authorise the medical practitioner to disclose to and discuss with the Company's HR Manager the result of any such medical examination. The Company reserves the right to postpone your return to work after a period of absence in respect of which you have provided a sickness certificate or fit note until it has received a report from a medical practitioner confirming that you are fit to return.

11. Sick Pay

- 11.1 If you are absent from work due to sickness, injury or accident then, subject to your compliance with the requirements in this clause 11 and with any applicable provisions of the Company's Sick Pay and Absence Policy in force from time to time, and subject to the Company's right to terminate your employment for any reason, you will be paid company sick pay in accordance with clause 11.2 ("Company Sick Pay")
- 11.2 Company Sick Pay will be paid for up to a maximum of 26 weeks in any 12 month period and when payable will be as follows:
- 11.2.1 if you have been employed for more than 90 days but less than 1 year: normal basic salary for 6 weeks;
 - 11.2.2 if you have been employed between 1 year and 5 years: normal basic salary for 12 weeks;
 - 11.2.3 if you have been employed for more than 5 years: normal basic salary for 26 weeks.
- Once Company Sick Pay under this clause has expired, you shall have no further entitlement to Company Sick Pay until you have returned to work for a consecutive period of eight weeks.
- 11.3 Where a continuing period of sickness absence covers an anniversary of employment, which would otherwise have entitled you to an increased period of Company Sick Pay in accordance with clause 11.2 above, the lower entitlement will continue to apply for that episode of sickness absence.
- 11.4 Company Sick Pay paid to you under clause 11.2 above shall be inclusive of any statutory sick pay ("**SSP**") to which you may be entitled under the provisions of the Social Security Contributions and Benefits Act 1992. For SSP purposes, your qualifying days shall be your normal working days. In the first 90 days of your employment, you will not be entitled to any payment other than SSP, where this is payable in accordance with the SSP rules.
- 11.5 If your role is eligible for sales bonus in accordance with clause 6.5 above, your entitlement (if any) to such payments during periods of sickness absence will be governed by the terms of the commission/bonus policy in force from time to time.
- 11.6 If you are provided with items to enable you to carry out your duties (including but not limited to car fuel cards, mobile phones and laptops) the Company may at its discretion require you to return these items or to cease using them for any periods during which you are absent through illness or injury.
- 11.7 If you are absent from your duties due to sickness or injury for a period or periods in excess of your maximum Company Sick Pay entitlement, the Company shall not be required to pay you any salary or any other form of remuneration apart from any SSP entitlement (if applicable) for the remainder of the period of absence during which your Company Sick Pay entitlement is exhausted. Entitlement to Company Sick Pay for any further periods of absence will be determined according to the amount of Company Sick Pay already received over a 12 month reference period as specified in clause 11.2.

The Company at its absolute discretion may decide to pay additional sick pay in excess of your contractual and statutory entitlements, in which case you agree that such payments will not be considered regular or as setting a precedent for future payments.

- 11.8 Your entitlement (if any) to company pension contributions and Car Allowance will cease for periods during which you are not entitled to Company Sick Pay in accordance with clause 11.2 above. Further information can be found in the company car policy in force from time to time.
- 11.9 If you are absent from work because of illness or incapacity for 12 continuous weeks or an aggregate of 28 weeks or more in any twelve (12) month period from the Company, you agree that the Company has the right to terminate your employment in writing at any time during the period for which you are ill or incapacitated, or otherwise appoint another person or persons to perform your duties until such time as you are able to fully resume the performance of your duties. The right of the Company to terminate your employment under the terms of this Agreement will apply even where such termination would or might cause you to forfeit any entitlement to Company Sick Pay, long term disability payments or any other payments.
- 11.10 The Company shall be entitled to deduct from any Company Sick Pay or any other such remuneration that may be paid to you any sickness or injury benefits otherwise recoverable by or payable to you.
- 11.11 If any period of sickness absence is or reasonably appears to be caused by any third-party actions in respect of which damages are or may be recoverable, you must immediately notify the Company of that fact and of any claim, compromise, settlement or judgment made or awarded in connection with it and all relevant particulars that the Company may reasonably require. You shall include in any claim for damages against such third party a claim in respect of monies paid by the Company under this clause 11 and shall receive the Company Sick Pay (other than the SSP element) as loans by the Company to you (notwithstanding that as an interim measure income tax has been deducted from such payments as if they were emoluments of employment). You shall repay such loans (net of costs) when and to the extent that you recover compensation for loss of earnings from the third party by action or otherwise.

12. **CONFIDENTIALITY**

- 12.1 In this Agreement "Confidential Information" shall include all information relating to the Business and/or the financial affairs of the Company or any Group Company, and the Company's and/or any Group Company's agents, customers, prospective customers or suppliers, and in particular shall include:
 - 12.1.1 the business methods and information of the Company and any Group Company (including prices charged, discounts given to customers or obtained from suppliers, product development, marketing and advertising programmes, costings, budgets, turnover, sales targets or other financial information);
 - 12.1.2 lists and particulars of the Company's and any Group Company's suppliers and customers and the individual contacts at such suppliers and customers, and the details of any Customer (as defined in clause 17) whom you have encountered in the course of your employment with the Company;

- 12.1.3 details and terms of the Company's and any Group Company's agreements with suppliers and customers;
- 12.1.4 secret manufacturing or production processes and know how employed by the Company and any Group Company or their suppliers;
- 12.1.5 confidential details as to the design of the Company's and any Group Company's and their suppliers' products and inventions or developments relating to future products;
- 12.1.6 details of any promotions or future promotions or marketing or publicity exercises planned by the Company and any Group Company;
- 12.1.7 details of any budgets or business plans of the Company and any Group Company; and
- 12.1.8 any information which may affect the value of the Business or the shares of the Company or any Group Company,

whether or not in the case of documents or other written materials or any materials in electronic format they are or were marked as confidential and whether or not, in the case of other information, such information is identified or treated by the Company or any Group Company as being confidential.

- 12.2 You shall not, at any time during your employment nor at any time after its termination, except for a purpose of the Company or a Group Company, directly or indirectly use or disclose trade secrets or Confidential Information. You shall use your best endeavours to prevent the use or disclosure by or to any person of any Confidential Information. If you misuse or disclose to an unauthorised person Confidential Information you may be subject to disciplinary action which may result in your dismissal. A serious breach of this clause 12.2 by you may result in your immediate dismissal without notice or pay in lieu of notice.
- 12.3 The restriction in clause 12.2 shall apply during and after the termination of your employment without any time limit.
- 12.4 You shall not be restrained from using or disclosing any confidential information which:
 - 12.4.1 you are authorised to use or disclose by the Board;
 - 12.4.2 has entered the public domain, unless it appears in the public domain as a result of an unauthorised disclosure by you or anyone else employed or engaged by the Company or any Group Company;
 - 12.4.3 you are required to disclose by law; or
 - 12.4.4 you are entitled to disclose under section 43A of the Employment Rights Act 1996, provided that the disclosure is made in an appropriate way to an appropriate person, having regard to the provisions of that Act;
 - 12.4.5 provided that, in the case of any disclosure under clauses 12.4.3 or 12.4.4, you shall (to the extent permitted by the applicable laws) notify the Company in advance of the disclosure.

12.5 You shall not make copies of any document, memoranda, correspondence (including emails), computer disk, CD-ROM, memory stick, video tape or similar matter (including for the avoidance of doubt in any electronic format) or remove any such items from the premises of the Company or any Group Company, other than in the proper performance of your duties under this Agreement, except with the written authority of the CEO.

12.6 You shall not make any public statement (whether written or oral) to the media or otherwise relating to the affairs of the Company or any Group Company without the prior written consent of the CEO.

13. DISCIPLINARY AND GRIEVANCE PROCEDURES

13.1 The disciplinary procedure which applies to you, is contained in the Employee Handbook. If you are dissatisfied with any disciplinary or dismissal decision taken in relation to you, you may appeal in writing to the EVP Human Resources of the Company, as further specified in the disciplinary procedure.

13.2 If you have a grievance about your employment, you are entitled to raise a complaint in writing to your line manager, or as otherwise specified under the Company's grievance policy, which is contained in the Employee Handbook.

13.3 The grievance and disciplinary procedures are not contractually binding on the Company. The Company may alter them, or omit any or all of their stages, at its sole discretion when it considers appropriate.

13.4 In order to investigate a complaint against you, the Company may at its absolute discretion suspend you from work on full pay and benefits and exclude you from any premises of the Company and any Group Company for so long as it deems necessary to carry out a proper investigation and to hold any appropriate disciplinary hearings and may appoint someone in your absence to perform your duties. The Company shall not be required to give any reason for exercising its rights under this clause.

13.5 During any period of suspension:

13.5.1 you shall remain an employee of the Company and bound by the terms of this Agreement;

13.5.2 you shall ensure that the Company knows where you will be and how you can be contacted during each working day (except during any periods taken as holiday in the usual way);

13.5.3 the Company may require you not to contact or deal with (or attempt to contact or deal with) any officer, employee, consultant, client, customer, supplier, agent, distributor, shareholder, adviser or other business contact of the Company or any Group Company.

14. NOTICE PERIOD AND TERMINATION OF EMPLOYMENT

14.1 Either party may terminate your employment under the terms of this contract by giving to the other six months' written notice.

- 14.2 The Company may at any time, in its sole and absolute discretion, lawfully terminate this agreement with immediate effect by notifying you in writing that the Company is exercising its right under this clause 14.2 and that it will make within 28 days a payment to you in lieu of notice of all or the remaining part of any period of entitlement to notice ("**Payment in Lieu**"). The Payment in Lieu will be equal to your basic salary for the then unexpired period of notice.
- 14.3 The Company may pay any sums due under clause 14.2 in equal monthly instalments until the date on which the notice period referred to at clause 14.1 would have expired (if notice had been given). You shall be obliged to seek alternative income during this period and to notify the Company of any income so received. The instalment payments shall then be reduced by the amount of such income.
- 14.4 You shall have no right to receive a Payment in Lieu of notice unless the Company has exercised its discretion in clause 14.2. Nothing in this clause 14 shall prevent the Company from terminating your employment in breach.
- 14.5 Notwithstanding clause 14.2 you shall not be entitled to any Payment in Lieu if the Company would otherwise have been entitled to terminate your employment without notice in accordance with clause 15. In that case the Company shall also be entitled to recover from you any payment in lieu (or instalments thereof) already made.
- 14.6 You expressly agree that the Company may make such deductions from Salary or other payments due on the termination of or during your employment as may be necessary to reimburse the Company for sums paid out by the Company to or on behalf of you but which are recoverable by it including but not limited to loans, advances, relocation expenses and excess holiday payments.

15. **GARDEN LEAVE**

- 15.1 Following notice to terminate your employment being given by the Company or you, or if you purport to terminate your employment in breach of contract, the Company may in its absolute discretion require you not to perform any services (or to perform only specified services) for the Company or for any Group Company for all or part of the applicable notice period required under clause 14.1 (the "**Garden Leave Period**"). During any Garden Leave Period, the Company may:

- 15.1.1 exclude you from the premises of the Company or any Group Company;
- 15.1.2 require you to take any accrued but untaken holiday;
- 15.1.3 require you to carry out alternative duties;
- 15.1.4 require you to carry out no duties; and/or
- 15.1.5 instruct you not to contact or deal with (or attempt to contact or deal with) any officer, employee, consultant, client, customer, supplier, agent, distributor, shareholder, adviser or other business contact of the Company or any Group Company,

and during any such Garden Leave Period you may not be employed by, or provide services, whether or not paid, to any third party without the consent of the Company and

you will keep the Company informed of your whereabouts and how you can be contacted during each working day (except during any periods taken as holiday in the usual way).

15.2 During any such Garden Leave Period:

15.2.1 the Company will be under no obligation to provide any work to you or vest any powers in you;

15.2.2 the Company may employ or appoint any other person to carry out your duties and functions and exercise your powers under this Agreement;

15.2.3 the Company will be entitled to announce to employees, clients or customers, suppliers, agents and consultants and to any other third party that you have been given notice of termination or have resigned (as the case may be);

15.2.4 you will continue to receive your salary and other contractual benefits under this Agreement in the usual way, subject to the terms of any benefit arrangement;

15.2.5 you shall remain an employee of the Company and remain bound by your duties and obligations, whether under this Agreement or otherwise, which shall continue in full force and effect;

15.2.6 you shall provide such assistance as the Company or any Group Company may require to effect an orderly handover of your responsibilities to any individual or individuals appointment by the Company or any Group Company to take over your role or responsibilities; and

15.2.7 you shall make yourself available to deal with requests for information, to provide assistance, to attend meetings and to advise on matters relating to the business.

15.3 In the event that the Company exercises its rights under clause 15.1 of this Agreement, then any Garden Leave Period shall be set off against and therefore reduce the periods for which the restrictions in clauses 17.2, 17.3 and 17.4 of this Agreement apply.

16. Termination Without Notice

16.1 Notwithstanding the provisions of clause 14, the Company may terminate your employment without notice or payment in lieu of notice with immediate effect:

16.1.1 if the Board reasonably believes that you are guilty of gross or serious misconduct and/or negligence in connection with or affecting the business of the Company or any Group Company for which you are required to perform your duties;

16.1.2 if the Board reasonably believes that (i) you have committed a serious breach or repeated after warning any breach, or you are guilty of a continuing breach of any of the terms of this Agreement, or (ii) you have wilfully neglected the discharge of your duties and obligations under this Agreement;

16.1.3 if it is found that you did not comply with any lawful order or direction given to you by the Board;

- 16.1.4 if the Board reasonably believes that you are guilty of bribery, corruption, fraud, dishonesty or conduct tending to bring yourself, the Company or any Group Company into disrepute, including for the avoidance of doubt any criminal offence (except a road traffic offence not involving a custodial sentence);
- 16.1.5 if you are convicted of any arrestable criminal offence (other than an offence under the road traffic legislation in the United Kingdom or elsewhere for which a fine or noncustodial penalty is imposed);
- 16.1.6 if your conduct, whether inside or outside work, brings you or the Company or any Group Company into disrepute or is seriously prejudicial to the interests of the Company or any Group Company;
- 16.1.7 if any of the warranties set out in clause 4.1 above are found by the Company to be inaccurate, misleading or untrue;
- 16.1.8 if you become disqualified or disbarred from membership of, or are subject to any serious disciplinary sanction by, any professional or other body, which undermines the confidence of the CEO in your continued employment with the Company;
- 16.1.9 if you cease to be eligible to work in the United Kingdom; or
- 16.1.10 if you are declared bankrupt or have a receiving order made against you or make any general composition with your creditors or take advantage of any statute affording relief for insolvent debtors.
- 16.2 Any delay by the Company in exercising any right to terminate summarily under clause 16.1 will not constitute a waiver of that right.
- 16.3 The proper exercise by the Company of its right of termination under clause 16.1 will be without prejudice to any other rights or remedies which the Company or any Group Company may have against you.
- 16.4 In the event of termination under clause 16.1, the Company shall not be obliged to make any further payment to you except such salary as shall have accrued at the date of termination.
- 17. Restrictive Covenants**
- 17.1 You acknowledge that following termination of your employment you will be in a position to compete unfairly with the Company as a result of the Confidential Information, trade secrets and knowledge about the Business, operations, customers, employees and trade connections of the Company and other Group Companies you have acquired or will acquire and through the connections that you have developed and will develop during your employment. You therefore agree to enter into the restrictions in this clause 17 for the purpose of protecting the Company's legitimate business interests and in particular the Confidential Information, goodwill and the stable trained workforce of the Company and all Group Companies.
- 17.2 You covenant with the Company and each other Group Company that you shall not without the prior written consent of the Board, directly or indirectly, on his own behalf, or on behalf

of any person, firm or company in connection with any business which is or is intended or about to be competitive with the Restricted Business (as defined below):

- 17.2.1 for a period of 12 months after the termination of the Appointment solicit or canvass the custom of any Customer (as defined below);
- 17.2.2 for a period of 12 months after the termination of the Appointment solicit or canvass the custom of any Potential Customer (as defined below);
- 17.2.3 for a period of 12 months after the termination of the Appointment deal with any Customer;
- 17.2.4 for a period of 12 months after the termination of the Appointment deal with any Potential Customer;
- 17.2.5 for a period of 12 months after the termination of the Appointment solicit or entice away, or attempt to entice away from the Company or any Group Company any Restricted Employee (as defined below);
- 17.2.6 for a period of 6 months after the termination of the Appointment employ, offer to employ or enter into partnership with any Restricted Employee.

17.3 You agree that updating your profile or disseminating information about the termination of your employment with the Company and/or future or prospective employment with any business which is or is intended or about to be competitive with the Restricted Business on a Networking Site (as defined below) will equate to solicitation or canvassing of a Customer or Potential Customer who remains connected to or following you. You agree to delete any connection with any Customer or Potential Customer or Supplier of the Company from any Networking Site on which you have a profile on or before the termination of your employment. You further agree that, following deletion of connections with Customers, Potential Customers and Suppliers in accordance with this clause 17.3, you shall not reconnect with any such person, firm or company or directly or indirectly contact any such person, firm or company through a Networking Site other than on a purely social basis for the period of 6 months after termination of your employment.

17.4 You shall not without the prior written consent of the Board for a period of 12 months after the termination of the Appointment, directly or indirectly, on his own behalf, or on behalf of any person, firm or company:

- 17.4.1 within the Restricted Territory (as defined below) set up, carry on, be employed in, provide relevant services to, be associated with, or be engaged or interested in, whether as director, employee, principal, shareholder, partner or other owner, agent or otherwise, any business which is or is intended or about to be competitive with the Restricted Business save as a shareholder of not more than three per cent of any public company whose shares or stocks are quoted or dealt in on any Recognised Investment Exchange;
- 17.4.2 endeavour to cause any person, firm or company who is at the date of termination of your employment or at any time during the 12 months immediately prior to such termination was a Restricted Supplier (as defined below) to the Company and/or any Group Company, to either cease to supply the Company or any Group Company

or materially alter the terms of such supply in a manner detrimental to the Company or any Group Company.

17.5 In this clause 17 the following expressions have the following meanings:

"Customer" shall mean any person, firm or company who at the date of termination of your employment or at any time during the 12 months immediately prior to such termination was a customer of the Company or any Group Company and from whom you had obtained business on behalf of the Company or any Group Company or to whom you had provided or arranged the provision of goods or services on behalf of the Company or any Group Company or for whom you had management responsibility, at any time during the 12 months immediately prior to such termination;

"Networking Site" shall mean Facebook, LinkedIn, Twitter, Google+ or any similar social or professional networking online sites or applications;

"Potential Customer" shall mean any person, firm or company with whom either you or any other employee of the Company or any Group Company for whom you had, at the date of the negotiations, management responsibility carried out negotiations on behalf of the Company or any Group Company at any time during the period of three months immediately prior either to the start of a Garden Leave Period or to the date of termination of the Appointment where there is no Garden Leave Period with a view to such person, firm or company becoming a customer of the Company or of any Group Company;

"Restricted Business" shall mean the Business or any part of the Business which in either case:

- (a) is carried on by the Company or any Group Company at the date of termination of your employment;
- (b) was carried on by the Company or by any Group Company at any time during the period of six months immediately prior either to the start of a Garden Leave Period or to the date of termination of your employment where there is no Garden Leave Period; or
- (c) is to your knowledge to be carried out by the Company or by any Group Company at any time during the period of six months immediately following the date of termination of your employment;

and which you were materially concerned with or had management responsibility for (or had substantial Confidential Information regarding in either case at any time during the period of 12 months immediately prior to the date of termination of your employment);

"Restricted Employee" shall mean any employee of the Company or any Group Company employed at the date of termination of your employment in the capacity of director or in any research, technical, IT, financial, marketing or sales function or other managerial role whom you had managed or with whom you have worked at any time during the period of 12 months immediately prior to the termination of your employment, and shall not include any employee employed in an administrative, clerical, manual or secretarial capacity;

"Restricted Supplier" means any supplier to the Company or to any Group Company with whom you had had material personal contact or for whom you have had managerial

responsibility during the period of 12 months immediately prior to the termination of your employment;

"Restricted Territory" shall mean England, Scotland, Wales and Northern Ireland together with any other country in which the Company or any other Group Company:

- (a) carried on any Restricted Business or provided any goods or services in connection with any Restricted Business at the date of termination of the Appointment;
- (b) carried on any Restricted Business or provided any goods or services in connection with any Restricted Business at any time during the period of six months immediately prior to the date of termination of the Appointment; or
- (c) is to your knowledge to carry out any Restricted Business at any time during the period of six months immediately following the date of termination of your employment;

and regarding which country at any time during the period of 12 months immediately prior to the date of termination of your employment:

- (a) was materially concerned or worked in;
- (b) had management responsibility for; and/or
- (c) obtained Confidential Information.

17.6 In the event that you receive an offer of employment or request to provide services either during your employment or during the currency of the restrictive periods set out in clause 17, you shall (and the Company may) provide immediately to such person, company or other entity making such an offer or request a full and accurate copy of this agreement signed by both parties.

17.7 You may be required to amend or remove any information posted on a Networking Site which is deemed to constitute a breach of this clause 17.

17.8 The restrictions contained in this clause are considered by the parties to be reasonable in all the circumstances. Each sub clause constitutes an entirely separate and independent restriction and the duration, extent and application of each of the restrictions are no greater than is necessary for the protection of the interests of the Company and any Group Company.

18. Intellectual Property Rights

18.1 The parties acknowledge that you may create Inventions (alone or jointly) in the course of your employment with the Company and that you have a special obligation to further the interests of the Company in relation to such Inventions. You shall, promptly following creation, disclose to the Company all such Inventions and works embodying Company Intellectual Property.

18.2 You acknowledge that (except to the extent prohibited by or ineffective in law) all Company Intellectual Property and materials embodying them shall automatically belong to the Company as from creation for the full term of those rights and (except to the extent

prohibited by or ineffective in law) you hereby assign, by way of present and future assignment, any and all right, title and interest therein to the Company.

- 18.3 To the extent that any Company Intellectual Property does not vest in the Company automatically pursuant to clause 18.2 (and except to the extent prohibited by or ineffective in law), you hold such property on trust for the Company and hereby grant to the Company an exclusive, royalty free licence to use such property in its discretion until such Company Intellectual Property fully vests in the Company.
- 18.4 To the extent that any Inventions created by you (whether alone or jointly) at any time during the course of your employment are prohibited by or prevented in law from automatically vesting with the Company pursuant to clause 18.2, you shall, immediately upon creation of such rights, grant the Company a right of first refusal, in writing, to acquire them on arm's length terms to be agreed between the parties. If the parties cannot agree on such terms within 30 days of the Company receiving the offer, the Company shall refer the dispute to an arbitrator who shall be appointed by the President of the Institute of Chartered Accountants in England and Wales. The arbitrator's decision shall be final and binding on the parties and the costs of arbitration shall be borne equally by the parties.
- 18.5 You agree:
- 18.5.1 to execute all such documents, both during and after your employment, as the Company may reasonably require to vest in the Company all right, title and interest pursuant to this agreement at the reasonable expense of the Company;
 - 18.5.2 to provide all such information and assistance and do all such further things as the Company may reasonably require to enable it to protect, maintain and exploit the Company Intellectual Property to the best advantage, at the reasonable expense of the Company, including (without limitation), at the Company's request, applying for the protection of Inventions throughout the world;
 - 18.5.3 to assist the Company in applying for the registration of any registrable Company Intellectual Property, to enable it to enforce the Company Intellectual Property against third parties and to defend claims for infringement of third party Intellectual Property Rights at the reasonable expense of the Company;
 - 18.5.4 not to apply for the registration of any Company Intellectual Property in the United Kingdom or any other part of the world without the prior written consent of the Company; and
 - 18.5.5 to keep confidential all Company Intellectual Property unless the Company has consented in writing to its disclosure by you;
- 18.6 As against the Company, its successors and assigns and any licensee of any of the foregoing, you hereby waive all of his present and future moral rights which arise under the Copyright Designs and Patents Act 1988 and all similar rights in other jurisdictions relating to the Company Intellectual Property.
- 18.7 You acknowledge that, except as provided by law, no further remuneration or compensation, other than that provided for in this agreement, is or may become due to you in respect of your compliance with this clause. This clause is without prejudice to your rights under the Patents Act 1977.

- 18.8 You irrevocably appoint the Company as your attorney in your name to sign, execute, do or deliver on your behalf any deed, document or other instrument and to your name for the purpose of giving full effect to this clause.
- 18.9 Rights and obligations under this agreement shall continue in force after termination of this agreement in respect of any Company Intellectual Property.
- 19. Recorded Material and Company Property**
- 19.1 All notes, memoranda, documents, designs, drawings or other recorded material, whether in written or electronic form and all other materials, including but not limited to the Confidential Information (as defined in clause 12), which may have been made or prepared by you, or at your request, or have come into your possession or under your control in the course of your employment and which relate in any way to the business (including prospective business) or affairs of the Company or of any client, customer, supplier, agent, distributor, sub-contractor or employee thereof shall be deemed to be the property of the Company.
- 19.2 All such material and all property, including any computer equipment (which shall include all cables, cases, disks and related equipment), tablet, mobile telephone and any other electronic device or equipment belonging to the Company that is in your possession or under your control must be returned to the Company upon request, and in any event upon the termination of your employment.
- 19.3 You will co-operate with any request from the Company to provide access (including disclosing passwords) to any equipment of the type referred to in clause 19.2, whether or not owned by the Company (and any website or cloud storage) which contains information or materials relating to the Company or any of its clients, employees or suppliers. You will permit the Company to inspect, copy or remove any material relating to the business of the Company.
- 20. Data Protection**
- 20.1 In this clause "Employee Privacy Notice " means a notice (or notices) providing information under Articles 13 and 14 of the General Data Protection Regulation together with any applicable local data protection laws regarding the processing of your personal data in connection with this Agreement and your employment relationship.
- 20.2 You confirm that you had read and understood each of (a) the Company's data protection policy, and (b) the Employee Privacy Notice, both of which are available from the HR team.
- 20.3 You shall use all reasonable endeavours to keep the Company informed of any changes to your personal data.
- 20.4 You acknowledge that in the course of your employment you will have access to personal data and special categories of data relating to other employees and client/customers or contacts at clients/customers and agree to comply with the Company's data protection policies and procedures in respect of such data at all times.

- 20.5 The Company may change its data protection policy and update the Employee Privacy Notice at any time and will notify employees in writing of any changes. The Employee Privacy Notice does not form part of your contract of employment.
- 21. Internet, E-Mail and Social Media**
- Please refer to the Company's Internet, Email and Social Media Policy, which for the avoidance of doubt does not form part of your contract.
- 22. Ethical Business Conduct**
- The Company has a zero tolerance of unethical business practices. You will be required to adhere to the Conmed Corporation Code of Business Conduct and Ethics, a copy of which will have already been given to you and your attention is also drawn to information concerning the application of the Bribery Act 2010 which is in the Employee Handbook. Breach of Company policies on ethical conduct will be treated as a disciplinary matter and may result in immediate termination of your employment.
- 23. Reconstruction and Amalgamation**
- 23.1 If your employment is terminated at any time by reason of any reconstruction or amalgamation of the Company or any Group Company, whether by winding up or otherwise, and you are offered employment with any concern or undertaking involved in or resulting from the reconstruction or amalgamation on terms which (considered in their entirety) are no less favourable to any material extent than the terms of this agreement, you shall have no claim against the Company or any Group Company or any such undertaking arising out of or connected with the termination.
- 23.2 If at any time you have been offered but have unreasonably refused or failed to agree to the transfer of this Agreement by way of novation to a company which has acquired or agreed to acquire not less than 50 per cent of the equity share capital of the Company, the Company may terminate your employment by such notice as is required by section 86 of the Employment Rights Act 1996 given within one month of such offer.
- 24. Collective Agreements**
- There are no collective agreements affecting your terms and conditions of employment.
- 25. Miscellaneous**
- 25.1 A notice given to a party under this agreement shall be in writing in the English language and signed by or on behalf of the party giving it. It shall be delivered by hand or sent to the party at the address given in this agreement or as otherwise notified in writing to the other party.
- 25.2 A notice required to be given under this Agreement shall be validly given if sent by e-mail.
- 25.3 You shall pay and fully indemnify the Company against all income tax payable by the Company on your behalf by reason of the provision any of the benefits received by you under this Agreement. The Company shall be entitled to make deductions from your salary or other payments due to you to satisfy any such income tax liability.

25.4 If any provision of this Agreement shall be found by any court or administrative body of competent jurisdiction to be invalid or unenforceable, such invalidity or unenforceability shall not affect the other provisions of this agreement which shall remain in full force and effect. If any provision of this Agreement is so found to be invalid or unenforceable but would be valid or enforceable if some part of the provision were deleted, the provision in question shall apply with such modifications as may be necessary to make it valid.

25.5 This Agreement may be executed in any number of counterparts, each of which when executed by one or more of the parties hereto shall constitute an original but all of which shall constitute one and the same instrument.

26. Entire Agreement

26.1 This Agreement constitutes the entire agreement between the parties and supersedes and extinguishes all previous agreements, promises, assurances, warranties, representations and understandings between them, whether written or oral, relating to its subject matter.

26.2 Each party acknowledges that in entering into this agreement it does not rely on, and shall have no remedies in respect of, any statement, representation, assurance or warranty (whether made innocently or negligently) that is not set out in this agreement.

26.3 Each party agrees that it shall have no claim for innocent or negligent misrepresentation or negligent misstatement based on any statement in this agreement.

26.4 Nothing in this clause 26 shall limit or exclude any liability for fraud.

27. No Assignment

Neither this Agreement nor any of the benefits under it will be assignable by you.

28. Third Party Rights

No one other than a party to this agreement, except any Group Company, shall have any right to enforce any of its terms.

29. Non-Waiver

No failure by the Company or any relevant Group Company to exercise, nor any delay by the Company or any relevant Group Company in exercising, any right, power or remedy under this Agreement will operate as a waiver of that or any other right, power or remedy of the Company or any relevant Group Company nor will any single or partial exercise of any right, power or remedy preclude any other or further exercise of that or any other right, power or remedy.

30. Variation

The Company reserves the right to make reasonable changes to these terms and conditions, including reasonable changes to your job function. You will be deemed to accept any such minor changes unless you notify the Company in writing to the contrary.

31. Applicable Law and Jurisdiction

This contract shall be governed by and construed in accordance with the laws of England whose Courts shall have exclusive jurisdiction.

IN WITNESS whereof the parties have executed this agreement as a deed on the date of this agreement.

Executed as a deed by CONMED U.K. LIMITED by a director in the presence of a witness:

Signature /s/Daniel S. Jonas

Name (block capitals) DANIEL S. JONAS

Director

Witness signature /s/ Kimberly Lockwood

Witness name KIMBERLY LOCKWOOD
(block capitals) -----

Witness address On file with Company

Signed as a deed by PAT BEYER in the presence of:

Signature /s/ Pat Beyer

Witness signature /s/ Nina Brophy

Witness name NINA BROPHY
(block capitals) -----

Witness address On file with Company

**CERTIFICATION PURSUANT TO
SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002**

I, Curt R. Hartman, certify that:

1. I have reviewed this quarterly report on Form 10-Q of CONMED Corporation;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - a) designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - b) designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - c) evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - d) disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - a) all significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

April 26, 2019

/s/ Curt R. Hartman

Curt R. Hartman

President & Chief Executive Officer

**CERTIFICATION PURSUANT TO
SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002**

I, Todd W. Garner, certify that:

1. I have reviewed this quarterly report on Form 10-Q of CONMED Corporation;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - a) designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - b) designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - c) evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - d) disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - a) all significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

April 26, 2019

/s/ Todd W. Garner

Todd W. Garner

Executive Vice President and

Chief Financial Officer

CERTIFICATIONS
PURSUANT TO SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002
(SUBSECTIONS (a) AND (b) OF SECTION 1350, CHAPTER 63 OF TITLE 18, UNITED STATES CODE)

Pursuant to section 906 of the Sarbanes-Oxley Act of 2002 (subsections (a) and (b) of section 1350, chapter 63 of title 18, United States Code), each of the undersigned officers of CONMED Corporation, a New York corporation (the "Corporation"), does hereby certify that:

The Quarterly Report on Form 10-Q for the quarter ended March 31, 2019 (the "Form 10-Q") of the Corporation fully complies with the requirements of section 13(a) or 15(d) of the Securities Exchange Act of 1934 and information contained in the Form 10-Q fairly presents, in all material respects, the financial condition and results of operations of the Corporation.

Date: April 26, 2019

/s/ Curt R. Hartman

Curt R. Hartman

President & Chief Executive Officer

Date: April 26, 2019

/s/ Todd W. Garner

Todd W. Garner

Executive Vice President and

Chief Financial Officer