United States
Securities and Exchange Commission
Washington, D.C.
20549

Form 10-K
Annual Report Pursuant to Section 13 or 15(d) of
The Securities Exchange Act of 1934

For the fiscal year ended December 31, 2003 Commission file number 0-16093

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

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

(315) 797-8375
Registrant's telephone number, including area code
Securities registered pursuant to Section 12(g) of the Act:
Common Stock, $.01 par value per share
(Title of class)

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 |X| No|_|

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K. |_|

Indicate by check mark whether the Registrant is an accelerated filer (as defined in Exchange Act Rule 126-2).

Yes |X| No |_|

The aggregate market value of the shares of the voting stock held by non-affiliates of the Registrant was approximately $850,483,271 based upon the closing price of the Company's common stock on the NASDAQ Stock Market, which was $28.76 on March 5, 2004.

The number of shares of the Registrant's $0.01 par value common stock outstanding as of March 5, 2004 was 29,571,741.

DOCUMENTS FROM WHICH INFORMATION IS INCORPORATED BY REFERENCE

Portions of the Definitive Proxy Statement, scheduled to be mailed on or prior to April 5, 2004 for the Annual Meeting of Stockholders to be held May 18, 2004, are incorporated by reference into Part III of this report.

CONMED CORPORATION

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Part I

CONMED CORPORATION

Item 1. Business

Forward Looking Statements

This Annual Report on Form 10-K for the Fiscal Year Ended December 31, 2003 ("Form 10-K") contains certain forward-looking statements (as such term is defined in the Private Securities Litigation Reform Act of 1995) and information relating to CONMED Corporation ("CONMED", the "Company", "we" or "us" -- references to "CONMED", the "Company", "we" or "us" shall be deemed to include our direct and indirect subsidiaries unless the context otherwise requires) that are based on the beliefs of our management, as well as assumptions made by and information currently available to our management.

When used in this Form 10-K, the words "estimate," "project," "believe," "anticipate," "intend," "expect" and similar expressions are intended to identify forward-looking statements. These statements involve known and unknown risks, uncertainties and other factors, including those identified under the caption "Item 1: Business -- Risk Factors" and elsewhere in this Form 10-K 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, among others, the following:

- general economic and business conditions;
- cyclical customer purchasing patterns due to budgetary and other

constraints;

- changes in customer preferences;
- competition;
- changes in technology;
- the introduction and acceptance of new products;
- the ability to evaluate, finance and integrate acquired businesses, products and companies;
- changes in business strategy;
- the possibility that United States or foreign regulatory and/or administrative agencies may initiate enforcement actions against us or our distributors;
- future levels of indebtedness and capital spending;
- quality of our management and business abilities and the judgment of our personnel;
- the availability, terms and deployment of capital;
- the risk of litigation, especially patent litigation as well as the cost associated with patent and other litigation;
- changes in regulatory requirements; and
- various other factors referenced in this Form 10-K.

See "Item 7: Management's Discussion and Analysis of Financial Condition and Results of Operations" and "Item 1: Business" 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 Form 10-K or to reflect the occurrence of unanticipated events.

General

CONMED Corporation was incorporated in New York in 1970 by Eugene R. Corasanti, the Company's founder, Chairman of the Board and Chief Executive Officer. CONMED is a medical technology company specializing in instruments, implants and video equipment for arthroscopic sports medicine and powered surgical instruments, such as drills and saws, for orthopedic, otolaryngologic ("ENT"), neuro-surgery and other surgical specialties. We are a leading developer, manufacturer and supplier of radio frequency ("RF") electrosurgery systems used routinely to cut and cauterize tissue in nearly all types of surgical procedures worldwide, endoscopy products such as trocars, clip appliers, scissors and surgical staplers and a full line of electrocardiogram ("ECG") electrodes for heart monitoring and other patient care products. We also offer integrated operating room systems and equipment. Our products are used in a variety of clinical settings, such as operating rooms, surgery centers, physicians' offices and hospitals.

We have used strategic business acquisitions to diversify our product offerings, to increase our market share in certain product lines and to realize economies of scale. During the last five years, we have completed eleven strategic business acquisitions; these acquisitions, complemented by internal growth, have resulted in a compound annual growth rate in net sales during that period of approximately 8%.

We are committed to offering products with the highest standards of quality, technological excellence and customer service. Substantially all of our facilities have attained certification under the ISO international quality standards and other domestic and international quality accreditations.

Our annual report on Form 10-K, quarterly reports on Form 10-Q, current

reports on Form 8-K, and all amendments to those reports are made available free of charge through the Investor Relations section of our Internet website (http://www.conmed.com) as soon as practicable after such material is electronically filed with the Securities and Exchange Commission.

Industry

Market growth for our products is primarily driven by:

- Favorable Demographics. The number of surgical procedures performed is increasing. This growth in surgical procedures reflects demographic trends, such as the aging of the population, and technological advancements, which result in safer and less invasive surgical procedures. Additionally, as people are living longer, more active lives, they are engaging in contact sports and activities such as running, skiing, rollerblading, golf and tennis which result in injuries with greater frequency and at an earlier age than ever before. Sales of surgical products aggregated approximately 90% of our total net revenues in 2003. See "Products."

- Continued Pressure to Reduce Health Care Costs. In response to rising health care costs, managed care companies and other third-party payers have placed pressures on health care providers to reduce costs. As a result, health care providers have focused on the high cost areas such as surgery. To reduce costs, health care providers use minimally invasive techniques, which generally reduce patient trauma, recovery time and

ultimately the length of hospitalization. Many of our products are designed for use in minimally invasive surgical procedures. See "Products." Health care providers are also increasingly purchasing single-use, disposable products, which reduce the costs associated with sterilizing surgical instruments and products following surgery. The single-use nature of disposable products lowers the risk of incorrectly sterilized instruments spreading infection into the patient and increasing the cost of post-operative care. Approximately 75% of our sales are derived from single-use disposable products.

In the United States, the pressure on health care providers to contain costs has altered their purchasing patterns for general surgical instruments and disposable medical products. Many health care providers have entered into comprehensive purchasing contracts with fewer suppliers, which offer a broader array of products at lower prices. In addition, many health care providers have aligned themselves with Group Purchasing Organizations ("GPOs") or Integrated Health Networks ("IHNs"), whose stated purpose is to aggregate the purchasing volume of their members in order to negotiate competitive pricing with suppliers, including manufacturers of surgical products. We believe that these trends will favor entities which offer a diverse product portfolio. See "--Business Strategy".

- Increased Global Medical Spending. We believe that foreign markets offer significant growth opportunities for our products. We currently distribute our products through our own sales subsidiaries or through local dealers in over 100 foreign countries. Export sales represented approximately 33% of our total revenues in 2003.

Competitive Strengths

We believe that we have a top two or three market share position in each of our five key product areas: Arthroscopy, Powered Surgical Instruments, Electrosurgery, Patient Care and Endoscopy. We have established our position as a market leader by capitalizing on the following competitive strengths:

- Strong Brand Recognition. Our products are sold under leading brand names, including CONMED(R), Linvatec(R)and Hall Surgical(R). These brand names are well recognized by physicians for quality and service. We believe that brand recognition helps drive demand for our products by enabling us to build upon the reputation for quality

and service associated with these brands and gain faster acceptance when introducing new branded products.

- Breadth of Product Offering. The breadth of our product lines in our key product areas enables us to meet a wide range of customer requirements and preferences. For example, we offer a complete set of the arthroscopy products a surgeon requires for most arthroscopic procedures, including instrument and repair sets, implants, shaver consoles and handpieces, video systems and related disposables. This in turn has enhanced our ability to market our products to surgeons, hospitals, surgery centers, GPOs, IHNs and other customers, particularly as institutions seek to reduce costs and to minimize the number of suppliers.

- Successful Integration of Acquisitions. During the last five years, we have completed eleven acquisitions. These acquisitions have enabled us to broaden our product categories, expand our sales and distribution capabilities and increase our international presence. Our management team has demonstrated a historical ability to identify complementary acquisitions and to integrate acquired companies into our operations.

- Strategic Marketing and Distribution Channels. We market our products domestically through four distinct sales force groups consisting of approximately 120 employee sales representatives and an additional 230 sales professionals employed by independent sales agent groups. All of our sales professionals are highly trained and educated in the applications or procedures for the products they sell. They call directly on surgeons, hospital departments, outpatient surgery centers and physician offices. Additionally, we maintain a global presence through sales subsidiaries and branches located in key international markets. We sell direct to hospital customers in these markets with an employee-based international sales force of approximately 60 sales representatives. We also maintain distributor relationships domestically and in numerous countries worldwide. See "--Marketing."

- Vertically Integrated Manufacturing. We manufacture most of our products and components. Our vertically integrated manufacturing process has allowed us to provide quality products, to react quickly to changes in demand and to generate manufacturing efficiencies, including purchasing raw materials used in a variety of disposable products in bulk. We believe that these manufacturing capabilities allow us to contain costs, control quality and maintain security of proprietary processes. We continually evaluate our manufacturing processes with the objective of increasing automation, streamlining production and enhancing efficiency in order to achieve cost savings, while seeking to improve quality.

- Technological Leadership. Research and development efforts are closely aligned with our key business objectives, namely developing and improving products and processes, applying technology to the manufacture of products for new market sectors, and reducing the cost of producing core business products. During the last several years, we have introduced new products and product enhancements. Our reputation as an innovator is exemplified by our recent new product introductions, which include our 4th generation Autoclavable Three Chip Camera Video System, the 10K(TM) Pump fluid management system, the PowerPro (R) Pneumatic powered instrument system and the SmartNail(R) 2.4 mm bioresorbable nail. Research and development expenditures were $17.3 million in 2003 excluding the write-off of acquired in-process research and development assets.

Business Strategy

Our business strategy is to continue to strengthen our position as a market leader in our key product areas. The elements of our strategy include:

- Introduce New Products and Product Enhancements. We will continue to pursue organic growth by developing new products and enhancing existing

products to respond to customer needs and preferences. We are continually seeking to develop new technologies to improve durability, performance and usability of existing products. In addition to our research and development, we receive new ideas for products and technologies, especially in procedure-specific areas, from surgeons, inventors and operating room personnel.

- Pursue Strategic Acquisitions. We believe that strategic acquisitions represent a cost-effective means of product line diversification. We have historically targeted companies with proven technologies and established brand names which provide potential sales, marketing and manufacturing synergies. During the last five years, we have completed eleven acquisitions, expanding across all of our existing product lines and adding a line of integrated operating room systems and equipment.

- Realize Manufacturing and Operating Efficiencies. We will continue to review opportunities for consolidating product lines and streamlining production. We believe our vertically integrated manufacturing processes can produce further opportunities to reduce overhead and to increase operating efficiencies and capacity utilization.

- Maintain Strong International Sales Growth. We believe there are significant sales opportunities for our surgical products outside the United States. We intend to maintain our international sales growth and increase our penetration into international markets by utilizing our relationships with foreign surgeons, hospitals and third-party payers, as well as foreign distributors. In 2003, our international sales represented 33% of total net sales.

Products

The following table sets forth the percentage of net sales for each of our product lines during each of the three years ended December 31:

	Year Ended December 31,		
	2001	2002	2003
Arthroscopy	36%	36%	36%
Powered Surgical Instruments	27	25	25
Electrosurgery	16	15	15
Patient Care	16	16	14
Endoscopy	5	8	9
Integrated Operating Room Systems	--	--	1
Total	100%	100%	100%
Net Sales (in thousands)	$428,722	$453,062	$497,130

Arthroscopy

We offer a comprehensive range of devices and products for use in arthroscopic surgery. Arthroscopy refers to diagnostic and therapeutic surgical procedures performed on joints with the use of minimally invasive arthroscopes and related instruments. Minimally invasive arthroscopy procedures enable surgical repairs to be completed with less trauma to the patient, resulting in shorter recovery times and cost savings. Arthroscopic procedures are performed on the knee and shoulder, and smaller joints, such as the wrist and ankle.

Our arthroscopy products include powered resection instruments, arthroscopes, reconstructive systems, tissue repair sets, fluid management systems, imaging products, metal and bioabsorbable implants and related disposable products. It is our standard practice to transfer some of these

products, such as shaver consoles and pumps, to certain customers at no charge. These capital "placements" allow for and accommodate the use of a variety of disposable products, such as shaver blades, burs and pump tubing. We have benefited from the introduction of new products and new technologies in the arthroscopic area, such as bioabsorbable screws, ablators, "push-in" and "screw-in" suture anchors, resection shavers and cartilage repair implants.

The majority of arthroscopic procedures are performed to repair injuries that have occurred in the joint areas of the body. Many of these injuries are the result of sports related events or other traumas which is why arthroscopy is sometimes referred to as "sports medicine."

Arthroscopy		
Product	Description	Brand Name
Ablators and Shaver Ablators	Electrosurgical ablators and resection ablators to resect and remove soft tissue and bone; used in knee, shoulder and small joint surgery.	Advantage(TM) ESA(TM) Sterling(R) UltrAblator(TM) Lightwave(TM) Trident(TM)
Knee Reconstructive Systems	Products used in cruciate reconstructive surgery; includes instrumentation, screws, pins and ligament harvesting and preparation devices.	Paramax(R) Pinn-ACL(R) GraFix(TM)
Soft Tissue Repair Systems	Instrument systems designed to attach specific torn or damaged soft tissue to bone or other soft tissue in the knee, shoulder and wrist; includes instrumentation, guides, hooks and suture devices.	Spectrum(R) Inteq(R) Shuttle Relay(TM) Blitz(R)
Fluid Management Systems	Disposable tubing sets, disposable and reusable inflow devices, pumps and suction/waste management systems for use in arthroscopic and general surgeries.	Apex(R) Quick-Flow(R) Quick-Connect(R)
Imaging	Surgical video systems for endoscopic procedures; includes autoclavable single and three-chip camera heads and consoles, endoscopes, light sources, monitors, VCRs and printers.	Apex(R) 8180 Series Envision(TM)Autoclavable Three Chip Camera Head

Arthroscopy		
Product	Description	Brand Name
Implants	Products including bioabsorbable and metal screws, pins and suture anchors for attaching soft tissue to bone in the knee, shoulder and wrist as well as miniscal repair.	BioScrew(R) BioAnchor(R) BioTwist(R) Ultrafix(R) Revo(R) Super Revo(R) Bionx(R) Meniscus Arrow(R)
Other Instruments and Accessories	Forceps, graspers, punches, probes, sterilization cases and other general instruments for arthroscopic procedures.	Shutt(R) Concept(R) TractionTower(R)

Powered Surgical Instruments

Electric, battery or pneumatic powered surgical instruments are used to perform orthopedic, arthroscopic and other surgical procedures, such as cutting, drilling or reaming. Each instrument consists of one or more handpieces and related accessories as well as disposable and limited reuse items (e.g., burs, saw blades, drills and reamers). Powered instruments are categorized as either small bone, large bone or specialty powered instruments. Specialty powered instruments are utilized in procedures such as spinal surgery, neurosurgery, ENT, oral/maxillofacial surgery, and cardiothoracic surgery.

Our line of powered instruments is sold principally under the Hall(R) Surgical brand name, for use in large and small bone orthopedic, arthroscopic, oral/maxillofacial, podiatric, plastic, ENT, neurological, spinal and cardiothoracic surgeries. Large bone, neurosurgical, spinal and cardiothoracic

powered instruments are sold primarily to hospitals while small bone arthroscopic, otolaryngological and oral/maxillofacial powered instruments are sold to hospitals, outpatient facilities and physician offices. Our Linvatec subsidiary has devoted substantial resources to developing a new technology base for large bone, small bone, arthroscopic, neurosurgical, spine and otolaryngological instruments which may be easily adapted and modified for new procedures.

Our powered instruments line also includes a recently introduced PowerPro(R) Battery System, which is a full function orthopedic power system specifically designed to meet the requirements of most orthopedic applications. The PowerPro(R) Battery System has a SureCharge(TM) option which allows the user to sterilize the battery before charging. This ensures that the battery will be fully charged when delivered to the operating room, unlike other battery systems currently available on the market. The PowerPro(R) uses a proprietary process for maintaining sterility during charging, thus avoiding the loss of battery charge during sterilization, which frequently results in competing battery systems.

Powered Surgical Instruments

Product	Description	Brand Name
Large Bone	Powered saws, drills and related disposable accessories for use primarily in total knee and hip joint replacements and trauma surgical procedures.	Hall(R) Surgical MaxiDriver(TM) VersiPower(R)Plus Series 4(R) PowerPro(R) Advantage(TM) SureCharge(TM)
Small Bone	Powered saws, drills and related disposable accessories for small bones and joint surgical procedures.	Hall(R)Surgical E9000(R) MiniDriver(TM) MicroChoice(R) Micro 100(TM) Advantage(TM)
Otolaryngology Neurosurgery Spine	Specialty powered saws, drills and related disposable accessories for use in neurosurgery, spine, and otolaryngologic procedures.	Hall(R)Surgical E9000(R) UltraPower(R) Hall Osteon(R) Hall Ototome(R)
Cardiothoracic Oral/maxillofacial	Powered sternum saws, drills, and related disposable accessories for use by cardiothoracic and oral/maxillofacial surgeons.	Hall(R)Surgical E9000(R) UltraPower(R) Micro 100(TM) VersiPower(R) Plus

Electrosurgery

Electrosurgery is a technique of using high-frequency electric current which, when applied to tissue through special instruments, may be used to cut and/or, coagulate tissue. Radio frequency ("RF") is the form of high frequency electric current used in electrosurgery. An electrosurgical system consists of a generator, an active electrode in the form of a cautery pencil or other instrument which the surgeon uses to apply the current from the generator to the target tissue and a ground pad to safely return the current to the generator. Electrosurgery is routinely used in most forms of surgery, including general, dermatologic, thoracic, orthopedic, urologic, neurosurgical, gynecological, laparoscopic, arthroscopic and endoscopic procedures.

Our electrosurgical products include electrosurgical pencils and blades, ground pads, generators, the argon-beam coagulation system (ABC(R)), and related disposable products. ABC(R) technology is a special method of electrosurgery, which allows a faster and more complete coagulation of many tissues as compared to conventional electrosurgery. Unlike conventional electrosurgery, the electrical current travels in a beam of ionized argon gas, allowing the current to be dispersed onto the bleeding tissue without the instrument touching the tissue. Clinicians have reported notable benefits of ABC(R) over traditional electrosurgical coagulation in certain clinical situations, including open-heart, liver, spleen and trauma surgery.

Electrosurgery		
Product	Description	Brand Name
Pencils	Disposable and reusable surgical instruments designed to deliver high-frequency electric current to cut and/or coagulate tissue.	Hand-trol(R) Gold Line(R) Clear Vac(R)
Ground Pads	Disposable ground pads to safely return the current to the generator; available in adult, pediatric and infant sizes.	Macrolyte(R) Bio-gard(R) SureFit(R)
Blades	Surgical blades and accessory electrodes that use a proprietary coating to eliminate tissue buildup on the blade during surgery.	Ultra Clean(TM)
Generators	Monopolar and bipolar generators for surgical procedures performed in a hospital, physician's office or clinic setting.	EXCALIBUR Plus PC(R) SABRE(R) System 5000(R) System 2500(R) Hyfrecator(R) 2000
Argon Beam Coagulation Systems	Specialized electrosurgical generators, disposable hand pieces and ground pads for enhanced non-contact coagulation of tissue.	ABC(R) Beamer Plus(R) System 7500(R) ABC Flex(R)

Patient Care

We manufacture a variety of patient care products for use in monitoring cardiac rhythms, wound care management and intravenous ("IV") therapy. These products include ECG electrodes and cables, wound dressings and catheter stabilization dressings. Our patient care product lines also include disposable surgical suction instruments and connecting tubing. Sales are primarily derived from the distribution of ECG electrodes and surgical suction instruments and tubing. Although wound management and IV therapy product sales are comparatively small, the application of these products in the operating room complements our surgical product offerings.

During 2003, we entered into an agreement to become the exclusive North American distributor for a full line of pulse oximetry products manufactured by Dolphin Medical, Inc.

Patient Care Products		
Product	Description	Brand Name
ECG Monitoring	Line of disposable electrodes, monitoring cables, lead wire products and accessories designed to transmit ECG signals from the heart to an ECG monitor or recorder.	CONMED(R) Ultratrace(R) Cleartrace(R)

Patient Care Products		
Product	Description	Brand Name
Wound Care	Disposable transparent wound dressings comprising proprietary hydrogel; able to absorb 2 1/2 times its weight in wound exudate.	ClearSite(R) Hydrogauze(R) SportPatch(TM)
Patient Positioners	Products that properly and safely position patients while in surgery.	Airsoft(TM)
Surgical Suction Instruments and Tubing	Disposable surgical suction instruments and connecting tubing, including Yankauer, Poole, Frazier and Sigmoidoscopic instrumentation, for use by physicians in the majority of open surgical procedures.	CONMED(R)

Intravenous Therapy	Disposable IV drip rate gravity controller and disposable catheter stabilization dressing designed to hold and secure an IV needle or catheter for use in IV therapy.	VENI-GARD(R) MasterFlow(R) Stat 2(R)
Defibrillator Pads and Accessories	Stimulation electrodes for use in emergency cardiac response and for conduction studies of the heart.	PadPro(TM)
Pulse Oximetry	Used in critical care to continuously monitor a patient's arterial blood oxygen saturation and pulse rate.	Dolphin(R)

Endoscopy

Endoscopic surgery (also called Laparoscopic surgery) is surgery performed without a major incision, which results in less trauma for the patient and produces important cost savings as a result of shorter recovery times and reduced hospitalization. Endoscopic surgery is performed on organs in the abdominal cavity such as the gallbladder, appendix and female reproductive organs. During such procedures, devices called "trocars" are used to puncture the abdominal wall and are then removed, leaving in place a trocar cannula. The trocar cannula provides access into the abdomen for camera systems and surgical instruments. Some of our endoscopic instruments are "reposable", which means that the instrument has a disposable and a reusable component.

Our Endoscopy products include the Reflex(R) clip applier for vessel and duct ligation, Universal S/I(TM) (suction/irrigation) and Universal PLUS(R) laparoscopic instruments, and specialized, suction/irrigation electrosurgical instrument systems for use in laparoscopic surgery and the Trogard Finesse(R) which incorporates a blunt-tipped version of a trocar. The Trogard Finesse(R) dilates access through the body wall rather than cutting with the sharp, pointed tips of conventional trocars. This results in smaller wounds, and less bleeding. We also market cutting trocars, suction/irrigation accessories, laparoscopic scissors, active electrodes, insufflation needles, linear cutters and staplers, and ABC(R) handpieces for use in

laparoscopic surgery. Disposable skin staplers are used to close large skin incisions with surgical staples eliminating the time consuming suturing process.

Endoscopy		
Product	Description	Brand Name
Trocars	Disposable and reposable devices used to puncture the abdominal wall to provide access to the abdominal cavity for camera systems and instruments.	Finesse(R) Reflex(R) Detach a Port(R) One Port(R)
Multi-functional Electrosurgery and Suction/Irrigation instruments	Instruments for cutting and coagulating tissue by delivering high-frequency current. Instruments that deliver irrigating fluid to the tissue and remove blood and fluids from the internal operating field.	Universal(TM) Universal Plus(TM) FloVac(R)
Clip Appliers	Disposable devices for ligating blood vessels and ducts by placing a titanium clip on the vessel	Reflex(R)
Laparoscopic Instruments	Scissors, graspers	Detach a Tip(R)
Skin Staplers	Disposable devices that place surgical staples to close a surgical incision.	Reflex(R)
Microlaparoscopy scopes and instruments	Small laparoscopes and instruments for performing surgery through very small incisions.	MicroLap(R)

Integrated operating room systems

Our line of integrated operating room systems and equipment provides fully-integrated turn-key solutions for operating rooms and other patient critical care environments, enabling increased efficiency and operating cost savings. Our product offering includes design and consulting services, as well as our unique centralized operating room control system.

Integrated Operating Room Systems		
Product	Description	Brand Name
Surgical Lights	Surgical lighting for use in the operating room.	CM 570 Series(R)
Service Arms	Articulating ceiling-mounted service arms for mounting various types of service managers and surgical equipment.	CONMED(R)

Integrated Operating Room Systems		
Product	Description	Brand Name
Service Managers	Units mounted on service arms which provide shelving for surgical equipment and house electrical, gas and video connections.	SM14 SM20 SM30 SM40
Operating room control system	Centralized operating room management and control system for lighting, video, surgical equipment and generators, camera systems and interhospital and web conferencing.	Nurse's Assistant(R)

Marketing

Most of our products in the continental United States are marketed directly to more than 6,000 hospitals, to surgeons and other health care facilities.

A substantial portion of our sales are to customers affiliated with GPOs, IHNs, other large national or regional accounts, the Veterans Administration and to other hospitals operated by the Federal government. For hospital inventory management purposes, certain of our customers prefer to purchase our products through independent third-party medical product distributors.

In order to provide a high level of expertise to the medical specialties we serve, our domestic sales force consists of the following:

- 230 sales representatives selling arthroscopy and powered surgical instrument products employed by independent sales agent groups.
- 60 employee sales representatives selling electrosurgery products.
- 30 employee sales representatives selling endoscopy products.
- 30 employee sales representatives selling patient care products.

Each employee sales representative is assigned a defined geographic area and is compensated on a commission basis or through a combination of salary and commission. The sales force is supervised and supported by area directors. Sales agent groups are used in the United States to sell our arthroscopy and powered surgical instrument products. The sales agent groups are paid a commission for sales made to customers while home office sales and marketing management provide the overall direction for the sales of our products.

We also have a corporate sales department that is responsible for interacting with GPOs and IHNs. We have contracts with many such organizations and believe that, with certain exceptions, the lack of any individual group purchasing contract will not adversely impact our competitiveness in the marketplace. Our sales professionals are required to work closely with distributors where applicable and to maintain close relationships with end-users.

The sale of our products is accompanied by initial and ongoing in-service training of the end-user. Our sales professionals are trained in the technical aspects of our products and their uses and the procedures in which they are used. Our sales professionals, in turn, provide surgeons and medical personnel

with information relating to the technical features and benefits of our products.

Our international sales accounted for approximately 33% of total revenues in 2003. Products are sold in over 100 foreign countries. International sales efforts are coordinated through local country dealers or with direct sales efforts. We distribute our products through sales subsidiaries and branches with offices located in Australia, Belgium, Canada, France, Germany, Korea, the Netherlands, Spain and the United Kingdom. In these countries, our sales are denominated in the local currency. In the remaining countries where our products are sold through independent distributors, sales are denominated in United States dollars.

We sell to a diversified base of customers around the world and, therefore, believe there is no material concentration of credit risk.

Manufacturing

We manufacture most of our products and assemble them primarily from components we produce. We believe our vertically integrated manufacturing process allows us to provide quality products and generate manufacturing efficiencies by purchasing raw materials for our disposable products in bulk. We also believe that our manufacturing capabilities allow us to contain costs, control quality and maintain security of proprietary processes. We use various manual and automated equipment for fabrication and assembly of our products and are continuing to further automate our facilities.

We use a variety of raw materials in our manufacturing processes. We work to maintain multiple suppliers for each of our raw materials and components. None of our critical raw materials are sourced from a single supplier.

All of our products are classified as medical devices subject to regulation by the United States Food and Drug Administration ("FDA"). As a manufacturer of medical devices, our manufacturing processes and facilities are subject to on-site inspection and continuing review by the FDA for compliance with its Quality System Regulations. Manufacturing and sales of our products outside the United States are also subject to foreign regulatory requirements that vary from country to country. The time required to obtain approvals from foreign countries may be longer or shorter than that required for FDA approval and requirements for foreign approvals may differ from FDA requirements.

We believe our production and inventory practices are generally reflective of conditions in the industry. Our products are not generally made to order or to individual customer specifications. Accordingly, we schedule production and stock inventory on the basis of experience, knowledge of customer order patterns, and our judgment as to anticipated demand. Since customer orders must generally be filled promptly for immediate shipment, backlog of unfilled orders is not significant to an understanding of our business.

Research and Development

New and improved products play a critical role in our continued sales growth. Internal research and development efforts focus on the development of new products and product technological and design improvements aimed at complementing and expanding existing product lines. We continually seek to leverage new technologies which improve the durability, performance and usability of existing products. In addition, we maintain close working relationships with surgeons, inventors and operating room personnel who often make new product and technology disclosures, principally in procedure-specific areas. For clinical and commercially promising disclosures, we seek to obtain rights to these ideas through negotiated agreements.

Such agreements typically compensate the originator through royalty payments based upon a percentage of licensed product net sales. Royalty expense was approximately $2.4 million, $2.9 million and $3.5 million in 2001, 2002 and 2003, respectively.

We spent approximately $14.8 million, $16.1 million and $17.3 million during 2001, 2002, and 2003, respectively, for research and development activities.

We have rights to significant intellectual property, including United States patents and foreign equivalent patents which cover a wide range of our products. We own a majority of these patents and have exclusive and non-exclusive licensing rights to the remainder. In addition, certain of these patents have currently been licensed to third parties on a non-exclusive basis. We believe that the development of new products and technological and design improvements to existing products will continue to be of primary importance in maintaining our competitive position.

Competition

The market for our products is highly competitive and our customers generally have numerous alternatives of supply. Many of our competitors offer a range of products in areas other than those in which we compete, which may make such competitors more attractive to surgeons, hospitals, group purchasing organizations and others. In addition, several of our competitors are large, technically-competent firms with substantial assets.

The following chart identifies our principal competitors in each of our key business areas:

Business Area	Competitor
Arthroscopy	Smith & Nephew plc
	Arthrex
	Stryker Corporation
	Arthrocare
	Johnson & Johnson's Mitek division
Powered Surgical Instruments	Stryker Corporation
	Medtronic, Inc.'s Midas Rex and Xomed divisions
	Anspach
	MicroAire
Electrosurgery	Tyco International Ltd.'s Valleylab division
	3M Company
	ERBE Elektromedizin GmbH
Patient Care	Tyco International Ltd.'s Kendall division
	3M Company
Endoscopy	Johnson & Johnson's Ethicon division
	Tyco International Ltd.'s U.S.Surgical division

Factors which affect our competitive posture include product design, customer acceptance, service and delivery capabilities, pricing and product development/improvement. Other alternatives, such as new medical procedures or pharmaceuticals, could at some point prove to be interchangeable alternatives to our products.

Government Regulation

A significant number of our products are classified as medical devices subject to regulation by the FDA. New product introductions generally require FDA clearance under a procedure referred to as 510(k) premarketing notification. A 510(k) premarketing notification clearance indicates FDA agreement with an applicant's determination that the product for which clearance has been sought is substantially equivalent to another medical device that was on the market prior to 1976 or that has received 510(k) premarketing notification clearance. Some products have been continuously produced, marketed and sold since May 1976 and require no 510(k) premarketing clearance. Our products generally are classified as either Class I or Class II products with the FDA, meaning that they must meet certain FDA standards and are subject to the 510(k) premarketing notification clearance discussed above, but are not required to be approved by the FDA. FDA clearance is subject to continual review, and later discovery of previously unknown problems may result in restrictions on a product's marketing

or withdrawal of the product from the market.

We have quality control/regulatory compliance groups which have been tasked with monitoring compliance with design specifications and relevant government regulations for all of our products. We and substantially all of our products are subject to the provisions of the Federal Food, Drug and Cosmetic Act of 1938, as amended by the Medical Device Amendments of 1976, and the Safe Medical Device Act of 1990, as amended in 1992, and similar international regulations.

As a manufacturer of medical devices, our manufacturing processes and facilities are subject to periodic on-site inspections and continuing review by the FDA to ensure compliance with Quality System Regulations as specified in Title 21, Code of Federal Regulation (CFR) part 820. Many of our products are subject to industry-set standards. Industry standards relating to our products are generally formulated by committees of the Association for the Advancement of Medical Instrumentation. We believe that our products presently meet applicable standards in all material respects. We market our products in many international markets. Requirements pertaining to our products vary widely from country to country, ranging from simple product registrations to detailed submissions such as those required by the FDA. We believe that our products currently meet applicable standards for the countries in which they are marketed.

We are subject to product recall and have made product recalls in the past. No recall has had a material effect on our financial condition, but there can be no assurance regulatory issues may not have a material adverse effect in the future.

Any change in existing federal, state or foreign laws or regulations, or in the interpretation or enforcement thereof, or the promulgation or any additional laws or regulations could result in a material adverse effect on our financial condition or results of operations.

Employees

As of December 31, 2003, we had approximately 2,600 full-time employees, of whom 1,840 were in manufacturing, 115 in research and development, and the balance were in sales, marketing, executive and administrative positions. We believe that we have good relations with our employees and have never experienced a strike or similar work stoppage. None of our employees are represented by a labor union.

Risk Factors

An investment in our common stock involves a high degree of risk. Investors should carefully consider the specific factors set forth below as well as the other information included or incorporated by reference in this Form 10-K. See "Item 1: Business -- Forward Looking Statements" relating to certain forward-looking statements in this Form 10-K.

Our financial performance is subject to the risk of business acquisitions, including the effects of increased borrowing and the integration of businesses.

A key element of our business strategy has been to expand through acquisitions and we may seek to pursue additional acquisitions in the future. Our success is dependent in part upon our ability to integrate acquired companies or product lines into our existing operations. We may not have sufficient management and other resources to accomplish the integration of our past and future acquisitions and implementing our acquisition strategy may strain our relationship with customers, suppliers, distributors, manufacturing personnel or others. There can be no assurance that we will be able to identify and make acquisitions on acceptable terms or that we will be able to obtain financing for such acquisitions on acceptable terms. In addition, while we are generally entitled to customary indemnification from sellers of businesses for any difficulties that may have arisen prior to our acquisition of each business, acquisitions may involve exposure to unknown liabilities and the amount and time for claiming under these indemnification provisions is often limited. As a result, our financial performance is now and will continue to be subject to various risks associated with the acquisition of

businesses, including the financial effects associated with any increased borrowing required to fund such acquisitions or with the integration of such businesses.

Failure to comply with regulatory requirements could result in recalls, fines or materially adverse implications.

All of our products are classified as medical devices subject to regulation by the FDA. As a manufacturer of medical devices, our manufacturing processes and facilities are subject to on-site inspection and continuing review by the FDA for compliance with the Quality System Regulations. Manufacturing and sales of our products outside the United States are also subject to foreign regulatory requirements that vary from country to country. The time required to obtain approvals from foreign countries may be longer or shorter than that required for FDA approval, and requirements for foreign approvals may differ from FDA requirements. Failure to comply with applicable domestic and/or foreign requirements can result in:

- fines or other enforcement actions;
- recall or seizure of products;
- total or partial suspension of production;
- withdrawal of existing product approvals or clearances;
- refusal to approve or clear new applications or notices;
- increased quality control costs; or
- criminal prosecution.

The failure to comply with Quality System Regulations and applicable foreign regulations could result in a material adverse effect on our business, financial condition or results of operations.

If we are not able to manufacture products in compliance with regulatory standards, we may decide to cease manufacture of those products and may be subject to product recall.

In addition to the Quality System Regulations, many of our products are also subject to industry-set standards. We may not be able to comply with these regulations and standards due to deficiencies in component parts or our manufacturing processes. If we are not able to comply with the Quality System Regulations or industry-set standards, we may not be able to fill customer orders and we may decide to cease production of non-compliant products. Failure to produce products could affect our profit margins and could lead to loss of customers.

Our products are subject to product recall and product recalls have been made in the past. Although no recall has had a material adverse effect on our business, financial condition or results of operations, we cannot assure you that regulatory issues will not have a material adverse effect in the future or that product recall will not harm our reputation and our relationships with our customers.

The highly competitive market for our products may create adverse pricing pressures.

The market for our products is highly competitive and our customers have numerous alternatives of supply. Many of our competitors offer a range of products in areas other than those in which we compete, which may make such competitors more attractive to surgeons, hospitals, group purchasing organizations and others. In addition, several of our competitors are large, technically-competent firms with substantial assets. Competitive pricing pressures or the introduction of new products by our competitors could have an adverse effect on our revenues. See "Competition" for a further discussion of these competitive forces.

Factors which may influence our customers' choice of competitor products

include:

- changes in surgeon preferences;
- increases or decreases in health care spending related to medical devices;
- our inability to supply products to them, as a result of product recall or back-order;
- the introduction by competitors of new products or new features to existing products;

- the introduction by competitors of alternative surgical technology; and
- advances in surgical procedures and discoveries or developments in the health care industry.

Cost reduction efforts in the health care industry could put pressures on our prices and margins.

In recent years, the health care industry has undergone significant change driven by various efforts to reduce costs. Such efforts include national health care reform, trends towards managed care, cuts in Medicare, consolidation of health care distribution companies and collective purchasing arrangements by GPOs and IHNs. Demand and prices for our products may be adversely affected by such trends.

We may not be able to keep pace with technological change or to successfully develop new products with wide market acceptance, which could cause us to lose business to competitors.

The market for our products is characterized by rapidly changing technology. Our future financial performance will depend in part on our ability to develop and manufacture new products on a cost-effective basis, to introduce them to the market on a timely basis, and to have them accepted by surgeons.

We may not be able to keep pace with technology or to develop viable new products. Factors which could cause delay in releasing new products or even cancellation of our plans to produce and market these new products include:

- research and development delays;
- delays in securing regulatory approvals; or
- changes in the competitive landscape, including the emergence of alternative products or solutions which reduce or eliminate the markets for pending products.

Our new products may fail to achieve expected levels of market acceptance.

New product introductions may fail to achieve market acceptance. The degree of market acceptance for any of our products will depend upon a number of factors, including:

- our ability to develop and introduce new products and product enhancements in the time frames we currently estimate;
- our ability to successfully implement new technologies;
- the market's readiness to accept new products, such as our PowerPro(R) Battery System;
- having adequate financial and technological resources for future product development and promotion;
- the efficacy of our products; and

- the prices of our products compared to the prices of our competitors' products.

If our new products do not achieve market acceptance, we may be unable to recoup our investments and may lose business to competitors.

In addition, some of the companies with which we now compete or may compete in the future have or may have more extensive research, marketing and

manufacturing capabilities and significantly greater technical and personnel resources than we do, and may be better positioned to continue to improve their technology in order to compete in an evolving industry. See "Business--Competition" for a further discussion of these competitive forces.

Our credit agreement contains covenants that may limit our flexibility or prevent us from taking actions.

Our credit agreement contains, and future credit facilities are expected to contain, certain restrictive covenants which will affect, and in many respects significantly limit or prohibit, among other things, our ability to:

- incur indebtedness;
- make investments;
- engage in transactions with affiliates;
- pay dividends;
- sell assets; and
- pursue acquisitions.

These covenants, unless waived, may prevent us from pursuing acquisitions, significantly limit our operating and financial flexibility and limit our ability to respond to changes in our business or competitive activities. Our ability to comply with such provisions may be affected by events beyond our control. In the event of any default under our credit agreement, the credit agreement lenders could elect to declare all amounts borrowed under our credit agreement, together with accrued interest, to be due and payable. If we were unable to repay such borrowings, the credit agreement lenders could proceed against the collateral securing the credit agreement, which consists of substantially all of our property and assets, except for our accounts receivable and related rights which are sold in connection with the accounts receivable sales agreement. See "Management's Discussion and Analysis of Financial Condition and Results of Operations--Liquidity and Capital Resources" for a discussion of the accounts receivable sales agreement. Our credit agreement also contains a material adverse effect clause that could limit our ability to access additional funding under our credit agreement should a material adverse change in our business occur.

Our substantial leverage and debt service requirements may force us to adopt alternative business strategies.

We have indebtedness that is substantial in relation to our shareholders' equity, as well as interest and debt service requirements that are significant compared to our cash flow from operations. As of December 31, 2003, we had $264.6 million of debt outstanding, representing 38% of total capitalization and which does not include the $44 million of accounts receivable sold under the accounts receivable sales agreement described under "Management's Discussion and Analysis of Financial Condition and Results of Operations--Liquidity and Capital Resources".

The degree to which we are leveraged could have important consequences to investors, including but not limited to the following:

- a substantial portion of our cash flow from operations must be

dedicated to debt service and will not be available for operations, capital expenditures, acquisitions, dividends and other purposes;

- our ability to obtain additional financing in the future for working capital, capital expenditures, acquisitions or general corporate purposes may be limited or impaired, or may be at higher interest rates;
- we may be at a competitive disadvantage when compared to competitors that are less leveraged;
- we may be hindered in our ability to adjust rapidly to market conditions;
- our degree of leverage could make us more vulnerable in the event of a downturn in general economic conditions or other adverse circumstances applicable to us; and
- our interest expense could increase if interest rates in general increase because most of our borrowings, including our borrowings under our credit agreement, are and will continue to be at variable rates of interest.

We may not be able to generate sufficient cash to service our indebtedness, which could require us to reduce our expenditures, sell assets, restructure our indebtedness or seek additional equity capital.

Our ability to satisfy our obligations will depend upon our future operating performance, which will be affected by prevailing economic conditions and financial, business and other factors, many of which are beyond our control. We may not have sufficient cash flow available to enable us to meet our obligations. If we are unable to service our indebtedness, we will be forced to adopt an alternative strategy that may include actions such as foregoing acquisitions, reducing or delaying capital expenditures, selling assets, restructuring or refinancing our indebtedness or seeking additional equity capital. We cannot assure you that any of these strategies could be implemented on terms acceptable to us, if at all. See "Management's Discussion and Analysis of Financial Condition and Results of Operations - Liquidity and Capital Resources" for a discussion of our indebtedness and its implications.

We may be unable to continue to sell our accounts receivable, which could require us to seek alternative sources of financing.

Under our accounts receivable sales agreement, there are certain statistical ratios which must be maintained relating to the pool of receivables in order for us to continue selling to the purchaser. These ratios relate to sales dilution and losses on accounts receivable. If new accounts receivable arising in the normal course of business do not qualify for sale or the purchaser otherwise ceases to purchase our receivables, we would need to access alternate sources of working capital, which could be more expensive or difficult to obtain. Our accounts receivable sales agreement, as amended, also requires us to obtain a commitment (the "purchaser commitment"), on an annual basis from the purchaser to fund the purchase of our accounts receivable. The purchaser commitment expires October 21, 2004. In the event we are unable to renew our purchaser commitment, we would need to access alternate sources of working capital which could be more expensive or difficult to obtain.

The loss or invalidity of our patents may reduce our competitive advantage.

Much of the technology used in the markets in which we compete is covered by patents. We have numerous U.S. patents and corresponding foreign patents on products expiring at various dates from 2004 through 2021 and have additional patent applications pending. See "Business -- Research and Development " for a further description of our patents. The loss

of our patents could reduce the value of the related products and any related competitive advantage. Competitors may also be able to design around our patents and to compete effectively with our products. Also, our competitors may allege that our products infringe their patents, leading to voluntary or involuntary loss of sales from those products. In addition, the cost to prosecute infringements of our patents or the cost to defend our products against patent infringement actions by others could be substantial. We cannot assure you that:

- pending patent applications will result in issued patents,
- patents issued to or licensed by us will not be challenged by competitors,
- our patents will be found to be valid or sufficiently broad to protect our technology or provide us with a competitive advantage, or
- we will be successful in defending against pending or future patent infringement claims asserted against our products.

Ordering patterns of our customers may change resulting in reductions in sales.

Our hospital and surgery center customers purchase our products in quantities sufficient to meet their anticipated demand. Likewise, our health care distributor customers purchase our products for ultimate resale to health care providers in quantities sufficient to meet the anticipated requirements of the distributors' customers. Should inventories of our products owned by our hospital, surgery center and distributor customers grow to levels higher than their requirements, our customers may reduce the ordering of products from us. This could cause a reduction in our sales in a financial accounting period.

Our significant international operations subject us to risks associated with operating in foreign countries.

A portion of our operations are conducted outside the United States. Approximately 33% of our 2003 net sales constituted international sales. As a result of our international operations, we are subject to risks associated with operating in foreign countries, including:

- devaluations and fluctuations in currency exchange rates;
- imposition of limitations on conversions of foreign currencies into dollars or remittance of dividends and other payments by international subsidiaries;
- imposition or increase of withholding and other taxes on remittances and other payments by international subsidiaries;
- trade barriers;
- political risks, including political instability;
- reliance on third parties to distribute our products;
- hyperinflation in certain foreign countries; and

- imposition or increase of investment and other restrictions by foreign governments.

We cannot assure you that such risks will not have a material adverse effect on our business and results of operations.

We can be sued for producing defective products and our insurance coverage may be insufficient to cover the nature and amount of any product liability claims.

The nature of our products as medical devices and today's litigious environment should be regarded as potential risks that could significantly

and adversely affect our financial condition and results of operations. The insurance we maintain to protect against claims associated with the use of our products may not adequately cover the amount or nature of any claim asserted against us and we are exposed to the risk that our claims may be excluded and that our insurers may become insolvent or that premiums may increase substantially. See "Item 3: Legal Proceedings" for a further discussion of the risk of product liability actions and our insurance coverage.

Item 2. Properties

Facilities

The following table sets forth certain information with respect to our principal operating facilities. We believe that our facilities are generally well maintained, are suitable to support our business and adequate for present and anticipated needs.

Location	Square Feet	Own or Lease	Lease Expiration
Utica, NY (two facilities)	650,000	Own	--
Largo, FL	278,000	Own	--
Rome, NY	120,000	Own	--
Centennial, CO	65,000	Own	--
El Paso, TX	29,000	Lease	May 2005
Juarez, Mexico	25,000	Lease	December 2007
Montreal, Canada	23,000	Lease	March 2009
Tampere, Finland	20,000	Lease	June 2004
Santa Barbara, CA	18,000	Lease	December 2008
Frenchs Forest, Australia	17,000	Lease	August 2005
Brussels, Belgium	15,000	Lease	August 2012
Anaheim, CA	14,000	Lease	October 2012
Mississauga, Canada	14,000	Lease	May 2008
Swindon, Wiltshire, UK	10,000	Lease	November 2015
Seoul, Korea	7,000	Lease	July 2004
Portland, OR	7,000	Lease	September 2005
Frankfurt, Germany	7,000	Lease	December 2012
Rungis Cedex, France	3,000	Lease	October 2005
Barcelona, Spain	3,000	Lease	May 2009
Graz, Austria	2,000	Lease	October 2009
San Juan Capistrano, CA	2,000	Lease	January 2005

Item 3. Legal Proceedings

From time to time, we are a defendant in certain lawsuits alleging product liability, patent infringement, or other claims incurred in the ordinary course of business. These claims are generally covered by various insurance policies, subject to certain deductible amounts and maximum policy limits. When there is no insurance coverage, as would typically be the case primarily in lawsuits alleging patent infringement, we establish sufficient reserves to cover probable losses associated with such claims. We do not expect that the resolution of any pending claims will have a material adverse effect on our financial condition or results of operations. There can be no assurance, however, that future claims, the costs associated with claims, especially claims not covered by insurance, will not have a material adverse effect on our future performance.

Manufacturers of medical products may face exposure to significant product liability claims. To date, we have not experienced any material product liability claims, but any such claims arising in the future could have a material adverse effect on our business or results of operations. We currently maintain commercial product liability insurance of $25 million per incident and $25 million in the aggregate annually, which we, based on our experience, believe is adequate. This coverage is on a claims-made basis. There can be no assurance that claims will not exceed insurance coverage or that such insurance will be available in the future at a reasonable cost to us.

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

In November 2003, we commenced litigation against Johnson & Johnson and several of its subsidiaries, including Ethicon, Inc. for violation of federal and state antitrust laws. The lawsuit claims that Johnson & Johnson engaged in illegal and anticompetitive conduct with respect to sales of product used in endoscopic surgery, resulting in higher prices to consumers and the exclusion of competition. We have sought relief which includes an injunction restraining Johnson & Johnson from continuing its anticompetitive practice as well as receiving the maximum amount of damages allowed by law. While we believe that our claims are well-grounded in fact and law, there can be no assurance that we will be successful in our claim.

Item 4. Submission of Matters to a Vote of Security Holders

No matter was submitted to a vote of our security holders during the fourth quarter ended December 31, 2003.

PART II

Item 5. Market for the Registrant's Common Equity and Related Stockholder Matters

Our common stock, par value $.01 per share, is traded on the Nasdaq Stock Market (symbol - CNMD). At December 31, 2003, there were 1,166 registered holders of our common stock and approximately 6,000 accounts held in "street name".

The following table sets forth quarterly high and low sales prices for the years ended December 31, 2002 and 2003, as reported by the Nasdaq Stock Market.

	2002	
Period	High	Low
First Quarter	$ 25.00	$ 19.29
Second Quarter	27.00	22.25
Third Quarter	22.72	15.60
Fourth Quarter	21.52	18.10

	2003	
Period	High	Low
First Quarter	$ 20.74	$ 13.95
Second Quarter	20.83	16.69
Third Quarter	22.00	18.21
Fourth Quarter	24.30	19.52

We did not pay cash dividends on our common stock during 2002 and 2003. Our Board of Directors presently intends to retain future earnings to finance the development of our business and does not intend to declare cash dividends.

Should this policy change, the declaration of dividends will be determined by the Board in light of conditions then existing, including our financial requirements and condition and the limitation on the declaration and payment of cash dividends contained in debt agreements.

Information relating to compensation plans under which equity securities of CONMED Corporation are authorized for issuance is set forth in the section captioned "Stock Option Plans" in CONMED Corporation's definitive Proxy Statement for our 2004 Annual Meeting of Stockholders to be held on May 18, 2004 and all such information is incorporated herein by reference.

Item 6. Selected Financial Data

The following table sets forth selected historical financial data for the years ended December 31, 1999, 2000, 2001, 2002 and 2003. The financial data set forth below should be read in conjunction with the information under "Management's Discussion and Analysis of Financial Condition and Results of Operations" included in Item 7 of this Form 10-K and the Financial Statements of the Company and the notes thereto.

FIVE YEAR SUMMARY OF SELECTED FINANCIAL DATA

	Years Ended December 31,				
	1999	2000	2001	2002	2003
	(in thousands, except per share data)				
Statements of Operations Data (1):					
Net sales	$ 376,226	$ 395,873	$ 428,722	$ 453,062	$ 497,130
Cost of sales (2)	178,480	188,223	204,374	215,891	237,433
Gross profit	197,746	207,650	224,348	237,171	259,697
Selling and administrative	112,098	126,807	140,560	139,735	157,453
Research and development	12,108	14,870	14,830	16,087	17,306
Write-off of in-process research and development (3)	--	--	--	--	7,900
Other expense (income)(4)	(1,256)	1,509	--	2,000	(2,917)
Income from operations	74,796	64,464	68,958	79,349	79,955
Loss on early extinguishment of debt (5)	--	--	--	1,475	8,078
Interest expense	32,360	34,286	30,824	24,513	18,868
Income before income taxes	42,436	30,178	38,134	53,361	53,009
Provision for income taxes	15,277	10,864	13,728	19,210	20,927
Net income (6)	$ 27,159	$ 19,314	$ 24,406	$ 34,151	$ 32,082
Earnings Per Share (7)					
Basic	$ 1.19	$ 0.84	$ 1.02	$ 1.25	$ 1.11
Basic adjusted for SFAS 142 (6)	$ 1.41	$ 1.08	$ 1.25	1.25	$ 1.11
Diluted	$ 1.17	$ 0.83	$ 1.00	$ 1.23	$ 1.10
Diluted adjusted for SFAS 142 (6)	$ 1.39	$ 1.07	$ 1.23	$ 1.23	$ 1.10
Weighted Average Number of Common Shares In Calculating (7):					
Basic earnings per share	22,862	22,967	24,045	27,337	28,930
Diluted earnings per share	23,145	23,271	24,401	27,827	29,256
Other Financial Data:					
Depreciation and amortization	$ 26,291	$ 29,487	$ 30,148	$ 22,370	$ 24,854

Capital expenditures	9,352	14,050	14,443	13,384	9,309
Balance Sheet Data (at period end):					
Cash and cash equivalents	$ 3,747	$ 3,470	$ 1,402	$ 5,626	$ 5,986
Total assets	662,161	679,571	701,608	742,140	805,058
Long-term debt (including current portion)	394,669	378,748	335,929	257,387	264,591
Total shareholders' equity	211,261	230,603	283,634	386,939	433,490

(1) Includes, based on the purchase method of accounting, the results of operations of acquired businesses from the date of acquisition. See additional discussion in Note 2 to the consolidated financial statements.

(2) Includes an acquisition-related charge of $1.6 million in 1999 related to the step-up to fair value recorded related to the sale of inventory acquired as a result of a business acquisition; includes acquisition-related charges of $1.6 million in 2001 and $1.3 million in 2003 as discussed in Note 2 to the consolidated financial statements.

(3) During 2003, we recorded a $7.9 million charge to write-off in-process research and development assets ("IPRD") acquired as a result of our purchase of Bionx Implants, Inc. (the "Bionx acquisition") discussed in Note 2 to the consolidated financial statements.

(4) Includes for 1999, a $1.3 million benefit related to a previously recorded litigation accrual which was settled on favorable terms; for 2000, a severance charge of $1.5 million related to the restructuring of our arthroscopy sales force; for 2002, a $2.0 million charge related to the settlement of a patent infringement case; for 2003, a $9.0 million gain on the settlement of a contractual dispute, $2.8 million in pension settlement charges, $3.2 million in acquisition-related charges. See additional discussion in Note 12 to the consolidated financial statements.

(5) Includes in 2002 and 2003, charges of $1.5 million and $8.1 million, respectively, related to losses on the early extinguishment of debt. See additional discussion in Note 6 to the consolidated financial statements.

(6) Effective January 1, 2002, the provisions of SFAS 142 were adopted relative to the cessation of amortization for goodwill and certain intangibles. Had we accounted for goodwill and certain intangibles in accordance with SFAS 142 for all periods presented, net income would have been $32.2 million in 1999, $24.9 million in 2000 and $30.1 million in 2001.

(7) Earnings per share and the number of shares used in the calculation of earnings per share have been restated to retroactively reflect a three-for-two split of our common stock effected in the form of a common stock dividend and paid on September 7, 2001.

Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations

The following discussion should be read in conjunction with Selected Financial Data (Item 6) and our consolidated financial statements, which are included elsewhere in this Form 10-K.

Overview of CONMED Corporation

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

	2001	2002	2003
Arthroscopy	36%	36%	36%

Powered Surgical Instruments	27	25	25
Electrosurgery	16	15	15
Patient Care	16	16	14
Endoscopy	5	8	9
Integrated Operating Room Systems	--	--	1
Consolidated Net Sales	100%	100%	100%

Most of our products are used in surgeries with about 75% of our sales coming from sales of disposable products. We manufacture most of our products in plants in the United States. We sell in the United States and internationally both direct to customers and through distributors. International sales approximated 29% of total net sales in 2001 and 2002 and 33% of total net sales in 2003.

Business Environment, Opportunities and Challenges

As a result of an aging population and improved surgical procedures, we believe the overall market for our products is growing. We intend to increase our overall market share by leveraging our entire portfolio of products to increase sales and profits. An example of this is our entry in 2002 into the business of integrated operating room systems and equipment. We can now offer "one-stop shopping" to our customers by designing and installing integrated operating rooms and then providing the capital and disposable products for use in them.

Where we believe it makes sense, we plan to continue to pursue acquisitions which enable us to fill gaps in or strengthen our product lines. In addition, we may enter into agreements which enable us to quickly and inexpensively expand our product lines and leverage our distribution channels without an acquisition. An example of this is the agreement which we entered in December 2003 with OSI Systems, Inc., and its subsidiary, Dolphin Medical, Inc., under which we are now the exclusive North American distributor for a full line of pulse oximetry products. These products will become part of our Patient Care product line.

Certain of our products, particularly our line of surgical suction instruments and tubing and our line of ECG electrodes, are more commodity in nature, with limited opportunity for product differentiation. These products compete in very mature, price sensitive markets. As a result, while sales volumes are increasing, we have experienced and expect we will continue to experience pricing and margin pressures in these product lines. We believe we can continue to profitably compete in these product lines by maintaining and improving upon our low cost manufacturing structure. In addition, we expect to continue to use the cash generated from sales of these relatively low margin, low investment products to invest in, improve and expand our higher margin product lines.

Critical Accounting Estimates

Preparation of our financial statements requires us to make estimates and assumptions that affect the reported amounts of assets, liabilities, revenues and expenses. Note 1 to the consolidated financial statements describes the significant accounting policies used in preparation of the consolidated financial statements. The most significant areas involving management judgments and estimates are described below and are considered by management to be critical to understanding the financial condition and results of operations of CONMED Corporation.

Revenue Recognition

We recognize revenue upon shipment of product and passage of title to our customers. Factors considered in our revenue recognition policy are as follows:

- Sales to customers are evidenced by firm purchase orders. Title and

the risks and rewards of ownership are transferred to the customer when product is shipped. Payment by the customer is due under fixed payment terms.

- We place certain of our capital equipment with customers in return for commitments to purchase disposable products over time periods generally ranging from one to three years. In these circumstances, no revenue is recognized upon capital equipment shipment and we recognize revenue upon the disposable product shipment. The cost of the equipment is amortized over the terms of the commitment agreements.

- Product returns are only accepted at the discretion of the Company and in keeping with our "Returned Goods Policy". Product returns have not been significant historically. We accrue for sales returns, rebates and allowances based upon analysis of historical customer returns and credits, rebates, discounts and current market conditions.

- The terms of the Company's sales to customers do not involve any obligations for the Company to perform future services. Limited warranties are generally provided for capital equipment sales and provisions for warranty are provided at the time of product shipment based upon analysis of historical data.

- Amounts billed to customers related to shipping and handling are included in net sales. Shipping and handling costs of $8.6 million, $7.5 million and $8.3 million for the years ended December 31, 2001, 2002 and 2003, respectively, are included in selling and administrative expense.

- We sell to a diversified base of customers around the world and, therefore, believe there is no material concentration of credit risk.

- We assess the risk of loss on accounts receivable and adjust the allowance for doubtful accounts based on this risk assessment. Historically, losses on accounts receivable have not been material. Management believes the allowance for doubtful accounts of $1.7 million at December 31, 2003 is adequate to provide for any probable losses from accounts receivable.

Inventory Reserves

We maintain reserves for excess and obsolete inventory resulting from the potential inability to sell our products at prices in excess of current carrying costs. The markets in which we operate are highly competitive, with new products and surgical procedures introduced on an on-going basis. Such marketplace changes may cause our products to become obsolete. We make estimates regarding the future recoverability of the costs of our products and record a provision for excess and obsolete inventories based on historical experience, expiration of sterilization dates and expected future trends. If actual product life cycles, product demand or acceptance of new product introductions are less favorable than projected by management, additional inventory write-downs may be required.

Business Acquisitions

We completed several acquisitions in 2003, including the Bionx acquisition with a purchase price of $47.0 million, and have a history of growth through acquisitions. The assets and liabilities of acquired businesses are recorded under the purchase method at their estimated fair values at the dates of acquisition. Goodwill represents costs in excess of fair values assigned to the underlying net assets of acquired businesses. Other intangible assets primarily represent allocations of purchase price to identifiable intangible assets of acquired businesses. We have accumulated goodwill of $290.6 million and other intangible assets of $194.0 million as of December 31, 2003.

In accordance with Statement of Financial Accounting Standards No. 142, "Goodwill and Other Intangible Assets," ("SFAS 142"), goodwill and intangible assets deemed to have indefinite lives are not amortized, but are subject to at

least annual impairment testing. The identification and measurement of goodwill impairment involves the estimation of the fair value of our business. The estimates of fair value are based on the best information available as of the date of the assessment, which primarily incorporate management assumptions about expected future cash flows and contemplate other valuation techniques. Future cash flows can be affected by changes in industry or market conditions or the rate and extent to which anticipated synergies or cost savings are realized with newly acquired entities.

Intangible assets with a finite life are amortized over the estimated useful life of the asset. Intangible assets which continue to be subject to amortization are also evaluated to determine whether events and circumstances warrant a revision to the remaining period of amortization. An intangible asset is determined to be impaired when estimated future cash flows indicate the carrying amount of the asset may not be recoverable. Although no goodwill or other intangible asset impairment has been recorded to date, there can be no assurances that future impairment will not occur.

In connection with the Bionx acquisition, significant estimates were made in the $7.9 million valuation of the purchased in-process research and development assets. The purchased in-process research and development value relates to next generation arthroscopy products, which have been or are expected to be released between the second quarter of 2003 and fourth quarter of 2004. The acquired projects include enhancements and upgrades to existing device technology, introduction of new device functionality and the development of new materials technology for arthroscopic applications.

The value of the in-process research and development was calculated using a discounted cash flow analysis of the anticipated net cash flow stream associated with the in-process technology of the related product sales. The estimated net cash flows were discounted using a discount rate of 22%, which was based on the weighted-average cost of capital for publicly-traded companies within the medical device industry and adjusted for the stage of completion of each of the in-process research and development projects. The risk and return considerations surrounding the stage of completion were based on costs, man-hours and complexity of the work completed versus to be completed and other risks associated with achieving technological feasibility. In total, these projects were approximately 40% complete as of the acquisition date. The total budgeted costs for the projects were approximately $5.5 million and the remaining costs to complete these projects were approximately $3.3 million as of the acquisition date.

The major risks and uncertainties associated with the timely and successful completion of these projects consist of the ability to confirm the safety and efficacy of the technologies and products based on the data from clinical trials and obtaining the necessary regulatory approvals. In addition, no assurance can be given that the underlying assumptions used to forecast the cash flows or the timely and successful completion of such projects will materialize, as estimated. For these reasons, among others, actual results may vary significantly from the estimated results.

See Note 2 to the consolidated financial statements for further discussion.

Pension Plan

We sponsor three defined benefit pension plans covering substantially all our employees. These pension plans were merged effective January 1, 2004. Major assumptions used in the accounting for the plans include the discount rate, expected return on plan assets and rate of increase in employee compensation levels. Assumptions are determined based on Company data and appropriate market indicators, and are evaluated each year as of the plan's measurement date. A change in any of these assumptions would have an effect on net periodic pension benefit costs reported in the consolidated financial statements.

Lower market interest rates have caused us to lower the discount rate used in determining pension expense from 6.75% in 2003 to 6.25% in 2004. This change in assumption will result in higher pension expense in 2004.

We have used an expected rate of return on pension plan assets of 8.0% for purposes of determining the net periodic pension benefit cost. In determining

the expected return on pension plan assets, we consider the relative weighting of plan assets, the historical performance of total plan assets and individual asset classes and economic and other indicators of future performance. In addition, we consult with financial and investment management professionals in developing appropriate targeted rates of return. As a result of funding the maximum deductible pension contributions in 2003, pension plan assets have increased

substantially, which will result in higher expected returns and decreased pension expense in 2004.

Based on these and other factors, 2004 pension expense is estimated at approximately $5.0 million. Actual expense may vary significantly from this estimate.

See Note 10 to the consolidated financial statements for further discussion.

Income Taxes

The recorded future tax benefit arising from net deductible temporary differences and tax carryforwards is approximately $15.5 million at December 31, 2003. Management believes that our earnings during the periods when the temporary differences become deductible will be sufficient to realize the related future income tax benefits.

We have established a valuation allowance to reflect the uncertainty of realizing the benefits of certain net operating loss carryforwards recognized in connection with the Bionx acquisition. In assessing the need for a valuation allowance, we estimate future taxable income, considering the feasibility of ongoing tax planning strategies and the realizability of tax loss carryforwards. Valuation allowances related to deferred tax assets can be impacted by changes to tax laws, changes to statutory tax rates and future taxable income levels. In the event we were to determine that we would not be able to realize all or a portion of our deferred tax assets in the future, we would reduce such amounts through a charge to income in the period that such determination was made.

See Note 7 to the consolidated financial statements for further discussion.

Results of Operations

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

	Year Ended December 31,		
	2001	2002	2003
Net sales	100.0%	100.0%	100.0%
Cost of sales	47.7	47.7	47.8
Gross margin	52.3	52.3	52.2
Selling and administrative expense	32.8	30.8	31.7
Research and development expense	3.5	3.6	3.4
Write-off of purchased IPRD	--	--	1.7
Other expense (income)	--	0.4	(0.6)
Income from operations	16.0	17.5	16.0
Loss on early extinguishment of debt	--	0.3	1.6
Interest expense	7.2	5.5	3.7
Income before income taxes	8.8	11.7	10.7
Provision for income taxes	3.1	4.2	4.2
Net income	5.7%	7.5%	6.5%

2003 Compared to 2002

Sales for 2003 were $497.1 million, an increase of $44.0 million (9.7%) compared to sales of $453.1 million in 2002. The acquisition of Bionx Implants, Inc. in March 2003 (the "Bionx acquisition") accounted for $12.6 million of the increase, the acquisition of CORE Dynamics, Inc. in December 2002 (the "CORE acquisition") accounted for $7.2 million of the increase and favorable foreign currency exchange rates accounted for $10.8 million of the increase. The Bionx and CORE acquisitions are described more fully in Note 2 to the consolidated financial statements.

- Arthroscopy sales increased $15.5 million (9.6%) in 2003 to $177.4 million from $161.9 million in 2002, largely as a result of the Bionx acquisition.

- Powered surgical instrument sales increased $7.7 million (6.7%) in 2003 to $122.0 million from $114.3 million in 2002, largely on increased sales of our new PowerPro(R) battery-powered instrument product line.

- Patient care sales increased $0.3 million (0.4%) in 2003 to $70.0 million from $69.7 million in 2002 as sales of our ECG and surgical suction product lines continue to face significant competition and pricing pressures.

- Electrosurgery sales increased $7.6 million (10.9%) in 2003 to $77.3 million from $69.7 million in 2002, as a result of strong sales of our new System 5000(R) electrosurgical generator.

- Endoscopy sales increased $9.0 million (24.5%)in 2003 to $45.8 million from $36.8 million in 2002, largely as a result of the CORE acquisition.

- Integrated operating room systems sales for 2003 were $4.6 million as a result of a full year of the two acquisitions comprising this product line as compared to $0.7 million for the last two months of 2002.

Cost of sales increased to $237.4 million in 2003 compared to $215.9 million in 2002, primarily as a result of the increased sales volumes described above. Gross margin percentage decreased slightly to 52.2% in 2003 as compared to 52.3% in 2002. As discussed in Note 2 to our consolidated financial statements, during 2003, we incurred $1.3 million in acquisition-related charges which are included in cost of sales. Additionally, as noted above, our ECG and surgical suction product lines continue to face significant competition and pricing pressures resulting in a lower gross margin in these product lines.

Selling and administrative expense increased to $157.5 million in 2003 as compared to $139.7 million in 2002. As a percentage of sales, selling and administrative expense totaled 31.7% in 2003 compared to 30.8% in 2002. The increase in selling and administrative expense as a percentage of sales is due largely to the transition to a larger, independent sales agent based sales force for our arthroscopy and powered surgical instrument product lines. During 2003, we restructured our arthroscopy and powered surgical instrument sales force by increasing our domestic sales force from 180 to 230 sales representatives. The increase is part of our integration plan for the Bionx acquisition. As part of the sales force restructuring, we converted 90 direct employee sales representatives

into nine independent sales agent groups. As a result of this restructuring, we now have 18 exclusive sales agent groups managing 230 arthroscopy and powered surgical instrument sales representatives. The transition in the sales force and its greater number of sales staff is expected to result in higher future sales growth in our arthroscopy and powered surgical instrument product lines.

Research and development expense totaled $17.3 million in 2003 compared to $16.1 million in 2002. This increase is largely due to the Bionx acquisition and represents continued research and development efforts focused primarily on product development in the arthroscopy and powered surgical instrument product lines. As a percentage of sales, research and development was 3.4%, consistent

with 3.6% in 2002.

We wrote off purchased in-process research and development assets of $7.9 million in connection with the Bionx acquisition in the first quarter of 2003. This item is explained in further detail in Note 2 to the consolidated financial statements.

Other income in 2003 consists of a $9.0 million gain on settlement of a contractual dispute offset by pension settlement losses of $2.8 million and acquisition-related charges of $3.2 million. Other expense incurred during 2002 consists of a $2.0 million loss on the settlement of a patent dispute. These items are explained in further detail in Note 12 to the consolidated financial statements.

Losses on early extinguishment of debt of $8.1 million in 2003 and $1.5 million in 2002 are related to the refinancing of our debt agreements. These items are explained in further detail in Note 6 to the consolidated financial statements.

Interest expense in 2003 was $18.9 million compared to $24.5 million in 2002. The decrease in interest expense is primarily a result of lower weighted average borrowings outstanding in 2003 as compared to 2002 as well as lower weighted average interest rates on our borrowings, (inclusive of the implicit finance charge on our accounts receivable sale facility), which decreased to 5.96% in 2003 as compared to 7.55%, in 2002, as the 9.0% Senior Subordinated Notes the ("Notes") were retired in favor of lower cost bank debt as discussed in Note 6 to the consolidated financial statements.

Provision for income taxes has been recorded at an effective rate of 39.5% in 2003 and 36.0% in 2002. The increase in effective rate is due to the nondeductibility of the in-process research and development charge. A reconciliation of the United States statutory income tax rate to our effective tax rate is included in Note 7 to the consolidated financial statements.

2002 Compared to 2001

Sales for 2002 were $453.1 million, an increase of $24.4 million (5.7%) compared to sales of $428.7 million in 2001. The acquisition of Imagyn Medical Technologies, Inc. in July 2001 (the "Imagyn acquisition") accounted for $10.4 million of the increase and favorable foreign currency exchange rates accounted for $2.0 million of the increase. The Imagyn acquisition is described more fully in Note 2 to the consolidated financial statements.

- Arthroscopy sales increased $6.3 million (4.0%) in 2002 to $161.9 million from $155.6 million in 2001, on strong sales of disposable products and video equipment.

- Powered surgical instrument sales remained flat at $114.3 million in 2002 and 2001. We believe the weakness in sales in the powered surgical instrument product line is a result of our aging battery-powered product offering which was replaced in March 2002 with our new PowerPro(R) battery-powered instrument product line. We believe that as PowerPro(R) is established in the marketplace, as was evidenced in 2003, it will enable us to resume overall growth in powered surgical instrument sales.

- Patient care sales increased $0.6 million (0.9%) in 2002 to $69.7 million from $69.1 million in 2001 as increases in sales of our ECG and other patient care product lines offset declines in sales of our surgical suction product lines which continue to face significant competition and pricing pressures.

- Electrosurgery sales increased $2.8 million (4.2%) in 2002 to $69.7 million from $66.9 million in 2001, driven by increases in disposable product sales.

- Endoscopy sales increased $14.0 million (61.4%) in 2002 to $36.8 million from $22.8 million in 2001. The increase is largely a result of the Imagyn acquisition.

- Integrated operating room systems sales for 2002 were $0.7 million

as a result of two acquisitions in the fourth quarter of 2002.

Cost of sales increased to $215.9 million in 2002 compared to $204.4 million in 2001, primarily as a result of the increased sales volumes described above. Gross margin percentage remained consistent at 52.3% in 2002 as compared with 2001. As discussed in Note 2 to our consolidated financial statements, during 2001 we incurred $1.6 million in acquisition-related charges which are included in cost of sales. During 2002, we sold sample PowerPro(R) product, pursuant to a distribution agreement, at gross margins lower than the margins realized for units sold to end-user customers. In addition, during 2002 we experienced certain unfavorable production variances.

Selling and administrative expense decreased to $139.7 million in 2002 as compared to $140.6 million in 2001. During 2002, selling and administrative expense decreased by approximately $8.8 million, before income taxes, as a result of the adoption of SFAS 142 and the discontinuation of amortization of goodwill and certain intangibles. As a percentage of sales, selling and administrative expense totaled 30.8% in 2002 compared to 32.8% in 2001. The decrease in selling and administrative expense as a percentage of sales is due to reduced amortization expense as a result of the adoption of SFAS 142.

Research and development expense totaled $16.1 million in 2002 compared to $14.8 million in 2001. This increase represents continued research and development efforts primarily focused on product development in the electrosurgery, arthroscopy and powered surgical instrument product lines. As a percentage of sales, research and development was 3.6%, consistent with 3.5% in 2001.

Other expense incurred during 2002 consists of a $2.0 million loss on the settlement of a patent dispute. This charge is explained in further detail in Note 12 to the consolidated financial statements.

Losses on early extinguishment of debt of $1.5 million in 2002 are related to the refinancing of our debt agreements. These items are explained in further detail in Note 6 to the consolidated financial statements.

Interest expense in 2002 was $24.5 million compared to $30.8 million in 2001. The decrease in interest expense is primarily a result of lower weighted average borrowings outstanding in 2002 as compared to 2001 as well as lower weighted average interest rates on our borrowings, (inclusive of the implicit finance charge on our accounts receivable sale facility), which decreased to 7.55% in 2002 as compared to 8.08% in 2001.

Provision for income taxes has been recorded at an effective rate of 36% for 2002 and 2001. A reconciliation of the United States statutory income tax rate to our effective tax rate is included in Note 7 to the consolidated financial statements.

Liquidity and Capital Resources

Cash generated from our operations, including sales of accounts receivable and borrowings under our revolving credit facility, provide the working capital for our operations, debt service under our senior credit agreement and the funding of our capital expenditures. In addition, we use term borrowings, including:

- borrowings under our senior credit agreement;
- borrowings under separate loan facilities, in the case of real property acquisitions, to finance our acquisitions.

Cash provided by operations

Our net working capital position was $146.3 million at December 31, 2003. Net cash provided by operations increased to $58.0 million in the year ended December 31, 2003 compared to $44.9 million in 2002.

Net cash provided by operations in 2003 was positively impacted by the following: depreciation, amortization and deferred income taxes; the non-cash write-off of the remaining unamortized deferred financing costs related to the extinguishment of our 9% senior subordinated notes; the non-cash write-off of

purchased in-process research and development assets; and increased sales of accounts receivable and an increase in income taxes payable.

Net cash provided by operations in 2003 was negatively impacted by the following: $11.1 million in pension contributions in excess of the $8.4 million in net periodic pension benefit cost recognized in the consolidated statement of income made to reduce the underfunding of our pension plans; the increase in working capital as a result of the Bionx acquisition (discussed in Note 2 to the consolidated financial statements); increases in accounts receivable and inventory as a result of growth in our business; and decreases in accounts payable and accrued interest, primarily related to the timing of the payment of these liabilities.

Investing cash flows

Net cash used by investing activities in 2003 included $55.1 million in payments related to business acquisitions, net of cash acquired, most of which is

related to the Bionx acquisition and the remainder related to several smaller acquisitions as discussed in Note 2 to the consolidated financial statements.

Capital expenditures in 2003 were $9.3 million compared to $13.4 million in 2002. The decrease in capital expenditures compared to a year ago is a result of the completion of several large capital projects. Capital expenditures representing the ongoing capital investment requirements of our business are expected to continue at the rate of approximately $9.0 to $12.0 million annually.

Financing cash flows

Financing activities in 2003 consist primarily of $160.0 million in borrowings under the senior credit agreement and the retirement, primarily in June 2003, of $130.0 million in 9.0% senior subordinated notes (discussed in Note 6 to the consolidated financial statements). In addition to the retirement of the $130.0 million in Notes, the Company repaid an additional $22.8 million in borrowings originating largely as a result of the Bionx acquisition (discussed in Note 2 to the consolidated financial statements). Annual savings in interest costs based on December 31, 2003 borrowing and interest rate levels as a result of the retirement of the Notes is estimated at approximately $6.0 million.

Our senior credit agreement consists of a $100 million revolving credit facility and a $260 million term loan. There were no borrowings outstanding on the revolving credit facility as of December 31, 2003. The balance outstanding on the term loan facility at December 31, 2003 was $243.0 million. The term loan facility extends for approximately 6 years, with scheduled principal payments of $2.6 million annually through December 2007 increasing to $71.0 million in 2008 and the remaining balance outstanding due in December 2009. We may be required, under certain circumstances, to make additional principal payments based on excess cash flow as defined in the amended senior credit agreement. No such payments were required for the year-ended December 31, 2003. Interest rates on the term facility are LIBOR plus 2.25% (3.41% at December 31, 2003). Interest rates on the revolving credit facility are LIBOR plus 2.50% (3.66% at December 31, 2003).

The senior credit agreement is collateralized by substantially all of our personal property and assets, except for our accounts receivable and related rights which have been sold in connection with our accounts receivable sales agreement. The senior credit agreement contains covenants and restrictions which, among other things, require maintenance of certain working capital levels and financial ratios, prohibit dividend payments and restrict the incurrence of certain indebtedness and other activities, including acquisitions and dispositions. The senior credit agreement contains a material adverse effect clause that could limit our ability to access additional funding under our senior credit agreement should a material adverse change in our business occur. We are also required, under certain circumstances, to make mandatory prepayments from net cash proceeds from any issue of equity and asset sales.

We used term loans to purchase the property in Largo, Florida utilized by our Linvatec subsidiary. The debt assumed in 2001 in connection with the

purchase consists of a note bearing interest at 7.50% per annum with semiannual payments of principal and interest through June 2009 (the "Class A note"); and a note bearing interest at 8.25% per annum compounded semiannually through June 2009, after which semiannual payments of principal and interest will commence, continuing through June 2019 (the "Class C note"). Additionally, there is a seller-financed note which bears interest at 6.50% per annum with monthly payments of principal and interest through July 2013 (the "Seller note"). The principal balances assumed on

the Class A note, Class C note and Seller note aggregated $12.3 million $6.2 million and $4.2 million, respectively, at the date of acquisition. The principal balances outstanding on the Class A note, Class C note and seller-financed note aggregate $9.6 million, $7.5 million and $3.8 million, respectively, at December 31, 2003. These loans are secured by our Largo, Florida property.

Off-Balance Sheet Arrangements

We have an accounts receivable sales agreement pursuant to which we and certain of our subsidiaries sell on an ongoing basis certain accounts receivable to CONMED Receivables Corporation ("CRC"), a wholly-owned, bankruptcy-remote, special-purpose subsidiary of CONMED Corporation. CRC may in turn sell up to an aggregate $50.0 million undivided percentage ownership interest in such receivables (the "asset interest") to a commercial paper conduit. The accounts receivable sales agreement was amended and restated on substantially the same terms and conditions on October 23, 2003 but replaced the commercial paper conduit with a bank. The commercial paper conduit or the bank's (the "purchaser") share of collections on accounts receivable are calculated as defined in the accounts receivable sales agreement, as amended. Effectively, collections on the pool of receivables flow first to the purchaser and then to CRC, but to the extent that the purchaser's share of collections were less than the amount of the purchaser's asset interest, there is no recourse to CONMED or CRC for such shortfall. For receivables that have been sold, CONMED Corporation and its subsidiaries retain collection and administrative responsibilities as agent for the purchaser. As of December 31, 2002 and 2003, the undivided percentage ownership interest in receivables sold by CRC to the purchaser aggregated $37.0 million and $44.0 million, respectively, which has been accounted for as a sale and reflected in the balance sheet as a reduction in accounts receivable. Expenses associated with the sale of accounts receivable, including the purchaser's financing costs to purchase the accounts receivable, were $1.2 million and $0.8 million, in 2002 and 2003, respectively and are included in interest expense.

There are certain statistical ratios, primarily related to sales dilution and losses on accounts receivable, which must be calculated and maintained on the pool of receivables in order to continue selling to the purchaser. The pool of receivables is in full compliance with these ratios. Management believes that additional accounts receivable arising in the normal course of business will be of sufficient quality and quantity to qualify for sale under the accounts receivable sales agreement. In the event that new accounts receivable arising in the normal course of business do not qualify for sale, then collections on sold receivables will flow to the purchaser rather than being used to fund new receivable purchases. To the extent that such collections would not be available to CONMED in the form of new receivables purchases, we would need to access an alternate source of working capital, such as our $100 million revolving credit facility. Our accounts receivable sales agreement, as amended, also requires us to obtain a commitment (the "purchaser commitment"), on an annual basis, from the purchaser to fund the purchase of our accounts receivable. The purchaser commitment expires October 21, 2004. In the event we are unable to renew our purchaser commitment, we would need to access an alternate source of working capital, such as our $100 million revolving credit facility.

Contractual Obligations

The following table summarizes our contractual obligations for the next five years and thereafter (amounts in thousands). There were no capital lease obligations as of December 31, 2003.

	Payments Due by Period				
	Total	Less than 1 Year	1-3 Years	3-5 Years	More than 5 Years
Long-term debt	$264,591	$ 4,143	$ 8,862	$ 78,171	$173,415
Purchase Obligations	19,700	1,200	5,500	13,000	--
Operating lease obligations	11,832	2,127	3,571	3,407	2,727
Total contractual Obligations	$296,123	$ 7,470	$ 17,933	$ 94,578	$176,142

Stock-based Compensation

We have reserved shares of common stock issuance to employees and directors under three shareholder-approved stock option plans. The exercise price on all outstanding options is equal to the quoted fair market value of the stock at the date of grant. Stock options are non-transferable other than on death and generally become exercisable over a five year period from date of grant and expire ten years from date of grant.

Item 7A. Quantitative and Qualitative Disclosures About Market Risk

Our principal market risks involve foreign currency exchange rates, interest rates and credit risk.

Foreign currency risk

We manufacture our products primarily in the United States and distribute our products throughout the world. As a result, our financial results could be significantly affected by factors such as changes in foreign currency exchange rates or weak economic conditions in foreign markets. As of December 31, 2003, we have not entered into any forward foreign currency exchange contracts to hedge the effect of foreign currency exchange fluctuations. During 2003, changes in foreign currency exchange rates increased our sales by approximately $10.8 million and income before income taxes by approximately $7.8 million. We will continue to monitor and evaluate our foreign currency exposure and the need to enter into a forward foreign currency exchange contract or other hedging arrangement.

Interest rate risk

Our exposure to market risk for changes in interest rates relates to our borrowings. Interest rate swaps, a form of derivative, are used to manage interest rate risk. As of December 31, 2003, we had entered into an interest rate swap with a $50.0 million notional amount expiring in June 2004 which effectively converts $50.0 million of the approximate $243.0 million of floating rate borrowings under our senior credit agreement into fixed rate borrowings with a base interest rate of 3.63%. Assuming we make our 2004 scheduled term loan payments, if market interest rates for similar borrowings average 1% more in 2004 than they did in 2003, our interest expense, after considering the effects of our interest rate swap, would increase, and income before income taxes would decrease by $2.3 million. Comparatively, if market interest rates averaged 1% less in 2004 than they did during 2003, our interest expense, after considering the effects of our interest rate swap, would

decrease, and income before income taxes would increase by $2.3 million. These amounts are determined by considering the impact of hypothetical interest rates on our borrowing cost and interest rate swap agreement and do not consider any actions by management to mitigate our exposure to such a change.

Credit Risk

A substantial portion of our accounts receivable are due from hospitals and other healthcare providers. We generally do not receive collateral for these receivables. Although the concentration of these receivables with customers in a similar industry poses a risk of non-collection, we believe this risk is

mitigated somewhat by the large number and geographic dispersion of these customers and by frequent monitoring of the creditworthiness of the customers to whom credit is granted in the normal course of business.

Exposure to credit risk is controlled through credit approvals, credit limits and monitoring procedures, and we believe that reserves for losses are adequate. There is no significant net exposure due to any individual customer or other major concentration of credit risk.

Item 8. Financial Statements and Supplementary Data

Our 2003 Financial Statements, together with the report thereon of PricewaterhouseCoopers LLP dated February 27, 2004, are included elsewhere herein.

Item 9. Changes In and Disagreements with Accountants on Accounting and Financial Disclosures

We have had no disagreements with PricewaterhouseCoopers LLP that would be required to be reported under this Item 9.

Item 9A. Controls and Procedures

The Company has carried out an evaluation under the supervision and with the participation of the Company's management, including the Chief Executive Officer and Chief Financial Officer of the effectiveness of the design and operation of the Company's disclosure controls and procedures. There are inherent limitations to the effectiveness of any system of disclosure controls and procedures, including the possibility of human error and the circumvention or overriding of the controls and procedures. Accordingly, even effective disclosure controls and procedures can only provide reasonable assurance of achieving their control objectives. Based upon the Company's evaluation, the Chief Executive Officer and Chief Financial Officer have concluded that, as of December 31, 2003, the disclosure controls and procedures were effective to provide reasonable assurance that information required to be disclosed in the reports the Company's files and submits under the Securities Exchange Act of 1934 is recorded, processed, summarized and reported as and when required.

There has been no change in the Company's internal control over financial reporting during the Company's fiscal year ended December 31, 2003 that has materially affected, or is reasonable likely to materially effect, the Company's internal control over financial reporting.

PART III

Item 10. Directors and Executive Officers of the Registrant

Information with respect to Directors and Executive Officers, the Audit Committee and Audit Committee financial experts is incorporated herein by reference to the sections captioned "Proposal One: Election of Directors" and "Directors, Executive Officers, Senior Officers and Nominees for the Board of Directors" in CONMED Corporation's definitive Proxy Statement to be mailed on or about April 5, 2004 for the annual meeting of shareholders to be held on May 18, 2004.

Item 11. Executive Compensation

Information with respect to Executive Compensation is incorporated herein by reference to the sections captioned "Compensation of Executive Officers", "Stock Option Plans", "Pension Plans" and "Board of Directors Interlocks and Insider Participation; Certain Relationships and Related Transactions" in CONMED Corporation's definitive Proxy Statement to be mailed on or about April 5, 2004 for the annual meeting of shareholders to be held on May 18, 2004.

Item 12. Security Ownership of Certain Beneficial Owners and Management

Information with respect to Security Ownership of Certain Beneficial Owners and Management is incorporated herein by reference to the section captioned "Security Ownership of Certain Beneficial Owners and Management" in CONMED Corporation's definitive Proxy Statement to be mailed on or about April 5, 2004 for the annual meeting of shareholders to be held on May 18, 2004.

Item 13. Certain Relationships and Related Transactions

Information regarding certain relationships and related transactions is incorporated herein by reference to the section captioned "Board of Directors Interlocks and Insider Participation; Certain Relationships and Related Transactions" in CONMED Corporation's definitive Proxy Statement to be mailed on or about April 5, 2004 for the annual meeting of shareholders to be held on May 18, 2004.

Item 14. Principal Accounting Fees and Services

Information with respect to fees billed, the Audit Committee's pre-approval policies and procedures with regard to such fees and the nature of services provided by our independent auditor, PricewaterhouseCoopers LLP, is incorporated herein by reference to the section captioned "Audit Fees" in CONMED Corporation's definitive Proxy Statement to be mailed on or about April 5, 2004 for the annual meeting of shareholders to be held on May 18, 2004.

PART IV

Item 15. Exhibits, Financial Statement Schedules, and Reports on Form 8-K

Index to Financial Statements

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

March 1, 2004

By: /s/ Eugene R. Corasanti
Eugene R. Corasanti
(Chairman of the Board, Chief Executive Officer)

Pursuant to the requirements of the Securities Act of 1934, this report has been signed below by the following persons on behalf of the registrants and in the capacities and on the dates indicated.

Signature	Title	Date
/s/ EUGENE R. CORASANTI Eugene R. Corasanti	Chairman of the Board Chief Executive Officer And Director	March 1, 2004
/s/ JOSEPH J. CORASANTI Joseph J. Corasanti	President, Chief Operating Officer and Director	March 1, 2004
/s/ ROBERT D. SHALLISH JR. Robert D. Shallish, Jr.	Vice President-Finance And Chief Financial Officer (Principal Financial Officer)	March 1, 2004
/s/ LUKE A. POMILIO Luke A. Pomilio	Vice President - Corporate Controller (Principal Accounting Officer)	March 1, 2004
/s/ BRUCE F. DANIELS Bruce F. Daniels	Director	March 1, 2004
/s/ Jo ANN GOLDEN Jo Ann Golden	Director	March 1, 2004
/s/ STEPHEN M. MANDIA Stephen M. Mandia	Director	March 1, 2004
/s/ WILLIAM D. MATTHEWS William D. Matthews	Director	March 1, 2004
/s/ ROBERT E. REMMELL Robert E. Remmell	Director	March 1, 2004
/s/ STUART J. SCHWARTZ Stuart J. Schwartz	Director	March 1, 2004

Exhibit Index

Exhibit No.	Description of Instrument
2.1	- The Asset Purchase Agreement, dated as of June 11, 2001 by and between CONMED Corporation and Imagyn Medical, Inc. et al - incorporated herein by reference to Exhibit 10.1 of our Quarterly Report on Form 10-Q filed on August 13, 2001.
2.2	- The Agreement of Purchase and Sale, dated as of February 5, 2001 by and between Linvatec Corporation and Largo Lakes, I, II and IV, Inc., et al - incorporated herein by reference to Exhibit 10.2 of our Quarterly Report on Form 10-Q filed on August 13, 2001.
2.3	- The Agreement and Plan of Merger dated January 13, 2003 by and among CONMED Corporation, Arrow Merger Corporation and Bionx Implants, Inc. - incorporated herein by reference to Exhibit 2.5

of our Annual Report on Form 10-K for the year ended December 31, 2002.

2.4 - The Purchase and Sale Agreement dated November 1, 2001 among CONMED Corporation, et al and CONMED Receivables Corporation - incorporated herein by reference to Exhibit 10.2 of our Quarterly Report on Form 10-Q filed on November 14, 2001.

2.5 - Amendment No. 1 dated October 23, 2003 to the Purchase and Sale Agreement dated November 1, 2001 among CONMED Corporation, et al and CONMED Receivables Corporation - incorporated herein by reference to Exhibit 10.2 of our Quarterly Report on Form 10-Q filed on November 13, 2003.

2.6 - Amended and Restated Receivables Purchase Agreement, dated October 23, 2003, among CONMED Receivables Corporation, CONMED Corporation, and Fleet National Bank - incorporated herein by reference to Exhibit 10.1 of our Quarterly Report on Form 10-Q filed on November 13, 2003.

3.1 - Amended and Restated By-Laws, as adopted by the Board of Directors on December 26, 1990-- incorporated herein by reference to the exhibit in our Current Report on Form 8-K, dated March 7, 1991.

3.2 - 1999 Amendment to Certificate of Incorporation and Restated Certificate of Incorporation of CONMED Corporation - incorporated herein by reference to Exhibit 3.2 in our Annual Report on Form 10-K for the year ended December 31, 1999.

4.1 - See Exhibit 3.1.

4.2 - See Exhibit 3.2.

Exhibit No. Description of Instrument

4.3 - Amended and Restated Credit Agreement, dated June 30, 2003, among CONMED Corporation, JPMorgan Chase Bank and the several banks and other financial institutions or entities from time to time parties thereto - incorporated herein by reference to Exhibit 10.1 of our Quarterly Report on Form 10-Q filed on August 14, 2003.

4.4 - First Amendment to Amended and Restated Credit Agreement, dated December 23, 2003, among CONMED Corporation, JPMorgan Chase Bank and the several other financial institutions or entities from time to time parties thereto.

4.5 - Guarantee and Collateral Agreement, dated August 28, 2002, made by CONMED Corporation and certain of its subsidiaries in favor of JPMorgan Chase Bank - incorporated herein by reference to Exhibit 10.2 of our Quarterly Report on Form 10-Q filed on October 31, 2002.

4.6 - First Amendment to Guarantee and Collateral Agreement, dated June 30, 2003, made by CONMED Corporation and certain of its subsidiaries in favor of JPMorgan Chase Bank and the several banks and other financial institutions or entities from time to time parties thereto - incorporated herein by reference to Exhibit 10.2 of our Quarterly Report on Form 10-Q filed on August 14, 2003.

10.1 - Employment Agreement between the Company and Eugene R. Corasanti, dated December 16, 1996-- incorporated herein by reference to Exhibit 10.1 in our Annual Report on Form 10-K for the year ended December 31, 1996.

10.2 - Amendment to December 16, 1996 Employment Agreement between the Company and Eugene R. Corasanti, dated March 7, 2002 - incorporated herein by reference to Exhibit 10.10 in our Annual Report on Form 10-K for the year ended December 31, 2001.

10.3 - Employment Agreement between the Company and Joseph J. Corasanti,

dated May 2, 2000 - incorporated herein by reference to Exhibit 10.9 in our Annual Report on Form 10-K for the year ended December 31, 2000.

10.4 - 1992 Stock Option Plan (including form of Stock Option Agreement)-- incorporated herein by reference to the exhibit in our Annual Report on Form 10-K for the year ended December 25, 1992.

10.5 - Amended and Restated Employee Stock Option Plan (including form of Stock Option Agreement) --incorporated herein by reference to Exhibit 10.6 in our Annual Report on Form 10-K for the year ended December 31, 1996.

Exhibit No. Description of Instrument

10.6 - Stock Option Plan for Non-Employee Directors of CONMED Corporation-- incorporated by reference to Exhibit 10.5 in our Annual Report on Form 10-K for the year ended December 31, 1996.

10.7 - Amendment to Stock Option Plan for Non-employee Directors of CONMED Corporation - incorporated by reference to the Definitive Proxy Statement for the 2002 annual meeting as filed on April 17, 2002.

10.8 - 1999 Long-term Incentive Plan - incorporated by reference to the Definitive Proxy Statement for the 1999 annual meeting as filed on April 16, 1999.

10.9 - Amendment to 1999 Long-term Incentive Plan - incorporated by reference to the Definitive Proxy Statement for the 2002 annual meeting as filed on April 17, 2002.

10.10 - 2002 Employee Stock Purchase Plan - incorporated by reference to the Definitive Proxy Statement for the 2002 annual meeting as filed on April 17, 2002.

14 - Code of Ethics - The CONMED code of ethics may be accessed via the Company's website at http://www.conmed.com/investor-ethics.htm

21 - Subsidiaries of the Registrant.

23 - Consent, dated March 12, 2004, of PricewaterhouseCoopers LLP, independent accountants for CONMED Corporation.

31.1 - Certification of Eugene R. Corasanti pursuant to Rule 13a-14(a), of the Exchange Act, as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.

31.2 - Certification of Robert D. Shallish, Jr. pursuant to Rule 13a-14(a), of the Exchange Act, as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.

32.1 - Certifications of Eugene R. Corasanti and Robert D. Shallish, Jr. pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.

On October 29, 2003, the Company filed a Report on Form 8-K furnishing as Exhibit 99.1 under Item 12, an October 24, 2003 press release announcing third quarter and nine month period ending September 30, 2003 results.

On February 3, 2004, the Company filed a Report on Form 8-K furnishing as Exhibit 99.1 under Item 12, a January 29, 2004 press release announcing fourth quarter and year ended December 31, 2003 results.

REPORT OF INDEPENDENT AUDITORS

To the Board of Directors and
Shareholders of CONMED Corporation

In our opinion, the consolidated financial statements listed in the index appearing under Item 15 (a)(1) on Page 43 present fairly, in all material respects, the financial position of CONMED Corporation and its subsidiaries at December 31, 2003 and 2002, and the results of their operations and their cash flows for each of the three years in the period ended December 31, 2003, in conformity with accounting principles generally accepted in the United States of America. In addition, in our opinion, the financial statement schedule listed in the index appearing under Item 15 (a)(2) on Page 43 presents fairly, in all material respects, the information set forth therein when read in conjunction with the related consolidated financial statements. These financial statements and the financial statement schedule are the responsibility of the Company's management; our responsibility is to express an opinion on these financial statements and the financial statement schedule based on our audits. We conducted our audits of these statements in accordance with auditing standards generally accepted in the United States of America, which require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

As discussed in Note 1 to the consolidated financial statements, effective January 1, 2002, the Company adopted Statement of Financial Accounting Standards No. 142, "Goodwill and Other Intangible Assets".

PricewaterhouseCoopers LLP

Syracuse, New York
February 27, 2004

CONMED CORPORATION
CONSOLIDATED BALANCE SHEETS
December 31, 2002 and 2003
(In thousands except share amounts)

	2002	2003
ASSETS		
Current assets:		
Cash and cash equivalents	$ 5,626	$ 5,986
Accounts receivable, less allowance for doubtful accounts of $922 in 2002 and $1,672 in 2003	58,093	60,449
Inventories	120,443	120,945
Deferred income taxes	6,304	10,188
Prepaid expenses and other current assets	3,200	3,538
Total current assets	193,666	201,106
Property, plant and equipment, net	95,608	97,383
Goodwill, net	262,394	290,562
Other intangible assets, net	180,271	193,969
Other assets	10,201	22,038
Total assets	$ 742,140	$ 805,058
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current liabilities:		
Current portion of long-term debt	$ 2,631	$ 4,143
Accounts payable	22,074	18,320
Accrued compensation	10,463	10,685
Income taxes payable	5,885	10,877
Accrued interest	3,794	279
Other current liabilities	13,127	10,551

Total current liabilities	57,974	54,855
Long-term debt	254,756	260,448
Deferred income taxes	28,446	46,143
Other long-term liabilities	14,025	10,122
Total liabilities	355,201	371,568
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 authorized; 28,808,105 and 29,140,644, issued in 2002 and 2003, respectively	288	291
Paid-in capital	231,832	237,076
Retained earnings	162,391	194,473
Accumulated other comprehensive income (loss)	(7,153)	2,069
Less 37,500 shares of common stock in treasury, at cost	(419)	(419)
Total shareholders' equity	386,939	433,490
Total liabilities and shareholders' equity	$ 742,140	$ 805,058

See notes to consolidated financial statements.

CONMED CORPORATION
CONSOLIDATED STATEMENTS OF INCOME
Years Ended December 31, 2001, 2002 and 2003
(In thousands except per share amounts)

	2001	2002	2003
Net sales	$ 428,722	$ 453,062	$ 497,130
Cost of sales	204,374	215,891	237,433
Gross profit	224,348	237,171	259,697
Selling and administrative expense	140,560	139,735	157,453
Research and development expense	14,830	16,087	17,306
Write-off of purchased in-process research and development assets	--	--	7,900
Other expense (income)	--	2,000	(2,917)
	155,390	157,822	179,742
Income from operations	68,958	79,349	79,955
Loss on early extinguishment of debt	--	1,475	8,078
Interest expense	30,824	24,513	18,868
Income before income taxes	38,134	53,361	53,009
Provision for income taxes	13,728	19,210	20,927

Net income	$ 24,406	$ 34,151	$ 32,082
Earnings per share:			
Basic	$ 1.02	$ 1.25	$ 1.11
Diluted	1.00	1.23	1.10

See notes to consolidated financial statements.

CONMED CORPORATION
CONSOLIDATED STATEMENTS OF SHAREHOLDERS' EQUITY
Years Ended December 31, 2001, 2002 and 2003
(In thousands)

	Common Stock Shares	Common Stock Amount	Paid-in Capital	Retained Earnings	Accumulated Other Comprehensive Income (Loss)	Treasury Stock	Shareholders' Equity
Balance at December 31, 2000	23,029	$ 230	$127,985	$103,834	(1,027)	$ (419)	$ 230,603
Common stock issued under employee plans	259	3	1,827				1,830
Tax benefit arising from common stock issued under employee plans			604				604
Common stock issued in connection with business acquisitions	1,974	20	30,341				30,361
Comprehensive income:							
Foreign currency translation adjustments .					(1,142)		
Cash flow hedging (net of income tax benefit of $1,106)					(1,966)		
Minimum pension liability (net of income tax benefit of $597)					(1,062)		
Net income				24,406			
Total comprehensive income ..							20,236
Balance at December 31, 2001	25,262	253	160,757	128,240	(5,197)	(419)	283,634
Common stock issued under employee plans	546	5	5,012				5,017
Tax benefit arising from common stock issued under employee plans			1,970				1,970
Common stock issuance	3,000	30	66,093				66,123
Repurchase of common stock warrant			(2,000)				(2,000)
Comprehensive income:							
Foreign currency translation adjustments ...					1,010		
Cash flow hedging (net of income tax benefit of $596)					1,058		

(continued)

See notes to consolidated financial statements.

CONMED CORPORATION
CONSOLIDATED STATEMENTS OF SHAREHOLDERS' EQUITY
Years Ended December 31, 2001, 2002 and 2003
(In thousands)

	Common Stock Shares	Common Stock Amount	Paid-in Capital	Retained Earnings	Accumulated Other Comprehensive Income (Loss)	Treasury Stock	Shareholders' Equity
Minimum pension liability (net of income tax benefit of $2,264)					(4,024)		
Net income				34,151			
Total comprehensive income ..							32,195
Balance at December 31, 2002	28,808	$ 288	$231,832	$162,391	$ (7,153)	$ (419)	$ 386,939
Common stock issued under employee plans	248	2	3,198				3,200
Tax benefit arising from common stock issued under employee plans			390				390
Common stock issued in connection with business acquisitions	85	1	1,656				1,657
Comprehensive income:							
Foreign currency translation adjustments ...					3,082		
Cash flow hedging (net of income tax expense of $593)					1,054		
Minimum pension liability (net of income tax expense of $2,861)					5,086		
Net income				32,082			
Total comprehensive income ..							41,304
Balance at December 31, 2003	29,141	$ 291	$237,076	$194,473	$ 2,069	$ (419)	$ 433,490

See notes to consolidated financial statements.

CONMED CORPORATION
CONSOLIDATED STATEMENTS OF CASH FLOWS
Years Ended December 31, 2001, 2002 and 2003
(In thousands)

	2001	2002	2003
Cash flows from operating activities:			
Net income	$ 24,406	$ 34,151	$ 32,082
Adjustments to reconcile net income to net cash provided by operations:			
Depreciation	9,055	9,203	10,539
Amortization	21,093	13,167	14,315
Deferred income taxes	8,562	10,664	13,715
Income tax benefit of stock option exercises	604	1,970	390
Contributions to pension plans in excess of net pension cost	(2,297)	(1,999)	(11,082)
Write-off of purchased in-process research and development assets	--	--	7,900
Write-off of deferred financing costs	--	1,475	2,181
Increase (decrease) in cash flows from changes in assets and liabilities, net of effects from acquisitions:			
Sale of accounts receivable	40,000	(3,000)	7,000
Accounts receivable	(12,508)	(2,151)	(6,405)
Inventories	(4,235)	(15,213)	(3,411)
Accounts payable	(516)	1,157	(5,105)
Income taxes payable	(281)	4,217	2,188

Accrued compensation	1,950	(1,584)	(338)
Accrued interest	(290)	(1,160)	(3,515)
Other assets/liabilities, net	(8,394)	(5,974)	(2,444)
	52,743	10,772	25,928
Net cash provided by operations	77,149	44,923	58,010
Cash flows from investing activities:			
Payments related to business acquisitions net of cash acquired	--	(17,375)	(55,079)
Purchases of property, plant and equipment, net	(14,443)	(13,384)	(9,309)
Other investing activities	--	--	(4,085)
Net cash used by investing activities	(14,443)	(30,759)	(68,473)
Cash flows from financing activities:			
Net proceeds from issuance of common stock	--	66,123	--
Net proceeds from common stock issued under employee plans	1,830	5,017	3,200
Repurchase of warrant on common stock	--	(2,000)	--
Redemption of 9.0% Senior Subordinated Notes	--	--	(130,000)
Payments on debt	(76,423)	(183,680)	(22,796)
Proceeds of debt	11,000	105,138	160,000
Payments related to issuance of debt	--	(1,513)	(1,950)
Net cash provided (used) by financing activities	(63,593)	(10,915)	8,454

(continued)

See notes to consolidated financial statements.

CONMED CORPORATION
CONSOLIDATED STATEMENTS OF CASH FLOWS
Years Ended December 31, 2001, 2002 and 2003
(In thousands)

	2001	2002	2003
Effect of exchange rate changes on cash and cash equivalents	(1,181)	975	2,369
Net increase (decrease) in cash and cash equivalents	(2,068)	4,224	360
Cash and cash equivalents at beginning of year	3,470	1,402	5,626
Cash and cash equivalents at end of year	$ 1,402	$ 5,626	$ 5,986
Supplemental disclosures of cash flow information:			
Cash paid during the year for:			
Interest	$ 31,135	$ 24,453	$ 21,698
Income taxes	2,098	5,478	5,507

Supplemental disclosures of non-cash investing and financing activities:

As more fully described in Note 2, we acquired businesses in 2001 through the exchange of approximately 2.0 million shares of our common stock valued at $30.4 million.

As more fully described in Note 6, we acquired certain property in 2001 through the assumption of approximately $22.7 million of debt and accrued interest.

As more fully described in Note 2, during 2003 we issued approximately 85,000 shares of our common stock valued at approximately $1.7 million as part of the consideration for the purchases of several businesses in 2002.

See notes to consolidated financial statements.

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

Note 1 -- Operations and Significant Accounting Policies

Organization and operations

CONMED Corporation ("CONMED", the "Company", "we" or "us")is a medical technology company specializing in instruments, implants and video equipment for arthroscopic sports medicine and powered surgical instruments, such as drills and saws, for orthopedic, ENT, neuro-surgery and other surgical specialties. We are a leading developer, manufacturer and supplier of RF electrosurgery systems used routinely to cut and cauterize tissue in nearly all types of surgical procedures worldwide, endoscopy products such as trocars, clip appliers, scissors and surgical staplers, and a full line of ECG electrodes for heart monitoring and other patient care products. We also offer integrated operating room systems and equipment. Our products are used in a variety of clinical settings, such as operating rooms, surgery centers, physicians' offices and hospitals.

Principles of consolidation

The consolidated financial statements include the accounts of CONMED Corporation and its controlled subsidiaries. All intercompany accounts and transactions have been eliminated.

Use of estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Cash equivalents

We consider all highly liquid investments with an original maturity of three months or less to be cash equivalents.

Accounts receivable sale

On November 1, 2001, we entered into a five-year accounts receivable sales agreement pursuant to which we and certain of our subsidiaries sell on an ongoing basis certain accounts receivable to CONMED Receivables Corporation ("CRC"), a wholly-owned, bankruptcy-remote, special-purpose subsidiary of CONMED Corporation. CRC may in turn sell up to an aggregate $50.0 million undivided percentage ownership interest in such receivables (the "asset interest") to a commercial paper conduit. On October 23, 2003 the accounts receivable sales agreement was amended and restated on substantially the same terms and conditions with the exception of replacing the commercial paper conduit with a bank. The commercial paper conduit or the bank's (the "purchaser") share of collections on accounts receivable are calculated as defined in the accounts receivable sales agreement, as amended.

Effectively, collections on the pool of receivables flow first to the purchaser

and then to CRC, but to the extent that the purchaser's share of collections were less than the amount of the purchaser's asset interest, there is no recourse to CONMED or CRC for such shortfall. For receivables that have been sold, CONMED Corporation and its subsidiaries retain collection and administrative responsibilities as agent for the purchaser. As of December 31, 2002 and 2003, the undivided percentage ownership interest in receivables sold by CRC to the purchaser aggregated $37.0 million and $44.0 million, respectively, which has been accounted for as a sale and reflected in the balance sheet as a reduction in accounts receivable. Expenses associated with the sale of accounts receivable, including the purchaser's financing costs to purchase the accounts receivable, were $1.2 million and $0.8 million, in 2002 and 2003, respectively, and are included in interest expense.

There are certain statistical ratios, primarily related to sales dilution and losses on accounts receivable, which must be calculated and maintained on the pool of receivables in order to continue selling to the purchaser. The pool of receivables is in full compliance with these ratios. Management believes that additional accounts receivable arising in the normal course of business will be of sufficient quality and quantity to qualify for sale under the accounts receivable sales agreement. In the event that new accounts receivable arising in the normal course of business do not qualify for sale, then collections on sold receivables will flow to the purchaser rather than being used to fund new receivable purchases. To the extent that such collections would not be available to CONMED in the form of new receivables purchases, we would need to access an alternate source of working capital, such as our $100 million revolving credit facility. Our accounts receivable sales agreement, as amended, also requires us to obtain a commitment (the "purchaser commitment"), on an annual basis, from the purchaser to fund the purchase of our accounts receivable. The purchaser commitment expires October 21, 2004. In the event we are unable to renew our purchaser commitment, we would need to access an alternate source of working capital, such as our $100 million revolving credit facility.

Inventories

Inventories are stated at the lower of cost or market, cost being determined on the first-in, first-out basis.

Property, plant and equipment

Property, plant and equipment are stated at cost and depreciated using the straight-line method over the following estimated useful lives:

Building and improvements	40 years
Leasehold improvements	Remaining life of lease
Machinery and equipment	2 to 15 years

Goodwill and other intangible assets

Goodwill represents the excess of purchase price over fair value of identifiable net assets of acquired businesses. Other intangible assets primarily represent allocations of purchase price to identifiable intangible assets of acquired businesses. Goodwill and other intangible assets had been amortized over periods ranging from 5 to 40 years through December 31, 2001. Because of our history of growth through acquisitions, goodwill and other intangible assets comprise a substantial portion (60.2% at December 31, 2003) of our total assets.

In June 2001, the Financial Accounting Standards Board approved Statement of Financial Accounting Standards No. 142 "Goodwill and Other Intangible Assets" ("SFAS 142"). We adopted SFAS 142 effective January 1, 2002. As a result of the adoption of this standard, amortization of goodwill and certain intangibles has been discontinued.

During 2002 and 2003, we performed impairment tests of goodwill and indefinite-lived intangible assets and evaluated the useful lives of acquired intangibles assets subject to amortization. These tests and evaluations were performed in accordance with SFAS 142. No impairment losses or adjustments to useful lives have been recognized as a result of these tests. It is our policy to perform our annual impairment tests in the fourth quarter.

Other long-lived assets

We review for impairment of long-lived assets (consisting of intangible assets subject to amortization and property, plant and equipment) whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. If the sum of the expected future undiscounted cash flows is less than the carrying amount of the asset, an impairment loss is recognized by reducing the recorded value to fair value.

Equity investments

We have several investments in the common stock of other companies in our industry which are less than 20% of the voting stock of these companies and in which we do not have the ability to exercise significant influence. We have accounted for these investments under the cost method.

Hedging activity

Our hedging activity consists of an interest rate swap which we have designated as a cash-flow hedge, and which effectively converts $50 million of the $243 million in LIBOR-based floating rate debt under our senior credit agreement into fixed rate debt with a base interest rate of 3.63%. The interest rate swap expires in June 2004 and is included in other current liabilities at a fair value of $0.6 million in our consolidated balance sheet at December 31, 2003.

Fair value of financial instruments

The fair values of cash and cash equivalents, accounts receivable, accounts payable, and long-term debt approximates their carrying amount.

Translation of foreign currency financial statements

Assets and liabilities of foreign subsidiaries have been translated into United States dollars at the applicable rates of exchange in effect at the end of the period reported. Revenues and expenses have been translated at the applicable weighted average rates of exchange in effect during the period reported. Translation adjustments are reflected in accumulated other comprehensive income (loss). Transaction gains and losses are included in net income.

Income taxes

We provide for income taxes in accordance with the provisions of SFAS No. 109, "Accounting for Income Taxes" ("SFAS 109"). Under the liability method specified by SFAS 109, deferred tax assets and liabilities are based on the difference between the financial statement and tax basis of assets and liabilities as measured by the tax rates that are anticipated to be in effect when these differences reverse. The deferred tax provision generally represents the net change in the assets and liabilities for deferred tax. A valuation allowance is established when it is necessary to reduce deferred tax assets to amounts for which realization is more likely than not.

Revenue recognition

We recognize revenue upon shipment of product and passage of title to our customers. Factors considered in our revenue recognition policy are as follows:

- Sales to customers are evidenced by firm purchase orders. Title and the risks and rewards of ownership are transferred to the customer when product is shipped. Payment by the customer is due under fixed payment terms.

- We place certain of our capital equipment with customers in return for commitments to purchase disposable products over time periods generally ranging from one to three years. In these circumstances, no revenue is recognized upon capital equipment shipment and we recognize revenue upon the disposable product shipment. The cost of the equipment is amortized over the terms of the commitment agreements.

- Product returns are only accepted at the discretion of the Company

and in keeping with our "Returned Goods Policy". Product returns have not been significant historically. We accrue for sales returns, rebates and allowances based upon analysis of historical customer returns, credits, rebates, discounts and current market conditions.

- The terms of the Company's sales to customers do not involve any obligations for the Company to perform future services. Limited warranties are generally provided for capital equipment sales and provisions for warranty are provided at the time of product shipment based upon analysis of historical data.

- Amounts billed to customers related to shipping and handling are included in net sales. Shipping and handling costs of $8.6 million, $7.5 million and $8.3 million for the years ended 2001, 2002 and 2003, respectively, are included in selling and administrative expense.

- We sell to a diversified base of customers around the world and, therefore, believe there is no material concentration of credit risk.

- We assess the risk of loss on accounts receivable and adjust the allowance for doubtful accounts based on this risk assessment. Historically, losses on accounts receivable have not been material. Management believes the allowance for doubtful accounts of $1.7 million at December 31, 2003 is adequate to provide for any probable losses from accounts receivable.

Earnings per share

Basic earnings per share ("basic EPS") is computed based on the weighted average number of common shares outstanding for the period. Diluted earnings per share ("diluted EPS") gives effect to all dilutive potential shares outstanding (i.e., options and warrants) during the period. The following is a reconciliation of the weighted average shares used in the calculation of basic and diluted EPS:

	2001	2002	2003
Shares used in the calculation of basic EPS (weighted average shares outstanding) ...	24,045	27,337	28,930
Effect of dilutive potential securities	356	490	326
Shares used in the calculation of diluted EPS	24,401	27,827	29,256

The shares used in the calculation of diluted EPS exclude warrants and options to purchase shares where the exercise price was greater than the average market price of common shares for the year. Such shares aggregated 2.8 million, 0.7 million and 1.3 million at December 31, 2001, 2002 and 2003, respectively.

Stock-based Compensation

Statement of Financial Accounting Standards No. 123, "Accounting for Stock-Based Compensation" ("SFAS 123") defines a fair value based method of accounting for an employee stock option whereby compensation cost is measured at the grant date based on the fair value of the award and is recognized over the service period. A company may elect to adopt SFAS 123 or elect to continue accounting for its stock option or similar equity awards using the method of accounting prescribed by Accounting Principles Board Opinion No. 25, "Accounting for Stock Issued to Employees" ("APB 25"), where compensation cost is measured at the date of grant based on the excess of the market value of the underlying stock over the exercise price. We have elected to continue to account for our stock-based compensation plans under the provisions of APB No. 25. No compensation expense has been recognized in the accompanying financial statements relative to our stock option plans.

Pro forma information regarding net income and earnings per share is

required by SFAS 123 and has been determined as if we had accounted for our employee stock options under the fair value method of that statement. The weighted average fair value of options granted in 2001, 2002 and 2003 was $7.39, $9.32 and $5.81, respectively. The fair value of these options was estimated at the date of grant using a Black-Scholes options pricing model with the following weighted-average assumptions for options granted in 2001, 2002 and 2003, respectively: Risk-free interest rates of 4.38%, 2.70% and 3.13%; volatility factors of the expected market price of the Company's common stock of 48.04%, 41.10% and 32.08%; a weighted-average expected life of the option of five years; and that no dividends would be paid on common stock.

For purposes of the pro forma disclosures, the estimated fair value of the options is amortized to expense over the options' vesting period. The Company's pro forma information follows:

	2001	2002	2003
Net income - as reported	$ 24,406	$ 34,151	$ 32,082
Pro forma stock-based employee compensation expense, net of related income tax effect	(2,845)	(2,156)	(2,383)
Net income - pro forma	$ 21,561	$ 31,995	$ 29,699
EPS - as reported:			
Basic	$ 1.02	$ 1.25	$ 1.11
Diluted	$ 1.00	$ 1.23	$ 1.10
EPS - pro forma:			
Basic	$ .90	$ 1.17	$ 1.03
Diluted	$ .88	$ 1.15	$ 1.02

Accumulated other comprehensive income (loss)

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

	Minimum Pension Liability	Cumulative Translation Adjustments	Cash Flow Hedges	Accumulated Other Comprehensive Income(loss)
Balance, December 31, 2002	$ (5,086)	$ (1,159)	$ (908)	$ (7,153)
Foreign currency translation adjustments	--	3,082	--	3,082
Cash flow hedging (net of income taxes)	--	--	1,054	1,054
Minimum pension liability (net of income taxes)	5,086	--	--	5,086
Balance, December 31, 2003	$ --	$ 1,923	$ 146	$ 2,069

Reclassifications

Certain prior year amounts have been reclassified to conform with the presentation used in 2003.

Note 2 -- Business Acquisitions

Assets and liabilities of acquired businesses have been accounted for under the purchase method of accounting and recorded at their fair values at the

date of acquisition. The excess of the purchase price over the estimated fair values of the net assets acquired has been recorded as goodwill. The results of operations of acquired businesses have been included in the consolidated statements of income as of the date of acquisition.

In 2001 we completed the acquisition of certain assets of Imagyn Medical Technologies, Inc (the "Imagyn acquisition") related to our Endoscopy product line

for $29.9 million in CONMED common stock. Goodwill associated with the Imagyn acquisition totaled approximately $26.7 million and is deductible for income tax purposes. We incurred $1.6 million in acquisition-related charges during 2001 to transition manufacturing of the Imagyn product to our facilities. These charges are included in cost of sales.

In 2002 we completed acquisitions of several businesses related to our Patient Care and Endoscopy product lines, including the December 31, 2002 acquisition of CORE Dynamics, Inc. (the "CORE acquisition"), as well as two businesses engaged in the design, manufacture and installation of integrated operating room systems and equipment. Consideration for acquisitions completed in 2002 aggregated $17.4 million in cash and $1.7 million in CONMED common stock plus the assumption of approximately $3.4 million in liabilities. Under the terms of certain of the acquisition agreements, we agreed to pay additional consideration dependent upon future sales or profitability and the satisfactory execution of a plan to transition and consolidate manufacturing of an acquired business to our facilities. Any future consideration paid will be recorded in goodwill. Goodwill recorded in 2002 totaled approximated $16.2 million and is deductible for income tax purposes.

In 2003 we completed several smaller acquisitions related to our Patient Care and Electrosurgery product lines totaling $6.1 million and recorded additional contingent consideration related to 2002 acquisitions of $2.0 million. Goodwill recorded in 2003 related to these acquisitions totaled $5.9 million and is deductible for income tax purposes. These acquisitions did not have a material effect on our results of operations for the year ended December 31, 2003.

In March 2003 we also completed the acquisition of Bionx Implants, Inc. (the "Bionx acquisition") related to our arthroscopy product line, for $47.0 million in cash plus the assumption of approximately $12.1 million in liabilities. Included in cost of sales in 2003 are $1.3 million in acquisition-related charges, consisting principally of the following: $0.5 million in charges as a result of the step-up to fair value recorded related to the sale of inventory acquired as a result of the Bionx acquisition and the CORE acquisition; $0.5 million in inventory charges as a result of the discontinuation of certain of our arthroscopy product lines in favor of those acquired as a result of the Bionx acquisition; and $0.3 million in other transition-related charges. An additional $3.2 million in acquisition-related costs not related to cost of sales which were incurred during 2003 are included in other expense as discussed in Note 12.

Bionx develops and manufactures self-reinforced resorbable polymer implants including screws, pins and meniscal implants for use in a variety of arthroscopic applications, including sports medicine and fracture fixation. The Bionx product lines complement CONMED's existing arthroscopy product line.

Unaudited pro forma statements of income for the years ended December 31, 2002 and 2003, assuming the Bionx acquisition occurred as of January 1, 2002 are presented below.

	2002	2003
Net sales	$471,530	$500,812
Net income	$ 31,746	$ 31,492
Basic EPS	$ 1.16	$ 1.09
Diluted EPS	1.14	1.08

The following table summarizes the estimated fair values of the assets acquired and liabilities assumed at the date of acquisition based on a third-party valuation. Goodwill and identifiable intangible assets associated with the Bionx acquisition are not deductible for income tax purposes.

Cash	$ 517
Other current assets	7,284
Property, plant and equipment	2,459
In-process research and development	7,900
Identifiable intangible assets	15,700
Goodwill	25,222
Total assets acquired	59,082
Current liabilities	(7,647)
Deferred income taxes	(3,898)
Other long-term liabilities	(521)
Total liabilities assumed	(12,066)
Net assets acquired	$ 47,016

Based on the third-party valuation, $7.9 million of the purchase price represents the estimated fair value of projects that, as of the acquisition date had not reached technological feasibility and had no alternative future use. Accordingly, this amount of purchased in-process research and development assets was written-off in accordance with FASB Interpretation No. 4, "Applicability of FASB Statement No. 2 to Business Combinations Accounted for by the Purchase Method". No benefit for income taxes has been recorded on the write-off of purchased in-process research and development assets as these costs are not deductible for income tax purposes.

The purchased in-process research and development value relates to next generation arthroscopy products, which have been or are expected to be released between the second quarter of 2003 and fourth quarter of 2004. The acquired projects include enhancements and upgrades to existing device technology, introduction of new device functionality and the development of new materials technology for arthroscopic applications.

The value of the in-process research and development was calculated using a discounted cash flow analysis of the anticipated net cash flow stream associated with the in-process technology of the related product sales. The estimated net cash flows were discounted using a discount rate of 22%, which was based on the weighted-average cost of capital for publicly-traded companies within the medical device industry and adjusted for the stage of completion of each of the in-process research and development projects. The risk and return considerations surrounding the stage of completion were based on costs, man-hours and complexity of the work completed versus to be completed and other risks associated with achieving technological feasibility. In total, these projects were approximately 40% complete as of the acquisition date. The total budgeted costs for the projects were approximately $5.5 million and the remaining costs to complete these projects were approximately $3.3 million as of the acquisition date.

The major risks and uncertainties associated with the timely and successful completion of these projects consist of the ability to confirm the safety and

efficacy of the technologies and products based on the data from clinical trials and obtaining the necessary regulatory approvals. In addition, no assurance can be given that the underlying assumptions used to forecast the cash flows or the timely and successful completion of such projects will materialize, as estimated. For these reasons, among others, actual results may vary

significantly from the estimated results.

Of the $15.7 million of acquired intangible assets, $0.8 million were assigned to registered trademarks and are not subject to amortization. The remaining $14.9 million of acquired intangible assets have a weighted average useful life of 20 years. The intangible assets that make up that amount include $9.0 million of customer relationships (38 year weighted average useful life), $5.4 million of core technology (12 year weighted average useful life) and $0.5 million of distributor relationships (7 year weighted average useful life).

Note 3 -- Inventories

Inventories consist of the following at December 31,:

	2002	2003
Raw materials	$ 44,701	$ 35,352
Work in process	12,869	14,583
Finished goods	62,873	71,010
	$ 120,443	$ 120,945

Note 4 -- Property, Plant and Equipment

Property, plant and equipment consist of the following at December 31,:

	2002	2003
Land	$ 4,196	$ 4,200
Building and improvements	70,100	75,224
Machinery and equipment	74,838	83,105
Construction in progress	5,038	3,768
	154,172	166,297
Less: Accumulated depreciation	(58,564)	(68,914)
	$ 95,608	$ 95,383

We lease various manufacturing and office facilities and equipment under operating leases. Rental expense on these operating leases was approximately $2,756, $2,064 and $1,959 for the years ended December 31, 2001, 2002 and 2003, respectively. The aggregate future minimum lease commitments for operating leases at December 31, 2003 are as follows:

2004	$ 2,127
2005	1,815
2006	1,756

2007	1,727
2008	1,680
Thereafter	2,727

Note 5 - Goodwill and Other Intangible Assets

The changes in the net carrying amount of goodwill for the year ended December 31, are as follows:

	2002	2003
Balance as of January 1,	$ 251,140	$ 262,394
Goodwill acquired	16,194	31,210
Adjustments to goodwill resulting from business acquisitions finalized	(4,940)	(3,285)

Foreign currency translation	--	243
Balance as of December 31, ...	$ 262,394	$ 290,562

Other intangible assets consist of the following:

	December 31, 2002		December 31, 2003	
Amortized intangible assets:	Gross Carrying Amount	Accumulated Amortization	Gross Carrying Amount	Accumulated Amortization
Customer relationships	$ 96,712	$ (12,725)	$ 105,712	$ (15,447)
Patents and other intangible assets	23,674	(13,534)	33,258	(16,498)
Unamortized intangible assets:				
Trademarks and tradenames	86,144	--	86,944	--
	$ 206,530	$ (26,259)	$ 225,914	$ (31,945)

Other intangible assets primarily represent allocations of purchase price to identifiable intangible assets of acquired businesses. The weighted average amortization period for intangible assets which are amortized is 23 years. Customer relationships are being amortized over 38 years. Patents and other intangible assets are being amortized over a weighted average life of 9 years.

Our customer relationship assets were acquired in connection with the 1997 acquisition of Linvatec Corporation and the 2003 Bionx acquisition. These intangible assets represent the value associated with business expected to be generated from existing customers as of the acquisition date. The value of these assets was determined by measuring the present value of the projected future earnings attributable to these assets. Additionally, while the useful life of these customer relationship assets is not limited by contract or any other economic, regulatory or other known factors, the useful life of 38 years was determined at the acquisition date by historical customer attrition. In accordance with SFAS 142 and as clarified by EITF (Emerging Issues Task Force) Issue 02-17,

"Recognition of Customer Relationship Intangible Assets Acquired in a Business Combination", customer relationships evidenced by customer purchase orders are contractual in nature and therefore continue to be recognized separate from goodwill and are amortized over their 38 year life.

The trademarks and tradenames intangible asset was recognized in conjunction with the 1997 acquisition of Linvatec Corporation and the 2003 Bionx acquisition. We continue to market products under the acquired trademarks and tradenames of "Linvatec", "Hall", "Shutt", "Envision" and "Bionx". We continue to release new product and product extensions under the above trademarks and tradenames and continue to maintain and promote these trademarks and tradenames in the market through legal registration and such methods as advertising, medical education and trade shows. It is our belief that the trademarks and tradenames intangible asset will generate cash flow for an indefinite period of time. Therefore, in accordance with SFAS 142, our trademarks and tradenames intangible asset is not amortized.

The amortization expense related to intangible assets for the year ending December 31, 2003 and the estimated amortization expense for each of the five succeeding years is as follows:

2003	$ 5,686
2004	5,721
2005	4,816

2006	4,248
2007	4,236
2008	4,236

The following is a reconciliation assuming goodwill and other intangible assets had been accounted for in accordance with SFAS 142 in the year ended December 31, 2001, 2002 and 2003:

	2001	2002	2003
Net income - as reported	$ 24,406	$ 34,151	$ 32,082
Adjustments (net of income taxes)			
Add back: Goodwill amortization	4,120	--	--
Add back: Trademarks and trade names amortization	1,532	--	--
Net income - adjusted	$ 30,058	$ 34,151	$ 32,082
Basic EPS			
Net income - as reported	$ 1.02	$ 1.25	$ 1.11
Adjustments (net of income taxes)			
Add back: Goodwill amortization	.17	--	--
Add back: Trademarks and trade names amortization	.06	--	--
Net income - adjusted	$ 1.25	$ 1.25	$ 1.11

Diluted EPS		
Net income - as reported	$ 1.00	$ 1.23	$ 1.10
Adjustments (net of income taxes)			
Add back: Goodwill amortization	.17	--	--
Add back: Trademarks and trade names amortization	.06	--	--
Net income - adjusted	$ 1.23	$ 1.23	$ 1.10

Note 6 -- Long Term Debt

Long term debt consists of the following at December 31, :

	2002	2003
Revolving line of credit	$ 5,000	$ --
Term loan borrowings on senior credit facility	100,000	243,000
9.0% senior subordinated notes	130,000	--
Mortgage notes	22,387	21,591
Total long term debt	257,387	264,591
Less: current portion	2,631	4,143

$254,756	$260,448

We entered into a $200 million senior credit agreement (the "senior credit agreement") during the year-ended December 31, 2002. Deferred financing costs of $1.5 million related to the approximately three years remaining on the former senior credit agreement were written off as an extraordinary charge in 2002 but have been reclassified to ordinary income on our consolidated statement of income as a result of our 2003 adoption of Statement of Financial Accounting Standards No. 145, "Rescission of FASB Statements No. 4, 44, and 64, Amendment of FASB Statement No. 13, and Technical Corrections".

At December 31, 2002, the senior credit agreement consisted of a $100 million revolving credit facility and a $100 million term loan. During the year ended December 31, 2003 we amended the senior credit agreement, expanding the existing term loan facility under the senior credit agreement by $160.0 million (the "expanded term loan facility"). The proceeds of the expanded term loan facility were used to reduce borrowings outstanding on the revolving credit facility, to fund the redemption of $130.0 million in outstanding 9% senior subordinated notes (the "Notes"), primarily in June 2003, as well as related accrued interest, and the 4.5% call premium on the Notes. Proceeds of the expanded term loan facility were also used to fund payment of bank and legal fees associated with amending the senior credit agreement. In connection with the purchase of the Notes, we wrote off $5.9 million in 4.5% call premium and $2.2 million in unamortized deferred financing costs as a loss on early extinguishment of debt.

The balance outstanding on the expanded term loan facility at December 31, 2003 was $243.0 million. The expanded term loan facility extends for approximately 6 years, with scheduled principal payments of $2.6 million annually through December 2007 increasing to $71.0 million in 2008 and the remaining balance outstanding due in December 2009. We may be required, under certain circumstances, to make additional principal payments based on excess cash flow as defined in the amended senior credit agreement. No such payments were required for the years ended December 31, 2002 and 2003. There were no borrowings outstanding on the revolving credit facility under the amended senior credit agreement as of December 31, 2003. Interest rates on the new term facility are LIBOR plus 2.25% (3.41% at December 31, 2003). Interest rates on the revolving credit facility are LIBOR plus 2.50% (3.66% at December 31, 2003).

The amended senior credit agreement is collateralized by substantially all of our personal property and assets, except for our accounts receivable and related rights which have been sold in connection with our accounts receivable sales agreement. The amended senior credit agreement contains covenants and restrictions which, among other things, require maintenance of certain working capital levels and financial ratios, prohibit dividend payments and restrict the incurrence of certain indebtedness and other activities, including acquisitions and dispositions. The amended senior credit agreement contains a material adverse effect clause that could limit our ability to access additional funding under our senior credit agreement should a material adverse change in our business occur. We are also required, under certain circumstances, to make mandatory prepayments from net cash proceeds from any issue of equity and asset sales.

We used term loans to purchase the property in Largo, Florida utilized by our Linvatec subsidiary. The debt assumed in 2001 in connection with the purchase consists of a note bearing interest at 7.50% per annum with semiannual payments of principal and interest through June 2009 (the "Class A note"); and a note bearing interest at 8.25% per annum compounded semiannually through June 2009, after which semiannual payments of principal and interest will commence, continuing through June 2019 (the "Class C note"). Additionally, there is a seller-financed note which bears interest at 6.50% per annum with monthly payments of principal and interest through July 2013 (the "Seller note"). The principal balances assumed on the Class A note, Class C note and Seller note aggregated $12.2 million $6.2 million and $4.2 million, respectively, at the date of acquisition. The principal balances outstanding on the Class A note, Class C note and Seller note aggregate $9.6 million, $7.5 million and $3.8 million, respectively, at December 31, 2003. These loans are collateralized by our Largo, Florida property.

As discussed in Note 1, we use an interest rate swap to hedge a portion of our long-term debt. The interest rate swap, which we have designated as a cash-flow hedge, effectively converts $50 million of LIBOR-based floating rate debt under our senior credit agreement into fixed rate debt with a base interest rate of 3.63%. The interest rate swap expires in June 2004.

The scheduled maturities of long-term debt outstanding at December 31, 2003 are as follows:

2004	$ 4,143
2005	4,330
2006	4,532
2007	4,753
2008	73,418
Thereafter	173,415

Note 7 -- Income Taxes

The provision for income taxes for the years ended December 31, 2001, 2002 and 2003 consists of the following:

	2001	2002	2003
Current tax expense:			
Federal	$ 3,565	$ 7,251	$ 5,486
State	400	540	665
Foreign	1,201	755	1,061
	5,166	8,546	7,212
Deferred income tax expense	8,562	10,664	13,715
Provision for income taxes	$ 13,728	$ 19,210	$ 20,927

A reconciliation between income taxes computed at the statutory federal rate and the provision for income taxes for the years ended December 31, 2001, 2002 and 2003 follows:

	2001	2002	2003
Tax provision at statutory rate based on income before income taxes	$ 13,347	$ 18,676	$ 18,553
Extraterritorial income exclusion	(894)	(949)	(1,252)
State income taxes	270	351	476
Nondeductible intangible amortization	320	90	90
Nondeductible write-off of purchased in-process research and developments assets	--	--	2,765
Other nondeductible permanent differences	220	215	268
Other, net	465	827	27
	$ 13,728	$ 19,210	$ 20,927

The tax effects of the significant temporary differences which comprise the deferred tax assets and liabilities at December 31, 2002 and 2003 are as follows:

	2002	2003
Assets:		

Inventory	$ 2,106	$ 8,948
Net operating losses of acquired subsidiaries	2,986	11,025
Deferred compensation	1,142	1,361
Accounts receivable	94	262
Employee benefits	491	--
Additional minimum pension liability	2,861	--
Interest rate swap	510	--
Other	859	2,390
Valuation allowance	--	(8,462)
	11,049	15,524
Liabilities:		
Goodwill and intangible assets	28,633	43,695
Depreciation	4,558	5,721
Employee benefits	--	1,980
Interest rate swap	--	83
	33,191	51,479
Net liability	$(22,142)	$(35,955)

The net operating loss carryforwards of acquired subsidiaries expire at various dates through 2023. We have established a valuation allowance to reflect the uncertainty of realizing the benefits of certain net operating loss carryforwards recognized in connection with the Bionx acquisition.

Note 8 -- Shareholders' Equity

The shareholders have authorized 500,000 shares of preferred stock, par value $.01 per share, which may be issued in one or more series by the Board of Directors without further action by the shareholders. As of December 31, 2002 and 2003, no preferred stock had been issued.

On August 8, 2001, our Board of Directors declared a three-for-two split of our common stock to be effected in the form of a common stock dividend. This dividend was payable on September 7, 2001 to shareholders of record on August 21, 2001. Accordingly, common stock, the number of shares outstanding, earnings per share, incentive stock option activity and the number of shares used in the calculation of earnings per share have all been restated to retroactively reflect the split.

In connection with the 1997 acquisition of Linvatec Corporation, we issued to Bristol-Myers Squibb Company a warrant exercisable in whole or in part for up to 1.5 million shares of our common stock at a price of $22.82 per share. On May 6, 2002, we purchased the warrant for $2.0 million in cash and subsequently cancelled it. The purchase resulted in a $2.0 million reduction to paid-in capital.

On May 29, 2002, we completed a public offering of 3.0 million shares of our common stock. Net proceeds to the Company related to the sale of the shares

approximated $66.1 million and were used to reduce indebtedness under our credit facility.

We have reserved 5.7 million shares of common stock for issuance to employees and directors under three stock option plans (the "Plans") of which approximately 263,000 shares remain available for grant at December 31, 2003. The exercise price on all outstanding options is equal to the quoted fair market value of the stock at the date of grant. Stock options are non-transferable other than on death and generally become exercisable over a five year period from date of grant and expire ten years from date of grant.

The following is a summary of incentive stock option activity under the

Plans:

	Number of Options	Weighted-Average Exercise Price
Outstanding at December 31, 2000	3,059	$ 13.91
Granted	709	15.59
Forfeited	(75)	18.86
Exercised	(259)	7.07
Outstanding at December 31, 2001	3,434	14.69
Granted	742	23.42
Forfeited	(40)	15.27
Exercised	(546)	8.88
Outstanding at December 31, 2002	3,590	17.27
Granted	669	17.44
Forfeited	(84)	19.49
Exercised	(181)	11.84
Outstanding at December 31, 2003	3,994	$ 17.55
Exercisable:		
December 31, 2001	1,954	$ 13.59
December 31, 2002	1,875	15.55
December 31, 2003	2,590	17.19

Range of Exercise Prices	Stock Options Outstanding at December 31,2003	Weighted Average Remaining Life (Years)	Weighted Average Exercise Price	Stock Options Exercisable at December 31, 2003	Weighted Average Exercise Price
Less than $10.00	222	5.8	$ 8.97	190	$ 8.94
$10.00 to $15.00	833	6.0	13.89	648	13.84
$15.00 to $17.50	978	5.3	16.23	761	16.33
$17.50 to $20.00	1,034	7.7	18.64	378	19.16
$20.00 to $22.50	579	6.5	21.35	340	20.92
$22.50 to $26.00	348	8.1	25.89	273	25.89

During 2002 we adopted a shareholder-approved Employee Stock Purchase Plan (the "Employee Plan"), under which we have reserved 1.0 million shares of common stock for issuance to our employees. The Employee Plan provides to employees the opportunity to invest from 1% to 10% of their annual salary to purchase shares of

CONMED common stock through the exercise of stock options granted by the Company at a purchase price equal to the lesser of (1)85% of the fair market value of the common stock at the beginning of a semi-annual period and (2) 85% of the fair market value of the common stock at the end of such semi-annual period. During 2003, we issued approximately 67,000 shares of common stock under the Employee Plan. No stock-based compensation expense has been recognized in the accompanying consolidated financial statements as a result of common stock issuances under the Employee Plan.

Note 9 -- Business Segments and Geographic Areas

CONMED conducts its business through four principal operating units, CONMED Patient Care, CONMED Endoscopy, CONMED Electrosurgery and Linvatec Corporation. In accordance with Statement of Financial Accounting Standards No. 131 "Disclosures About Segments of an Enterprise and Related Information" ("SFAS 131"), our chief operating decision-maker has been identified as the President

and Chief Operating Officer, who reviews operating results to make decisions about allocating resources and assessing performance for the entire company. All four material operating units qualify for aggregation under SFAS 131 due to their identical customer base and similarities in economic characteristics, nature of products and services, procurement, manufacturing and distribution processes. Based upon the aggregation criteria for segment reporting, we have aggregated our operating units into a single segment comprised of medical instruments and systems used in surgical and other medical procedures.

The following is net sales information by product line:

	2001	2002	2003
Arthroscopy	$155,650	$161,876	$177,468
Powered Surgical Instruments	114,375	114,302	122,031
Electrosurgery	66,875	69,674	77,337
Patient Care	69,067	69,753	69,937
Endoscopy	22,755	36,801	45,764
Integrated Operating Room Systems	--	656	4,593
Total	$428,722	$453,062	$497,130

The following is net sales information for geographic areas:

	2001	2002	2003
United States	$306,306	$320,312	$333,473
Canada	16,662	15,980	24,620
United Kingdom	15,382	18,625	19,883
Japan	18,234	18,820	18,265
All other countries	72,138	79,325	100,889
Total	$428,722	$453,062	$497,130

Sales are attributed to countries based on the location of the customer. There were no significant investments in long-lived assets located outside the United States at December 31, 2002 and 2003.

Note 10 -- Employee Benefit Plans

We sponsor an employee savings plan ("401(k)") and three defined benefit pension plans (the "pension plans") covering substantially all our employees. The three defined benefit pension plans were merged and overall benefit levels reduced effective January 1, 2004.

Total employer contributions to the 401(k) plan were $1.7, million $2.0 million and $2.2 million in the years ended December 31, 2001, 2002 and 2003, respectively.

We use a December 31, measurement date for our pension plans. Unrecognized gains and losses are amortized on a straight-line basis over the average remaining service period of active participants. The following table provides a reconciliation of the projected benefit obligation, plan assets and funded status of the pension plans at December 31,:

	2002	2003
Accumulated Benefit Obligation	$ 27,645	$ 32,044
Change in benefit obligation		
Projected benefit obligation at beginning of year	$ 29,748	$ 33,639
Service cost	3,988	4,167
Interest cost	2,002	2,419
Actuarial loss	1,178	6,794
Benefits paid	(3,277)	(8,141)

Projected benefit obligation at end of year	$ 33,639	$ 38,878
Change in plan assets		
Fair value of plan assets at beginning of year ..	$ 16,963	$ 18,169
Actual gain (loss) on plan assets	(2,261)	4,075
Employer contribution	6,744	19,529
Benefits paid	(3,277)	(8,141)
Fair value of plan assets at end of year	$ 18,169	$ 33,632
Change in funded status		
Funded status	$ 15,470	$ 5,246
Unrecognized net actuarial loss	(13,760)	(14,634)
Unrecognized transition liability	(52)	(48)
Unrecognized prior service cost	(129)	(118)
Additional minimum pension liability	7,947	--
Accrued (prepaid) pension cost	$ 9,476	$ (9,554)

Amounts recognized in the consolidated balance sheets consist of the following at December 31,:

	2002	2003
Accrued pension liability	$ 9,476	$ --
Prepaid pension asset	--	(9,554)
Accumulated other comprehensive income (loss)	(7,947)	--
Net amount recognized	$ 1,529	$ (9,554)

The following actuarial assumptions were used to determine our accumulated and projected benefit obligations as of December 31,:

	2002	2003
Discount rate	6.75%	6.25%
Expected return on plan assets	8.00%	8.00%
Rate of compensation increase	3.00%	3.00%

Net periodic pension cost for the years ended December 31, consist of the following:

	2001	2002	2003
Service cost - benefits earned during the period	$ 3,622	$ 3,988	$ 4,167
Interest cost on projected benefit obligation	1,785	2,002	2,419
Expected return on plan assets	(1,211)	(1,595)	(1,728)
Net amortization and deferral	166	350	750
Settlement loss	--	--	2,839
Net periodic pension cost	$ 4,362	$ 4,745	$ 8,447

During the years ended December 31, 2001 and 2002, we recognized comprehensive losses of $1.1 million and $4.0 million, respectively, net of income taxes, as a result of the changes in the additional minimum pension liability required to be recognized. During the year ended December 31, 2003, we recognized comprehensive income of $5.1 million, net of income taxes, as a

result of the change in the additional minimum pension liability required to be recognized.

The following actuarial assumptions were used to determine our net periodic pension benefit cost for the years ended December 31,:

	2001	2002	2003
Discount rate	7.50%	7.00%	6.75%
Expected return on plan assets	8.00%	8.00%	8.00%
Rate of compensation increase	4.50%	3.00%	3.00%

In determining the expected return on pension plan assets, we consider the relative weighting of plan assets, the historical performance of total plan assets and individual asset classes and economic and other indicators of future performance. In addition, we consult with financial and investment management professionals in developing appropriate targeted rates of return.

Asset management objectives include maintaining an adequate level of diversification to reduce interest rate and market risk and providing adequate liquidity to meet immediate and future benefit payment requirements.

The allocation of pension plan assets by category is as follows at December 31,:

	Percentage of Pension Plan Assets		Target Allocation
	2002	2003	2004
Equity securities	56%	41%	60%
Debt securities	28	49	36
Other	16	10	4
Total	100%	100%	100%

As of December 31, 2003, the Plan held 28,000 shares of our common stock, which had a fair value of $0.7 million. We believe that our long-term asset allocation on average will approximate the targeted allocation. We regularly review our actual asset allocation and periodically rebalance the pension plan's investments to our targeted allocation when deemed appropriate.

Our 2004 pension plan funding is not expected to exceed $5.7 million.

Note 11 -- Legal Matters

From time to time, we are a defendant in certain lawsuits alleging product liability, patent infringement, or other claims incurred in the ordinary course of business. These claims are generally covered by various insurance policies, subject to certain deductible amounts and maximum policy limits. When there is no insurance coverage, as would typically be the case primarily in lawsuits alleging patent infringement, we establish sufficient reserves to cover probable losses associated with such claims. We do not expect that the resolution of any pending claims will have a material adverse effect on our financial condition or results of operations. There can be no assurance, however, that future claims, the costs associated with claims, especially claims not covered by insurance, will not have a material adverse effect on our future performance.

Manufacturers of medical products may face exposure to significant product liability claims. To date, we have not experienced any material product liability claims, but any such claims arising in the future could have a material adverse effect on our business or results of operations. We currently maintain commercial product liability insurance of $25 million per incident and $25 million in the aggregate annually, which we, based on our experience, believe is adequate. This coverage is on a claims-made basis. There can be no assurance that claims will not exceed insurance coverage or that such insurance will be available in the future at a reasonable cost to us.

Our operations are subject to a number of environmental laws and

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

In November 2003, we commenced litigation against Johnson & Johnson and several of its subsidiaries, including Ethicon, Inc. for violation of federal and state antitrust laws. The lawsuit claims that Johnson & Johnson engaged in illegal and anticompetitive conduct with respect to sales of product used in endoscopic surgery, resulting in higher prices to consumers and the exclusion of competition. We have sought relief which includes an injunction restraining Johnson & Johnson from continuing its anticompetitive practice as well as receiving the maximum amount of damages allowed by law. While we believe that our claims are well-grounded in fact and law, there can be no assurance that we will be successful in our claim.

Note 12 -- Other expense (income)

Other expense (income) for the year ended December 31, consists of the following:

	2002	2003
Gain on settlement of a contractual dispute	$ --	$ (9,000)
Pension settlement loss	--	2,839
Acquisition-related costs	--	3,244
Loss on settlement of a patent dispute	2,000	--
Other expense (income)	$ 2,000	$ (2,917)

In March 2003, we agreed to settle a patent infringement case filed by Ludlow Corporation, a subsidiary of Tyco International Ltd., in return for a one-time $1.5 million payment. We recorded a charge to income in the fourth quarter of 2002 to recognize a loss of $1.5 million plus legal costs of approximately $0.5 million.

During 2003, we entered into an agreement with Bristol-Myers Squibb Company ("BMS") and Zimmer, Inc., ("Zimmer") to settle a contractual dispute related to the 1997 sale by BMS and its then subsidiary, Zimmer, of Linvatec Corporation to CONMED Corporation. As a result of the agreement, BMS paid us $9.5 million in cash, which was recorded as a gain on settlement of a contractual dispute, net of $0.5 million in legal costs.

During 2003, we announced a plan to restructure our arthroscopy and powered surgical instrument sales force by increasing our domestic sales force from 180 to 230 sales representatives. The increase is part of our integration plan for the Bionx acquisition discussed in Note 2. As part of the sales force restructuring, we converted 90 direct employee sales representatives into nine independent sales agent groups. As a result of this restructuring, we now have 18 exclusive independent sales agent groups managing 230 arthroscopy and powered surgical instrument sales representatives. As a result of the termination of the 90 direct employee sales representatives, we recorded a charge to other expense of $2.8 million related to settlement losses of pension obligations, pursuant to Statement of Financial Accounting Standards No. 88, "Employers' Accounting for Settlements and Curtailments of Defined Benefit Pension Plans and for Termination Benefits".

During 2003, we incurred acquisition-related charges of approximately $4.5 million, of which $1.3 million has been recorded in cost of sales as discussed in Note 2 and $3.2 million in acquisition and transition-related costs have been recorded in other expense. The $3.2 million in costs recorded to other expense are acquisition and transition-related, consisting of $1.3 million in retention

bonuses, travel, severance and other costs related to acquisitions completed in the fourth quarter of 2002, and $1.9 million of such costs related to the Bionx acquisition completed in the first quarter of 2003.

Note 13 -- Guarantees

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

The changes in the carrying amount of service and product warranties for the year ended December 31, are as follows:

	2002	2003
Balance as of January 1, ...	$ 2,909	$ 3,213
Provision for warranties	4,287	4,209
Claims made	(3,983)	(3,934)
Warranties acquired	--	100
Balance as of December 31, ...	$ 3,213	$ 3,588

Note 14 - New Accounting Pronouncements

In November 2002, FASB Interpretation ("FIN") No. 45, "Guarantor's Accounting and Disclosure Requirements for Guarantees, Including Indirect Guarantees of Indebtedness of Others" was issued. The interpretation provides guidance on the guarantor's accounting and disclosure requirements for guarantees, including indirect guarantees of indebtedness of others. We have adopted the disclosure requirements of the interpretation as of December 31, 2002. The accounting guidelines are applicable to guarantees issued after December 31, 2002 and require that we record a liability for the fair value of such guarantees in the balance sheet. FIN 45 has not had any material accounting impact on our financial condition or results of operations.

In January 2003, FIN No. 46, "Consolidation of Variable Interest Entities" was issued and subsequently revised in December 2003. The guidelines of the interpretation are applicable for us in our first quarter 2004 financial statements. The interpretation requires variable interest entities to be consolidated if the equity investment at risk is not sufficient to permit an entity to finance its activities without support from other parties or the equity investors lack certain specified characteristics. Adoption of this pronouncement is not expected to have any material impact on our financial condition or results of operations during 2004.

In April 2002, the FASB issued SFAS No. 145, "Rescission of FASB Statements No. 4, 44, and 64, Amendment of FASB Statement No. 13, and Technical Corrections," which updates, clarifies, and simplifies certain existing accounting pronouncements beginning at various dates in 2002 and 2003. This Statement rescinds SFAS 4 and SFAS 64, which required net gains or losses from the extinguishment of debt to be classified as an extraordinary item in the income statement. These gains and losses will now be classified as extraordinary only if they meet the criteria for such classification as outlined in Accounting Principles Board ("APB") Opinion 30, which allows for extraordinary treatment if the item is material and both unusual and infrequent in nature. We adopted this pronouncement during 2003. As a result

we have reclassified the extraordinary loss recognized in the third quarter of 2002 related to the refinancing of debt to ordinary income.

In July 2002, the FASB issued SFAS No. 146, "Accounting for Costs Associated with Exit or Disposal Activities," which addresses financial accounting and reporting for costs associated with exit or disposal activities. This Statement supersedes Emerging Issues Task Force Issue No. 94-3, "Liability Recognition for Certain Employee Termination Benefits and Other Costs to Exit and Activity (including Certain Costs Incurred in a Restructuring)." The provisions of this Statement are effective for exit or disposal activities that are initiated after December 31, 2002, with early application encouraged. This pronouncement has not had an impact on our financial condition or results of operations during 2003.

In April 2003, SFAS No. 149 "Amendment of Statement 133 on Derivative Instruments and Hedging Activities" was issued. SFAS No. 149 amends and clarifies financial accounting and reporting for derivative instruments embedded in other contracts and for hedging activities under SFAS No. 133, "Accounting for Derivative Instruments and Hedging Activities". SFAS No. 149 became applicable for us in our third quarter 2003. Adoption of this pronouncement has not had any material impact on our financial condition or results of operations during 2003.

In May 2003, SFAS No. 150 "Accounting for Certain Financial Instruments with Characteristics of both Liabilities and Equity" was issued. SFAS No. 150 establishes standards for how an issuer classifies and measures certain financial instruments with characteristics of both liabilities and equity. It requires that an issuer classify a financial instrument that is within its scope as a liability, many of which were previously classified as equity. SFAS No. 150 became applicable for us in our third quarter 2003. Adoption of this pronouncement has not had any material impact on our financial condition or results of operations during 2003.

In December 2003, SFAS No. 132R "Employers' Disclosures about Pensions and Other Postretirement Benefits" was issued. SFAS No. 132R amends the disclosure requirements of SFAS No. 132 to require additional disclosures about assets, obligations, cash flow and net periodic benefit cost. The statement is effective in 2003 and the related disclosures have been included in Note 10 to the consolidated financial statements.

Note 15-- Selected Quarterly Financial Data (Unaudited)

Selected quarterly financial data for 2002 and 2003 are as follows:

	Three Months Ended			
	March	June	September	December
2002				
Net sales	$ 113,205	$ 111,269	$ 113,332	$ 115,256
Gross profit	59,101	59,558	58,903	59,609
Net income	9,076	8,950	8,223	7,902
EPS				
Basic	$ .36	$ .34	$ .29	$ .28
Diluted	.35	.33	.28	.27

	Three Months Ended			
	March	June	September	December
2003				
Net sales	$ 118,034	$ 124,540	$ 120,747	$ 133,809
Gross profit	61,656	65,131	63,231	69,679
Net income	6,668	2,763	9,706	12,945
EPS:				
Basic	$ .23	$ .10	$ .34	$ .45
Diluted	.23	.09	.33	.44

Unusual Items Included In Selected Quarterly Financial Data:

2002

September

In the third quarter of 2002, we recorded a charge of $1.5 million to recognize a loss on the early extinguishment of debt--see Note 6.

December

In the fourth quarter of 2002, we recorded a charge of $2.0 million related to the settlement of a patent dispute--see Note 12.

2003

March

In the first quarter of 2003, we recorded a charge of $7.9 million related to the write-off of purchased in-process research and development. The first quarter effective tax rate was increased from 36.0% to 55.1% to reflect the nondeductibility of the $7.9 million charge.

In the first quarter of 2003, we recorded a gain of $9.0 million on the settlement of a contractual dispute and acquisition-related charges of $1.3 million to other expense (income)--see Note 12.

June

In the second quarter of 2003, we recorded pension settlement losses of $2.1 million and acquisition-related charges of $1.2 million to other expense (income)--see Note 12.

In the second quarter of 2003 we recorded losses on the early extinguishment of debt of $7.9 million--see Note 6.

September

In the third quarter of 2003, we recorded pension settlement losses of $0.7 million to other expense (income)--see Note 12.

December

In the fourth quarter of 2003, we reduced the effective tax rate for the year from 41.4% to 39.5% thereby decreasing income tax expense by $1.0 million.

SCHEDULE II--Valuation and Qualifying Accounts
(in thousands)

Column A	Column B	Column C		Column D	Column E
		Additions			
Description	Balance at Beginning of Period	(1) Charged to Costs and Expenses	(2) Charged to Other Accounts	Deductions	Balance at End of Period
2003					
Allowance for bad debts	$ 922	$ 741	$ 640	$ (631)	$ 1,672
Inventory reserves	6,596	1,834	985	(1,983)	7,432
Deferred tax asset valuation allowance .	--	--	8,462	--	8,462
2002					
Allowance for bad debts	$ 1,553	$ (144)	$ --	$ (487)	$ 922
Inventory reserves	8,692	776	--	(2,872)	6,596
Deferred tax asset valuation allowance .	3,410	--	(3,410)	--	--
2001					

Allowance for bad debts	$ 1,479	$ 514	$ --	$ (440)	$ 1,553
Inventory reserves	5,221	620	4,373	(1,522)	8,692
Deferred tax asset valuation allowance .	3,834	--	--	(424)	3,410

EXHIBIT 4.4

EXECUTION COPY

FIRST AMENDMENT

FIRST AMENDMENT, dated as of December 23, 2003 (this "First Amendment"), to the Amended and Restated Credit Agreement, dated as of June 30, 2003 (as the same may be further amended, supplemented or otherwise modified from time to time, the "Credit Agreement"), among CONMED Corporation, a New York corporation, the several banks and other financial institutions or entities from time to time party thereto (the "Lenders"), and JPMorgan Chase Bank, as administrative agent (in such capacity, the "Administrative Agent").

W I T N E S S E T H:
- - - - - - - - - -

WHEREAS, the Borrower, the Lenders and the Administrative Agent are parties to the Credit Agreement;

WHEREAS, The Borrower has requested that the Credit Agreement be amended, among other things, (i) to provide for the Tranche B Refinancing (as defined herein) and (ii) to effect certain other related amendments to the Credit Agreement;

WHEREAS, the Lenders and the Administrative Agent are willing to agree to such amendment to the Credit Agreement, subject to the terms and conditions set forth herein;

NOW, THEREFORE, in consideration of the premises and mutual covenants contained herein, the Borrower, the Lenders and the Administrative Agent hereby agree as follows:

1. Defined Terms. Unless otherwise defined herein, capitalized terms which are defined in the Credit Agreement are used herein as therein defined.

2. Amendments to Section 1.1 (Definitions).

(a) Section 1.1 of the Credit Agreement is hereby amended by adding the following new definitions, to appear in alphabetical order:

"First Amendment Effective Date": the date on which the conditions precedent set forth in Section 11 of the First Amendment, dated as of December 23, 2003 to this Agreement shall have been satisfied, which date is December 23, 2003.

"Tranche B Refinancing": the prepayment in full of the outstanding Tranche B Term Loans with the proceeds of the Tranche C Term Loans.

"Tranche C Term Loans": as defined in Section 2.1(a) hereof.

"Tranche C Term Loan Commitment": as to any Lender, the obligation of such Lender, if any, to make a Tranche C Term Loan to the Borrower hereunder in a principal amount not to exceed the amount set forth under the heading "Tranche C Term Loan Commitment" opposite such Lender's name on Schedule 1.1A. The original aggregate amount of the Tranche C Term Loan Commitments is $258,900,000.

"Tranche C Term Loan Lender": each Lender which has a Tranche C Term Loan Commitment or which has made a Tranche C Term Loan.

"Tranche C Term Loan Percentage": as to any Tranche C Term Loan Lender at any time, the percentage which such Lender's Tranche C Term Loan Commitment then constitutes of the aggregate Tranche C Term Loan Commitments (or, at any time after the First Amendment Effective Date, the percentage which the aggregate principal amount of such Lender's Tranche C Term Loans then outstanding constitutes of the aggregate principal amount of the Tranche C Term Loans then outstanding).

(b) The definition of "Applicable Margin" in Section 1.1 of the Credit Agreement is hereby amended by adding ", Tranche C Term Loans" after the term "Tranche B Term Loans".

(c) The definition of "Commitment" in Section 1.1 of the Credit Agreement is hereby amended by adding ", the Tranche C Term Loan Commitment" after the term "Tranche B Term Loan Commmitment".

(d) The definition of "Consolidated Fixed Charges" in Section 1.1 of the Credit Agreement is hereby amended by:

(i) deleting the term "Tranche B Term Loans" and inserting in lieu thereof the term "Tranche C Term Loans" in subclause (ii) thereof; and

(ii)(A) adding "this Agreement or" after the word "under" and (B) adding "(but excluding the prepayment of Tranche B Term Loans made in connection with the Tranche B Refinancing)" after the term "the Previous Credit Agreement" in subclause (iii) thereof.

(e) The definition of "Facility" in Section 1.1 of the Credit Agreement is hereby amended by:

(i) adding the following new subclause (b):

"(b) the Tranche C Term Loan Commitments and the Tranche C Term Loans made thereunder (the "Tranche C Term Loan Facility"),";

(ii) relettering existing subclause (b) as new subclause (c); and

(iii) relettering existing subclause (c) as new subclause (d).

(f) The definition of "Incremental Term Maturity Date" in Section 1.1 of the Credit Agreement is hereby amended by deleting the term "Tranche B Term Loans" and inserting in lieu thereof the term "Tranche C Term Loans".

(g) The definition of "Interest Period" in Section 1.1 of the Credit Agreement is hereby amended by deleting the term "Tranche B Term Loans" in subclause (b) and inserting in lieu thereof the term "Tranche C Term Loans".

(h) The definition of "Pricing Grid" in Section 1.1 of the Credit Agreement is hereby amended by:

(i) deleting the table contained therein and inserting in lieu thereof the following new table:

Consolidated Leverage Ratio	Applicable Margin for Revolving Credit Loans that are Eurodollar Loans	Applicable Margin for Tranche C Term Loans that are Eurodollar Loans	Applicable Margin for Revolving Credit Loans that are ABR Loans	Applicable Margin for Trance C Term Loans that are ABR Loans	Commitment Fee Rate
Greater than or equal to 3.25	2.750%	2.500%	1.750%	1.500%	0.625%
Less than 3.25 but greater than or equal to 2.75	2.500%	2.250%	1.500%	1.250%	0.500%
Less than 2.75 but greater than or equal to 2.25	2.250%	2.250%	1.250%	1.250%	0.500%
Less than 2.25	2.000%	2.250%	1.000%	1.250%	0.375%

and;

(ii) deleting the term "Tranche B Term Loans" and inserting in lieu thereof the term "Tranche C Term Loans" in the text following the table.

(i) The definition of "Term Loan Lenders" in Section 1.1 of the Credit Agreement is hereby amended by adding ", Tranche C Term Loan Lenders" after the term "Tranche B Term Loan Lenders".

(j) The definition of "Term Loans" in Section 1.1 of the Credit Agreement is hereby amended by adding ", Tranche C Term Loans" after the term "Tranche B Term Loans".

3. Amendments to Section 2.1 (Term Loan Commitments). Section 2.1 of the Credit Agreement is hereby amended by:

(a) deleting "and" at the end of subclause (i) of subsection (a) and inserting in lieu thereof ",";

(b) renumbering existing subclause (ii) of subsection (a) as new subclause (iii);

(c) adding the following new subclause (ii) to subsection (a):

"(ii) each Tranche C Term Loan Lender severally agrees to make a term loan or, pursuant to subsection (b) below, to convert all or a part of such Lender's Tranche B Term Loans into such a term loan hereunder (in either case, a "Tranche C Term Loan") to the Borrower on the First Amendment Effective Date in an amount not to exceed the amount of the Tranche C Term Loan Commitment of such Lender and";

(d) adding the following new subsection (b):

"(b) Notwithstanding the foregoing, in connection with the making of any Tranche C Term Loan pursuant to paragraph (a)(ii) above, by delivering notice to the Administrative Agent prior to the First Amendment Effective Date, any Lender of Tranche B Term Loans may elect to convert all or part of the outstanding principal amount of such Lender's Tranche B Term Loans into a principal amount of Tranche C Term Loans hereunder equal to the principal amount so converted. On the First Amendment Effective Date, such Tranche B Term Loans shall be converted for all purposes of this Agreement into Tranche C Term Loans hereunder, and the Administrative Agent shall record in the

Register the aggregate amount of Tranche B Term Loans converted into Tranche C Term Loans.";

(e) relettering existing subsection (b) as new subsection (c) and deleting therefrom the term "Tranche B Term Loans" and inserting in lieu thereof the term "Tranche C Term Loans"; and

(f) relettering existing subsection (c) as new subsection (d).

4. Amendment to Section 2.2 (Procedure for Term Loan Borrowing). Section 2.2 of the Credit Agreement is hereby amended by:

(a) deleting the term "Tranche B-1 Incremental" and inserting in lieu thereof the term "Tranche C"; and

(b) deleting the term "Restatement" and inserting in lieu thereof the term "First Amendment".

5. Amendments to Section 2.3 (Repayment of Term Loans). Section 2.3 of the Credit Agreement is hereby amended as follows:

(a) by deleting the term "Tranche B Term Loans" in subclauses (i) and (ii) of subsection (b) (to be relettered subsection (c)) and inserting in lieu thereof the term "Tranche C Term Loans";

(b) by relettering existing subsection (b) as new subsection (c); and

(c) by adding the following new subsection (b):

"(b) Subject to Section 2.8(a), the principal amount of each Tranche C Term Loan of each Tranche C Term Loan Lender shall mature in consecutive quarterly installments, commencing on December 31, 2003, all but the final eight of which shall be in an amount equal to the percentage set forth below opposite such installment date below multiplied by the original principal amount of such Tranche C Term Loan. On each of the seven installments to be made on March 31, 2008, June 30, 2008, September 30, 2008, December 31, 2008, March 31, 2009, June

30, 2009 and September 30, 2009, the principal amount of each Tranche C Term Loan of each Tranche C Term Lender shall be payable in an amount equal to (x) 50% of the unpaid principal amount of such Lender's Tranche C Term Loan outstanding as of March 31, 2008 divided by (y) seven. For the final installment, to be paid on December 15, 2009, the principal amount of each Tranche C Term Loan of each Tranche C Term Lender shall be payable in an amount equal to 100% of the unpaid principal amount of such Tranche C Term Loan outstanding as on such date:

Installment	Percentage
December 31, 2003	0.25%
March 31, 2004	0.25%
June 30, 2004	0.25%
September 30, 2004	0.25%
December 31, 2004	0.25%
March 31, 2005	0.25%
June 30, 2005	0.25%
September 30, 2005	0.25%
December 31, 2005	0.25%
March 31, 2006	0.25%

Installment	Percentage
June 30, 2006	0.25%
September 30, 2006	0.25%
December 31, 2006	0.25%
March 31, 2007	0.25%
June 30, 2007	0.25%
September 30, 2007	0.25%
December 31, 2007	0.25%

6. Amendments to Section 2.11 (Optional Prepayments). Section 2.11 of the Credit Agreement is hereby amended as follows:

(a) by adding "(except as provided below)" after the word "penalty"; and

(b) by adding the following proviso before the period at the end thereof:

"; provided that any optional prepayment of Tranche C Term Loans effected on or prior to the first anniversary of the First Amendment Effective Date with the proceeds of a substantially concurrent issuance or incurrence of term loans under this Agreement, as amended, amended and restated, supplemented, waived or otherwise modified from time to time (excluding a refinancing of all the Facilities in connection with another transaction not permitted by this Agreement (as determined prior to giving effect to any amendment or waiver of this Agreement in connection with such transaction)), shall be accompanied by a prepayment fee equal to 1.0% of the aggregate amount of such prepayment if any of the interest rates payable in respect of such term loans is less than the corresponding interest rate that would have been payable in respect of the Tranche C Term Loans".

7. Amendments to Section 2.18 (Pro Rata Treatment and Payments). Section 2.18 of the Credit Agreement is hereby amended by adding ", Tranche C Term Loan Percentages" after the term "Tranche B Term Loan Percentages" in subsection (a) thereof and by adding ", Tranche C Term Loans" after the term "Tranche B Term Loans" in subsection (b) thereof.

8. Amendment to Section 4.16 (Use of Proceeds). Section 4.16 of the Credit Agreement is hereby amended by:

(a) adding "(a)" after the word "of" and before the word "the" in the second sentence thereof; and

(b) adding "and (b) the Tranche C Term Loans shall be used for the Tranche B Refinancing" before the period at the end thereof.

9. Amendment to Section 6.9 (Additional Collateral, etc.). Section 6.9 of the Credit Agreement is hereby amended by adding the following proviso before the period at the end of subection (c) thereof:

"; provided that, in the event T.M.M. Acquisitions Ltd. ("TMM") becomes a Material Foreign Subsidiary, the requirements of this Section 6.9(c) in respect of TMM shall not be applicable to the extent the Administrative Agent, in its reasonable judgment, determines that the costs of obtaining a security interest in such Capital Stock and/or Collateral are excessive in relation to the value of the security afforded thereby".

10. Representations and Warranties.

(a) The Borrower hereby confirms, reaffirms and restates the representations and warranties set forth in Section 5 of the Credit Agreement. The Borrower represents and warrants that, after giving effect to this First Amendment, no Default or Event of Default has occurred and is continuing.

(b) The Borrower hereby represents and warrants that the unaudited consolidated balance sheet of the Borrower as at September 30, 2003, and the related unaudited consolidated statements of income and cash flows for the three-month period ended on such date, present fairly the consolidated financial position of the Borrower as at such date, and the consolidated results of its operations and its consolidated cash flows for the three-month period then ended (subject to normal year-end audit adjustments). All such financial statements, including the related schedules and any notes thereto (except as contemplated by GAAP or in the case of any notes to the financial statements dated as of September 30, 2003), have been prepared in accordance with GAAP applied consistently throughout the periods involved (except as approved by the aforementioned firm of accountants and disclosed therein).

11. Effectiveness. This First Amendment shall become effective as of the date set forth above (the "First Amendment Effective Date") upon the satisfaction of the following conditions precedent:

(a) First Amendment. The Administrative Agent shall have received this First Amendment executed and delivered by the Administrative Agent, the Borrower, each Lender with a Tranche C Term Loan Commitment and Lenders party to the Credit Agreement constituting the "Required Lenders" thereunder.

(b) Fees. The Lenders and the Administrative Agent shall have received all fees required to be paid on or before the First Amendment Effective Date, and all expenses required to be paid on or before the First Amendment Effective Date for which invoices have been timely presented, including, without limitation, the reasonable fees and expenses of legal counsel, on or before the First Amendment Effective Date.

(c) Security Documents. The Administrative Agent shall have received the Acknowledgment and Confirmation, substantially in the form of Exhibit A hereto, executed and delivered by an authorized officer of the Borrower and each other Loan Party.

(d) Tranche B Refinancing. The Tranche B Refinancing shall have been consummated or arrangements reasonably satisfactory to the Administrative Agent shall have been made for the consummation thereof.

(e) Closing Certificate. The Administrative Agent shall have received a certificate of each Loan Party, dated the First Amendment Effective Date, substantially in the form of Exhibit C to the Credit Agreement, with appropriate insertions and attachments.

(f) Legal Opinions. The Administrative Agent shall have received the following executed legal opinions:

(i) the legal opinion of Sullivan & Cromwell, counsel to the Borrower and its Subsidiaries, substantially in the form of Exhibit E-1 to the Credit Agreement (opinion paragraphs 1-4); and

(ii) the legal opinion of Daniel S. Jonas, general counsel of the Borrower and its Subsidiaries, substantially in the form of Exhibit E-2 to the Credit Agreement.

12. Continuing Effect of the Credit Agreement. This First Amendment shall not constitute an amendment of any other provision of the Credit Agreement not expressly referred to herein and shall not be construed as a waiver or consent to any further or future action on the part of the Borrower that would require a waiver or consent of the Lenders or the Administrative Agent. Except as expressly amended hereby, the provisions of the Credit Agreement are and shall remain in full force and effect.

13. Counterparts. This First Amendment may be executed by the parties hereto in any number of separate counterparts (including facsimiled counterparts), each of which shall be deemed to be an original, and all of which taken together shall be deemed to constitute one and the same instrument.

14. GOVERNING LAW. THIS FIRST AMENDMENT AND THE RIGHTS AND OBLIGATIONS OF THE PARTIES UNDER THIS FIRST AMENDMENT SHALL BE GOVERNED BY, AND CONSTRUED AND INTERPRETED IN ACCORDANCE WITH, THE LAWS OF THE STATE OF NEW YORK.

15. Expenses. The Borrower agrees to pay or reimburse the Administrative Agent for all of its out-of-pocket costs and expenses incurred in connection with the preparation, negotiation and execution of this First Amendment, including, without limitation, the fees and disbursements of counsel to the Administrative Agent.

[rest of page intentionally left blank]

IN WITNESS WHEREOF, the parties hereto have caused this First Amendment to be duly executed and delivered by their proper and duly authorized officers as of the day and year first above written.

CONMED CORPORATION

By: _____
Name: Robert D. Shallish, Jr.
Title: Vice President - Finance & Chief Financial Officer

JPMORGAN CHASE BANK, as
Administrative Agent and as a Lender

By: _____
Name:
Title:

Signature page to
the First Amendment to the
CONMED Amended and Restated Credit Agreement

[INSERT LENDER NAME]

By: _____
Name:
Title:

EXHIBIT A

FORM OF ACKNOWLEDGMENT AND CONFIRMATION

1. Reference is made to First Amendment, dated as of December 23, 2003 (the "First Amendment"), to the Amended and Restated Credit Agreement, dated as of June 30, 2003 (as the same may be further amended, supplemented or otherwise modified from time to time, the "Credit Agreement"), among CONMED Corporation, a New York corporation, the several banks and other financial institutions or entities from time to time party thereto (the "Lenders"), and

JPMorgan Chase Bank, as administrative agent (in such capacity, the "Administrative Agent").

2. Each of the parties hereto hereby agrees, with respect to each Security Document to which it is a party:

(a) all of its obligations, liabilities and indebtedness under such Security Document shall remain in full force and effect on a continuous basis after giving effect to the First Amendment and its guarantee of the obligations, liabilities and indebtedness of the other Loan Parties under the Credit Agreement (or any predecessor agreement) shall extend to and cover the Tranche C Term Loans made under the Credit Agreement pursuant to the First Amendment and interest thereon and fees and expenses and other obligations in respect thereof and in respect of commitments related thereto; and

(b) all of the Liens and security interests created and arising under such Security Document remain in full force and effect on a continuous basis, and the perfected status and priority of each such Lien and security interest continues in full force and effect on a continuous basis, unimpaired, uninterrupted and undischarged, after giving effect to the First Amendment, as collateral security for its obligations, liabilities and indebtedness under the Credit Agreement and under its guarantees in the Security Documents.

3. THIS ACKNOWLEDGMENT AND CONFIRMATION SHALL BE GOVERNED BY, AND CONSTRUED AND INTERPRETED IN ACCORDANCE WITH, THE LAW OF THE STATE OF NEW YORK.

4. This Acknowledgment and Confirmation may be executed by one or more of the parties hereto on any number of separate counterparts (including by telecopy), and all of said counterparts taken together shall be deemed to constitute one and the same instrument.

[rest of page intentionally left blank]

IN WITNESS WHEREOF, the parties hereto have caused this Acknowledgement and Consent to be duly executed and delivered by their proper and duly authorized officers as of the day and year first above written.

CONMED CORPORATION

By: _____
Name:
Title:

ASPEN LABORATORIES, INC.

By: _____
Name:
Title:

CONMED ANDOVER MEDICAL, INC.

By: _____
Name:
Title:

CONMED INTEGRATED O.R. SOLUTIONS, INC.

By: _____
Name:
Title:

ENVISION MEDICAL CORPORATION

By: _____
Name:
Title:

LINVATEC CORPORATION

By: _____
Name:
Title:

LINVATEC BIOMATERIALS INC.

By: _____
Name:
Title:

EXHIBIT 21

CONMED Corporation
Subsidiaries of the Registrant

Name	State or Country of Incorporation
Aspen Laboratories, Inc.	Colorado
CONMED Andover Medical, Inc.	New York
CONMED Integrated O.R. Solutions, Inc	New York
CONMED Receivables Corporation	New York
Envision Medical Corporation	California
GWH Limited Partnership	Florida
Largo Lakes I Limited Partnership	Florida
Linvatec Corporation	Florida
Linvatec Austria	Austria
Linvatec Australia Pty. Ltd	Australia
Linvatec Biomaterials, Inc.	Pennsylvania
Linvatec Biomaterials, Ltd.	Finland
Linvatec Belgium S.A.	Belgium
Linvatec Canada ULC	Canada
Linvatec Deutschland GmbH	Germany
Linvatec Europe SPRL	Belgium
Linvatec France S.A.R.L.	France
Linvatec Korea Ltd.	Korea
Linvatec Nederland B.V.	Netherlands
Linvatec Spain	Spain
Linvatec U.K. Ltd.	United Kingdom
CONMED Integrated Systems Canada ULC	Canada
CONMED Israel Ltd.	Israel

EXHIBIT 23

CONSENT OF INDEPENDENT ACCOUNTANTS

We hereby consent to the incorporation by reference in the Registration Statements on Form S-8 (Nos. 33-58119, 333-48693, 333-74497, 333-78987 and 333-90444) and Form S-3 (No. 333-66764) of CONMED Corporation of our report dated February 27, 2004 relating to the financial statements and financial statement schedule, which appears on page F-1 in this Form 10-K.

PricewaterhouseCoopers LLP

Syracuse, New York
March 12, 2004

Exhibit 31.1

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

I, Eugene R. Corasanti, certify that:

1. I have reviewed this annual report on Form 10-K 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-15e and 15d-15e) 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) evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

   c) disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting;

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.

March 1, 2004

/s/ Eugene R. Corasanti

Eugene R. Corasanti
Chairman of the Board and
Chief Executive Officer

Exhibit 31.2

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

I, Robert D. Shallish, Jr. certify that:

1. I have reviewed this annual report on Form 10-K 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-15e and 15d-15e) 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) evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

   c) disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting;

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.

March 1, 2004

/s/ Robert D. Shallish Jr.

Robert D. Shallish, Jr.
Vice President - Finance and
Chief Financial Officer

Exhibit 32.1

CERTIFICATIONS
PURSUANT TO SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

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 "Company"), does hereby certify that:

The Annual Report on Form 10-K for the year ended December 31, 2003 (the "Form 10-K") of the Company 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-K fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: March 1, 2004

/s/Eugene R. Corasanti

Eugene R. Corasanti
Chairman of the Board and
Chief Executive Officer

Date: March 1, 2004

/s/Robert D. Shallish, Jr.

Robert D. Shallish, Jr.
Vice President-Finance and
Chief Financial Officer