UNITED STATES
SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-Q

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

For the quarterly period ended June 30, 2004

Commission File Number 0-16093

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

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

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

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

Indicate by check mark whether the registrant is an accelerated filer (as defined in Rule 12b-2 of the Exchange Act).
Yes x No

The number of shares outstanding of registrant's common stock, as of August 2, 2004 is 29,829,405 shares.

CONMED CORPORATION

QUARTERLY REPORT ON FORM 10-Q
FOR THE QUARTER ENDED JUNE 30, 2004

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PART I FINANCIAL INFORMATION
ITEM 1.

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

	Three Months Ended June 30,		Six Months Ended June 30,	
	2003	2004	2003	2004
Net sales	$ 124,540	$ 130,912	$ 242,574	$ 264,876
Cost of sales	59,409	62,198	115,787	125,803
Gross profit	65,131	68,714	126,787	139,073
Selling and administrative expense	39,353	42,409	76,498	86,202
Research and development expense	4,378	4,836	8,081	9,575
Write-off of purchased in-process research and development assets	--	--	7,900	--

Other expense (income), net.....	3,310	--	(4,348)	--
	47,041	47,245	88,131	95,777
Income from operations.....	18,090	21,469	38,656	43,296
Loss on early extinguishment of debt	7,912	--	8,078	--
Interest expense.....	5,861	2,558	11,399	5,864
Income before income taxes.....	4,317	18,911	19,179	37,432
Provision for income taxes.....	1,554	6,619	9,748	13,101
Net income	$ 2,763	$ 12,292	$ 9,431	$ 24,331
Per share data:				
Net Income				
Basic.....	$ .10	$ .41	$ .33	$ .83
Diluted.....	.09	.41	.32	.81
Weighted average common shares				
Basic.....	28,910	29,649	28,892	29,476
Diluted.....	29,212	30,313	29,195	30,151

See notes to consolidated condensed financial statements.

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

	December 31, 2003	June 30, 2004
ASSETS		
Current assets:		
Cash and cash equivalents.....	$ 5,986	$ 30,203
Accounts receivable, net.....	60,449	54,675
Inventories.....	120,945	116,094
Deferred income taxes.....	10,188	9,481
Prepaid expenses and other current assets.....	3,538	3,548
Total current assets.....	201,106	214,001
Property, plant and equipment, net.....	97,383	96,253
Goodwill.....	290,562	290,676
Other intangible assets, net.....	193,969	191,163
Other assets.....	22,038	20,275
Total assets.....	$ 805,058	$ 812,368
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current liabilities:		
Current portion of long-term debt.....	$ 4,143	$ 3,988
Accounts payable.....	18,320	21,276
Accrued compensation and benefits.....	10,685	8,342
Income taxes payable.....	10,877	6,313

Accrued interest	279	956
Other current liabilities	10,551	6,658
Total current liabilities	54,855	47,533
Long-term debt	260,448	236,399
Deferred income taxes	46,143	53,419
Other long-term liabilities	10,122	9,217
Total liabilities	371,568	346,568
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 shares authorized; 29,140,644 and 29,798,219 shares issued and outstanding in 2003 and 2004, respectively	291	298
Paid-in capital	237,076	246,907
Retained earnings	194,473	218,804
Accumulated other comprehensive income	2,069	210
Less 37,500 shares of common stock in treasury, at cost	(419)	(419)
Total shareholders' equity	433,490	465,800
Total liabilities and shareholders' equity	$ 805,058	$ 812,368

See notes to consolidated condensed financial statements.

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

	Six months ended June 30,	
	2003	2004
Cash flows from operating activities:		
Net income	$ 9,431	$ 24,331
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation	4,908	5,259
Amortization	6,916	7,777
Deferred income taxes	5,653	8,586
Pension settlement charge	2,081	--
Write-off of deferred financing costs	2,181	--
Loss on early extinguishment of debt	8,078	--
Write-off of purchased in-process research and development assets	7,900	--
Increase (decrease) in cash flows from changes in assets and liabilities:		
Accounts receivable	(1,198)	3,774
Sale of accounts receivable	(1,000)	2,000
Inventories	(6,290)	1,295
Accounts payable	(2,110)	2,956
Income taxes payable	(179)	(5,765)
Accrued compensation and benefits	(888)	(1,515)
Accrued interest	(3,284)	677
Other assets/liabilities, net	(13,643)	(3,812)
	9,125	21,232

Net cash provided by operating activities.....	18,556	45,563
Cash flows from investing activities:		
Payments related to business acquisitions, net of cash acquired.....	(51,454)	--
Purchases of property, plant, and equipment, net.....	(3,951)	(4,338)
Net cash used in investing activities.....	(55,405)	(4,338)
Cash flows from financing activities:		
Net proceeds from common stock issued under employee plans.....	1,004	9,010
Payments on debt.....	(130,875)	(24,204)
Proceeds of debt.....	163,000	--
Payments related to issuance of debt.....	(1,217)	(164)
Net cash provided by (used in) financing activities...	31,912	(15,358)
Effect of exchange rate changes on cash and cash equivalents.....	1,671	(1,650)
Net increase (decrease) in cash and cash equivalents.....	(3,266)	24,217
Cash and cash equivalents at beginning of period.....	5,626	5,986
Cash and cash equivalents at end of period.....	$ 2,360	$ 30,203

See notes to consolidated condensed financial statements.

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

Note 1 - Operations and Significant Accounting Policies

Organization and Operations

The accompanying consolidated condensed financial statements include the accounts of CONMED Corporation and its controlled subsidiaries ("CONMED", the "Company", "we" or "us"). All intercompany accounts and transactions have been eliminated. CONMED is a medical technology company 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, endosurgery 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.

CONMED conducts its business through four principal operating units, CONMED Patient Care, CONMED Endosurgery, CONMED Electrosurgery and Linvatec Corporation. All of our operating units have been aggregated into one business segment due to their similar economic characteristics, customer base, nature of products and services, procurement, manufacturing and distribution processes. Total Company performance is evaluated by our chief operating decision maker which has been identified as the President and Chief Operating Officer, who reviews operating results and makes resource allocation decisions. Therefore, all required information regarding segment revenues, profitability and total assets may be obtained from our consolidated condensed

financial statements.

Certain prior year amounts have been reclassified to conform with the presentation used in 2004.

Stock-based Compensation

We account for our stock-based compensation plans under the recognition and measurement principles of Accounting Principles Board Opinion No. 25, "Accounting for Stock Issued to Employees". 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 Statement of Financial Accounting Standards No. 123, "Accounting for Stock-Based Compensation" ("SFAS 123") and has been determined as if we had accounted for our employee stock options under the fair value method of that statement.

For purposes of the pro forma disclosures, the estimated fair value of the options is amortized to expense over the options' vesting period. The following table illustrates the effect on net earnings as if the fair value provisions of SFAS 123 had been applied to stock-based employee compensation:

	Three months ended June 30,		Six months ended June 30,	
	2003	2004	2003	2004
Net income - as reported.....	$ 2,763	$ 12,292	$ 9,431	$ 24,331
Pro forma stock-based employee compensation expense, net of related income tax effect.....	(579)	(1,459)	(1,103)	(2,017)
Net income - pro forma.....	$ 2,184	$ 10,833	$ 8,328	$ 22,314
Earnings per share - as reported:				
Basic.....	$ .10	$ .41	$ .33	$ .83
Diluted.....	.09	.41	.32	.81
Earnings per share - pro forma:				
Basic.....	$ .08	$ .37	$ .29	$ .76
Diluted.....	.07	.36	.29	.74

Note 2 - Interim financial information

The accompanying unaudited consolidated condensed financial statements have been prepared in accordance with generally accepted accounting principles for interim financial information and with the instructions to Form 10-Q and Article 10 of Regulation S-X. Accordingly, they do not include all of the information and footnotes required by generally accepted accounting principles for annual financial statements. In the opinion of management, all adjustments (consisting only of normal recurring accruals) considered necessary for a fair presentation have been included. Results for the period ended June 30, 2004 are not necessarily indicative of the results that may be expected for the year ending December 31, 2004.

The consolidated condensed financial statements and notes thereto should be read in conjunction with the financial statements and notes for the year-ended December 31, 2003 included in our Annual Report on Form 10-K.

Note 3 - Other comprehensive income

Comprehensive income consists of the following:

	Three months ended June 30,		Six months ended June 30,	
	2003	2004	2003	2004
Net income	$ 2,763	$ 12,292	$ 9,431	$ 24,331
Other comprehensive income:				
Foreign currency translation adjustment	875	(1,434)	2,188	(1,713)
Cash flow hedging (net of income taxes)	262	(339)	655	(146)
Comprehensive income	$ 3,900	$ 10,519	$ 12,274	$ 22,472

Accumulated other comprehensive income consists of the following:

	Cumulative Translation Adjustments	Cash Flow Hedges	Accumulated Other Comprehensive Income
Balance, December 31, 2003	$ 1,923	$ 146	$ 2,069
Foreign currency translation adjustments	(1,713)	--	(1,713)
Cash flow hedging (net of income taxes)	--	(146)	(146)
Balance, June 30, 2004	$ 210	$ --	$ 210

Note 4 - Inventories

Inventories consist of the following:

	December 31, 2003	June 30, 2004
Raw materials	$ 35,352	$ 34,648
Work-in-process	14,583	14,913
Finished goods	71,010	66,533
Total	$ 120,945	$ 116,094

Note 5 - 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 resulting from employee stock options during the period. The following is a reconciliation of the weighted average shares used in the calculation of basic and diluted EPS:

	Three months ended June 30,		Six months ended June 30,	
	2003	2004	2003	2004
Shares used in the calculation of basic EPS(weighted average shares outstanding).....	28,910	29,649	28,892	29,476
Effect of dilutive potential securities.....	302	664	303	675
Shares used in the calculation of diluted EPS.....	29,212	30,313	29,195	30,151

The shares used in the calculation of diluted EPS exclude options to purchase shares where the exercise price was greater than the average market price of common shares for the period. Such shares aggregated approximately 1.5 million for the three and six months ended June 30, 2003, respectively. Shares excluded from the calculation of diluted EPS aggregated 80 thousand for the three and six months ended June 30, 2004.

Note 6 - Goodwill and other intangible assets

The changes in the net carrying amount of goodwill for the six months ended June 30, 2004 are as follows:

Balance as of January 1, 2004.....	$ 290,562
Adjustments to goodwill resulting from business acquisitions finalized.....	(22)
Foreign currency translation.....	136
Balance as of June 30, 2004.....	$ 290,676

Other intangible assets consist of the following:

	December 31, 2003		June 30, 2004	
Amortized intangible assets:	Gross Carrying Amount	Accumulated Amortization	Gross Carrying Amount	Accumulated Amortization
Customer relationships	$ 105,712	$ (15,447)	$ 105,712	$ (16,839)
Patents and other intangible assets	33,258	(16,498)	33,404	(18,058)
Unamortized intangible assets:				
Trademarks and tradenames	86,944	--	86,944	--
	$ 225,914	$ (31,945)	$ 226,060	$ (34,897)

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 22 years. Customer relationships are being amortized over 38 years. Patents and other intangible assets are being amortized over a weighted average life of 10 years.

Amortization expense related to intangible assets which are subject to amortization totaled $1,347 and $2,952 in the three and six months ended June 30, 2004, respectively, and $1,542 and $2,894 in the three and six months ended June 30, 2003, respectively, and is included in selling and administrative expense on the consolidated condensed statement of income.

The estimated amortization expense for the year ending December 31, 2004, including the six month period ended June 30, 2004 and for each of the five succeeding years is as follows:

2004	$ 6,039
2005	4,983
2006	4,580
2007	4,580
2008	4,226
2009	4,112

We performed impairment tests of goodwill and indefinite-lived intangible assets and evaluate the useful lives of acquired intangible assets subject to amortization. These tests and evaluations are performed in accordance with Statement of Financial Accounting Standards No. 142, "Goodwill and Other Intangible Assets". 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.

Note 7 - Guarantees

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

The changes in the carrying amount of service and product warranties for the six months ended June 30, 2004 are as follows:

Balance as of January 1, 2004....	$ 3,588
Provision for warranties.....	1,919
Claims made.....	(1,924)
Balance as of June 30, 2004.....	$ 3,583

Note 8 - Pension Plan

The following table presents the components of net periodic pension cost for the three and six month periods ended June 30, 2003 and 2004:

	Three months ended June 30,		Six months ended June 30,	
	2003	2004	2003	2004
Service cost	$ 1,042	$ 1,069	$ 2,084	$ 2,138
Interest cost on projected benefit obligation	605	634	1,210	1,268
Expected return on plan assets	(432)	(665)	(864)	(1,330)
Net amortization and deferral	188	200	376	400
Net periodic pension cost	$ 1,403	$ 1,238	$ 2,806	$ 2,476

We previously disclosed in our Annual Report on Form 10-K for the year-ended December 31, 2003 that we expected to fund our pension in 2004 by an amount not to exceed $5.7 million. No pension funding was made during the three and six month periods ended June 30, 2004.

Note 9 - 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, if any, 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 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 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. Our claims against Johnson & Johnson are currently in the discovery stage. 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. In addition, the costs associated with pursuing this claim may be material.

Note 10 - Other expense (income)

Other expense (income) consists of the following:

	Three months ended June 30,		Six months ended June 30,	
	2003	2004	2003	2004
Gain on settlement of a contractual dispute, net of legal costs	$ --	$ --	$ (9,000)	--
Pension settlement costs	2,081	--	2,081	--
Acquisition-related costs	1,229	--	2,571	--
Other expense (income)	$ 3,310	$ --	$ (4,348)	$ --

During the quarterly period ended March 31, 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 this agreement, BMS paid us $9.5 million in cash, which was recorded as a gain on the settlement of a contractual dispute, net of $0.5 million in legal costs.

During the quarterly period ended June 30, 2003, we announced a plan to restructure our orthopedic sales force as part of our integration plan for the March 10, 2003 acquisition of Bionx Implants, Inc. (the "Bionx acquisition"). As part of the orthopedic sales force restructuring, we incurred expenses in the amount of $2.1 million associated with the settlement of losses on pension obligations, pursuant to the Statement of Financial Accounting Standards No. 88, "Employer's Accounting for Settlements and Curtailments of Defined Benefit Pension Plans and for Terminated Benefits".

During the three and six month periods ended June 30, 2003, we incurred approximately $1.2 million and $2.6 million, respectively, in acquisition and transition expenses related primarily to the December 31, 2002 acquisition of CORE Dynamics, Inc. (the "CORE acquisition") and the Bionx acquisition. These amounts consisted of retention bonuses, severance and other expenses to unwind CORE operations in Jacksonville, Florida and Bionx operations in Blue Bell, Pennsylvania and have been recorded in other expense.

Note 11 - Shareholders' equity

During the six month period ending June 30, 2004, we issued 0.6 million additional shares of common stock under our stock option plans and employee stock purchase plans. This issuance of common stock resulted in a $9.8 million increase in Paid-in capital.

Note 12 - Write-off of Purchased In-Process Research and Development Assets

As disclosed in our Annual Report on Form 10-K for the year-ended December 31, 2003, we wrote-off $7.9 million of purchased in-process research and development assets during the six month period ended June 30, 2003. These assets were acquired in connection with the Bionx acquisition and are not

deductible for income tax purposes.

Note 13 -New Accounting Pronoucements

In January 2003, the Financial Accouting Standards Board ("FASB") issused FASB Interpretation No. 46 ("FIN 46"), "Consolidation of Variable Interest Entities, and Interpretation of ARB No. 151," which requires variable interest entities ("VIE") to be consolidated if the equity investment at risk is not sufficent to permit an entity to finance its activities without support from other parties or the equity investors lack certain specified characteristics. In December 2003, the FASB completed deliberations on proposed modifications to FIN 46 and reissued FIN 46 (R) resulting in multiple effective dates based on the nature as well as the creation date of the VIE. Adoption of this pronouncement has not had any material impact on our financial condition or results of operations during the first half of 2004.

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

Forward-Looking Statements

In this Report on Form 10-Q, we make forward-looking statements about our financial condition, results of operations and business. Forward-looking statements are statements made by us concerning events that may or may not occur in the future. These statements may be made directly in this document or may be "incorporated by reference" from other documents. You can find many of these statements by looking for words like "believes," "expects," "anticipates," "estimates" or similar expressions.

Forward-Looking Statements are not Guarantees of Future Performance

Forward-looking statements involve known and unknown risks, uncertainties and other factors, including those that may cause our actual results, performance or achievements, or industry results, to be materially different from any future results, performance or achievements expressed or implied by such forward-looking statements. Such factors include those identified under "Risk Factors" in our Annual Report on Form 10-K for the year-ended December 31, 2003 and the following, among others:

- general economic and business conditions;
- cyclical customer purchasing patterns due to budgetary and other constraints;
- changes in customer preferences;
- competition;
- changes in technology;
- the ability to evaluate, finance and integrate acquired businesses, products and companies;
- the introduction and acceptance of new products;
- changes in business strategy;
- the 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 risk of litigation, especially patent litigation as well as the cost associated with patent and other litigation;

- changes in foreign exchange and interest rates;

- changes in regulatory requirements; and

- the availability, terms and deployment of capital.

See "Management's Discussion and Analysis of Financial Condition and Results of Operations" below and "Business" in our Annual Report on Form 10-K for the year-ended December 31, 2003 for a further discussion of these factors. You are cautioned not to place undue reliance on these forward-looking statements, which speak only as of the date hereof. We do not undertake any obligation to publicly release any revisions to these forward-looking statements to reflect events or circumstances after the date of this Quarterly Report on Form 10-Q or to reflect the occurrence of unanticipated events.

Overview:

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

	Three months ended June 30,		Six months ended June 30,	
	2003	2004	2003	2004
Arthroscopy	35.7%	36.4%	35.6%	37.0%
Powered Surgical Instruments	23.9	24.0	25.0	24.5
Patient Care	14.2	14.1	14.4	13.7
Electrosurgery	15.2	15.7	14.7	15.4
Endosurgery	9.5	9.6	9.3	8.9
Integrated Operating Room Systems	1.5	0.2	1.0	0.5
Consolidated Net Sales	100.0%	100.0%	100.0%	100.0%

A significant amount of our products are used in surgical procedures with approximately 75% of our revenues derived from the sale of disposable products. We manufacture substantially all of our products in facilities located in the United States. We market our products both domestically and internationally directly to customers and through distributors. International sales represent a significant portion of our business. During the six months ended June 30, 2004, sales to purchasers outside of the United States accounted for 36% of total net sales.

Business Environment, Opportunities and Challenges

The aging of the worldwide population along with lifestyle changes, continued cost containment pressures on healthcare systems and the desire of clinicians and administrators to use less invasive (or noninvasive) procedures are important trends which are driving the growth for our surgical and patient care products.

We have historically used strategic business acquisitions and exclusive distribution relationships to diversify our product offerings, increase our market share in certain product lines and realize economies of scale. In 2003 we made important progress in broadening our Arthroscopy product line with the acquisition of Bionx Implants, Inc.. In January 2004, we announced an agreement with Dolphin Medical, Inc., a subsidiary of OSI Systems, Inc., under which we became the exclusive North American distributor for a full line of Dolphin pulse oximetry products. These products are included in our Patient Care product line. In March 2004, we announced a strategic co-marketing relationship with eTrauma(R) Corporation, a developer and manufacturer of picture archiving, digital communication systems and electronic medical records software. Through this partnership our integrated operating room product offerings will include eTrauma's digital communications product.

Continued innovation and commercialization of new proprietary products and processes are essential elements of our long-term growth strategy. In March 2004, we unveiled fourteen new products at the American Academy of Orthopedic Surgeons Annual Meeting which will enhance our arthroscopy and powered instrument product offerings. Our reputation as an innovator is exemplified by these recent product introductions, which include an IM3300 progressive scan, enhanced definition, autoclavable camera; a PowerPro(R) pneumatic powered instrument system; shoulder suture and suture anchors; Arthroscopic shaver blades; a knee femoral screw; SmartNail(R) 2.4m bioresorbable nail; and the 10k{trademark} pump fluid management system.

Our current research initiatives include the development of reflectance technology products. This technology permits non-invasive analysis of blood oxygen levels in clinical situations which previously could not be accomplished using traditional non-invasive techniques ("Pro2(R)"). We have recently received clearance to market this product by the United States Food and Drug Administration ("FDA") and anticipate a fourth quarter 2004 product launch in Europe and 2005 introduction in the United States.

Additionally, in 2003 we acquired technology for a product referred to as Endotracheal Cardiac Output Monitor ("ECOM"). Our ECOM product offering is expected to replace catheter monitoring of cardiac output with a specially designed endotracheal tube which utilizes proprietary bio-impedance technology. A large portion of the marketing development of this product, as well as future product enhancements, will be conducted in our newly created research subsidiary in Israel. In June 2004, CONMED and our Israeli subsidiary were awarded a $1 million grant from the BIRD Foundation to assist in product development. We have recently received clearance to market this product from the FDA and anticipate a 2005 product launch.

Certain of our products, particularly our line of surgical suction instruments, tubing and ECG electrodes, are more commodity in nature, with limited opportunity for product differentiation. These products compete in mature, price sensitive markets. As a result, while sales volumes have continued to increase we have experienced and expect that we will continue to experience pricing and margin pressures in these product lines. We believe that we may continue to profitably compete in these product lines by maintaining and improving our low cost manufacturing structure. In addition, we expect to continue to use cash generated from these low margin, low investment products to invest in, improve and expand 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 in our Annual Report on Form 10-K for the year-ended December 31, 2003 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. There have been no significant changes in our critical accounting estimates during the second quarter of 2004.

Revenue Recognition

Revenue is recognized when title has been transferred to the customer, which is generally at the time of shipment. The following policies apply to our major categories of revenue transactions:

- 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 term of the individual commitment agreements.

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

- The Company's terms of sale to customers generally do not include any obligations 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 an analysis of historical data.

- Amounts billed to customers related to shipping and handling are included in net sales. Shipping and handling costs 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 June 30, 2004 is adequate to provide for any probable losses from accounts receivable.

Inventory Reserves

We maintain reserves for excess and obsolete inventory resulting from the 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 result in our products becoming 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 have a history of growth through acquisitions, including the Bionx acquisition in 2003. The assets and liabilities of acquired businesses are recorded under the purchase method at their estimated fair values as of 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 $290.7 million and other intangible assets of $191.2 million at June 30, 2004.

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 ("IPRD"). 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 Bionx 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.

Pension Plan

We sponsor a defined benefit pension plan covering substantially all our employees. Major assumptions used in accounting for the plan 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 plans' measurement date. A change in any of these assumptions would have an effect on net periodic pension costs reported in the consolidated financial statements.

As a result of lower market interest rates, we have lowered the discount rate used in determining pension expense from 6.75% in 2003 to 6.25% in 2004. This change in assumption resulted in higher pension expense higher pension expense during 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 resulted 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. During the six months ended June 30, 2004 and 2003 we recorded $2.5 million and $2.8 million in pension expense, respectively.

Income Taxes

The recorded future tax benefit arising from net deductible temporary differences and tax carryforwards is approximately $15.5 million at June 30, 2004. 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.

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:

	Three months ended June 30,		Six months ended June 30,	
	2003	2004	2003	2004
Net sales	100.0%	100.0%	100.0%	100.0%
Cost of sales	47.7	47.5	47.7	47.5
Gross profit	52.3	52.5	52.3	52.5
Selling and administrative expense	31.6	32.4	31.5	32.6
Research and development expense	3.5	3.7	3.4	3.6
Write-off of purchased IPRD	--	--	3.3	--
Other expense (income), net	2.7	--	(1.8)	--
Income from operations	14.5	16.4	15.9	16.3
Loss on early extinguishment of debt	6.3	--	3.3	--
Interest expense	4.7	2.0	4.7	2.2
Income before income taxes	3.5	14.4	7.9	14.1
Provision for income taxes	1.3	5.0	4.0	4.9
Net income	2.2%	9.4%	3.9%	9.2%

Three months ended June 30, 2004 compared to three months ended June 30, 2003

Sales for the quarterly period ended June 30, 2004 were $130.9 million, an increase of $6.4 million (5.1%) compared to sales of $124.5 million in the comparable 2003 period. Favorable foreign currency exchange rates accounted for $1.6 million of the above increase.

Arthroscopy sales increased $3.3 million (7.4%) in the quarterly period ended June 30, 2004 to $47.7 million from $44.4 million in the comparable 2003 period, principally as a result of increased sales of our procedure specific, shoulder repair and video imaging products.

Powered surgical instrument sales increased $1.7 million (5.7%) in the quarterly period ended June 30, 2004 to $31.4 million from $29.7 million in the comparable 2003 period, principally as a result of increased sales of our PowerPro(R) line of instrument products. This increase was partially

offset by decreased sales of our small bone products.

Patient care sales increased $0.7 million (4.0%) in the quarterly period ended June 30, 2004 to $18.4 million from $17.7 million in the comparable 2003 period, principally as a result of increased sales of our surgical suction, vital signs and intravenous products.

Electrosurgery sales increased $1.7 million (9.0%) in the quarterly period ended June 30, 2004 to $20.6 million from $18.9 million in the comparable 2003 period, principally as a result of increased sales of our new System 5000(R) electrosurgical generator.

Endosurgery sales increased $0.6 million (5.0%) in the quarterly period ended June 30, 2004 to $12.5 million from $11.9 million in the comparable 2003 period. This increase is principally due to increased sales of our various laparoscopic instrument products and systems.

Integrated operating room system sales decreased $1.6 million in the quarterly period ended June 30, 2004 to $0.3 million from $1.9 million in the comparable 2003 period. This decrease is principally due to reduced operating room system installations which are reliant upon the construction logistics of our hospital customers.

Cost of sales increased to $62.2 million in the second quarter of 2004 as compared to $59.4 million in the same period a year ago on increased sales volumes in each of our principal product lines as mentioned above. During the three months ended June 30, 2003 we incurred $0.3 million in acquisition related charges as a result of the step-up to fair value recorded related to the sale of inventory acquired in the Bionx and CORE acquisitions. Gross margin percentage increased to 52.5% in 2004 as compared to 52.3% in 2003.

Selling and administrative expense increased to $42.4 million in the second quarter of 2004 as compared to $39.4 million in the comparable 2003 period. This increase is primarily attributable to the transition to a larger, independent sales agent based sales force in our arthroscopy and powered surgical instrument product lines and increased legal expenses associated with the litigation against Johnson & Johnson, as discussed in Note 9. As a percentage of sales, selling and administrative expense was 32.4% in the second quarter of 2004 compared to 31.6% in the second quarter of 2003.

Research and development expense totaled $4.8 million in the second quarter of 2004 as compared to $4.4 million in the second quarter of 2003. This increase is principally as a result of research efforts focused on the development of our Pro2(R) reflectance pulse oximetry and Endotracheal Cardiac Output monitoring (ECOM)devices. As a percentage of sales, research and development expense increased to 3.7% in the current quarter compared to 3.5% in the comparable 2003 period.

As discussed in Note 10 to the Consolidated Condensed Financial Statements, other expense in the three month period ended June 30, 2003 consisted primarily of $2.1 million in pension settlement costs associated with the restructuring of our orthopedic sales force and $1.2 million in acquisition related costs. There was no comparable amount recorded in the second quarter of 2004.

During the three months ended June 30, 2003 we repurchased $127.4 million of our 9% senior subordinated notes and recorded a loss on the early extinguishment of debt in the amount of $7.9 million. This amount represents premium and unamortized deferred financing costs related to the purchase.

Interest expense in the second quarter of 2004 was $2.6 million compared to $5.9 million in the second quarter of 2003. The decrease in interest expense is primarily as a result of lower total outstanding borrowings during the current quarter as compared to the same period a year ago and lower average interest rates on our borrowings (inclusive of the implicit finance charge on our accounts receivable sale facility). This decrease in interest expense is also a consequence of the redemption of $127.4 million in 9% senior subordinated notes in June 2003. Our total outstanding borrowings have decreased to $240.4 million at June 30, 2004 as compared to $289.5 million at June 30, 2003. The weighted average interest rates on our borrowings has

decreased to 3.59% for the three months ended June 30, 2004 as compared to 7.26% for the three months ended June 30, 2003.

A provision for income taxes has been recorded at an effective tax rate of 35% for the second quarter 2004 and 36% for the second quarter of 2003. A reconciliation of the United States statutory income tax rate to our effective tax rate is included in our Annual Report on Form 10-K for the year-ended December 31, 2003, Note 7 to the Consolidated Financial Statements.

Six months ended June 30, 2004 compared to six months ended June 30, 2003

Sales for the six months ended June 30, 2004 were $264.9 million, an increase of $22.3 million (9.2%) compared to sales of $242.6 million in the comparable 2003 period. The Bionx acquisition accounted for $2.4 million of the above increase and favorable foreign currency exchange rates accounted for $5.6 million.

Arthroscopy sales increased $11.9 million (13.8%) in the first half of 2004 to $98.0 million from $86.1 million in the comparable 2003 period, principally as a result of increased sales of our procedure specific, knee reconstruction, soft tissue fixation and video imaging products.

Powered surgical instrument sales increased $4.2 million (6.9%) in the first half of 2004 to $64.9 million from $60.7 million in the comparable 2003 period, principally as a result of increased sales of our PowerPro(R) line of instrument products. This increase was partially offset by decreased sales of our small bone products.

Patient care sales increased $1.4 million (4.0%) in the first half of 2004 to $36.4 million from $35.0 million in the comparable 2003 period, principally as a result of increased sales of our surgical suction products.

Electrosurgery sales increased $5.1 million (14.3%) in the first half of 2004 to $40.8 million from $35.7 million in the comparable 2003 period, principally as a result of increased sales of our new System 5000(R) electrosurgical generator.

Endosurgery sales increased $0.9 million (4.0%) in the first half of 2004 to $23.5 million from $22.6 million in the comparable 2003 period. This increase is principally due to increased sales of our various laparoscopic instrument products and systems.

Integrated operating room system sales decreased $1.1 million in the first half of 2004 to $1.3 million from $2.4 million in the comparable 2003 period. This decrease is principally due to reduced operating room system installations which are reliant upon the construction logistics of our hospital customers.

Cost of sales increased to $125.8 million in the first half of 2004 as compared to $115.8 million in the same period a year ago on increased sales volumes in each of our principal product lines as mentioned above. During the first half of 2003 we incurred $0.7 million in acquisition related charges as a result of the step-up to fair value recorded related to the sale of inventory acquired in the Bionx and CORE acquisitions. Gross margin percentage increased to 52.5% in 2004 as compared to 52.3% in 2003.

Selling and administrative expense increased to $86.2 million in the first half of 2004 as compared to $76.5 million in the comparable 2003 period. This increase is primarily attributable to the transition to a larger, independent sales agent based sales force in our arthroscopy and powered surgical instrument product lines and increased sales volumes in each of our principal product lines. As a percentage of sales, selling and administrative expense was 32.6% in the first half of 2004 as compared to 31.5% in the first half of 2003.

Research and development expense totaled $9.6 million in the first half of 2004 as compared to $8.1 million in the comparable 2003 period. Of this increase, $0.5 million relates to ongoing research and development related to the Bionx acquisition while $0.8 million is attributable to Pro2(R) and ECOM product development. As a percentage of sales, research and development expense increased to 3.6% in 2004 as compared to 3.4% in 2003.

As discussed in Note 10 to the Consolidated Condensed Financial Statements, other income in the six month period ended June 30, 2003 consisted primarily of a $9.0 million net gain on the settlement of a contractual dispute, $2.1 million in pension settlement costs associated with the restructuring of our orthopedic sales force and $2.6 million in acquisition related costs. There was no comparable amount recorded in the first half of 2004.

During the six months ended June 30, 2003 we repurchased $130.0 million of our 9% senior subordinated notes and recorded a loss on the early extinguishment of debt in the amount of $8.1 million. This amount represents premium and unamortized deferred financing costs related to the purchase.

Interest expense in the first half of 2004 was $5.9 million compared to $11.4 million in the first half of 2003. The decrease in interest expense is primarily as a result of lower total outstanding borrowings during the current period as compared to the same period a year ago and lower average interest rates on our borrowings (inclusive of the implicit finance charge on our accounts receivable sale facility). This decrease in interest expense is also a consequence of the redemption of $130.0 million in 9% senior subordinated notes during the first half of 2003. The weighted average interest rates on our borrowings has decreased to 3.98% for the six months ended June 30, 2004 as compared to 7.42% for the six months ended June 30, 2003.

A provision for income taxes has been recorded at an effective tax rate of 35% for the first half of 2004 and 51% for the first half of 2003. The effective tax rate of 51% for the first half of 2003 is significantly higher than the 35% which we have experienced historically as a result of the non-deductibility for income tax purposes of the $7.9 million in-process research and development write-off recorded in conjunction with the Bionx acquisition. A reconciliation of the United States statutory income tax rate to our effective tax rate is included in our Annual Report on Form 10-K for the year-ended December 31, 2003, Note 7 to the Consolidated Financial Statements.

Liquidity and Capital Resources

Cash generated from operations, including sales of accounts receivable and borrowings under our revolving credit facility, provide the necessary liquidity to fund our working capital requirements, debt service under the senior credit agreement and the funding of capital investments. In addition, we use term borrowings, including borrowings under our senior credit agreement and borrowings under separate loan facilities, in the case of real property acquisitions, to finance our acquisitions.

Operating cash flows

Our net working capital position was $166.5 million at June 30, 2004. Net cash provided by operating activities was $45.6 million in the six months ended June 30, 2004 and $18.6 million in the six months ended June 30, 2003.

Net cash provided by operating activities in the six month period ended June 30, 2004 was favorably impacted by the following: depreciation, amortization, deferred income taxes; decreases in inventory and accounts receivable; increased sales of accounts receivable; and increases in accounts payable and accrued interest, primarily related to the timing of the payment of these liabilities.

Net cash provided by operating activities in the six month period ended June 30, 2004 was negatively impacted by the following: decreases in income taxes payable and decreases in accrued compensation and benefits.

During the three month period ended June 30, 2004 we experienced strong operating cash flow, increasing our cash balance by approximately $21 million. We are currently in discussions regarding a potential acquisition, if completed, would utilize existing cash balances and a portion of our available line of credit to finance the purchase.

Investing cash flows

Capital expenditures were $4.3 million and $4.0 million for the six months ended June 30, 2004 and 2003, respectively. These capital expenditures represent the ongoing capital investment requirements of our business.

Investing cash flows in 2003 also included $51.5 million in payments related to business acquisitions, net of cash acquired, principally related to the Bionx acquisition.

Financing cash flows

Financing activities in the first half of 2004 consisted primarily of the repayment of $24.2 million in borrowings.

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 June 30, 2004. As of June 30, 2004, the total amount outstanding on the term loan was $222.9 million. The term loan is scheduled to be repaid over a period of approximately 6 years, with scheduled principal payments of $2.6 million annually through December 2007 increasing to $60.3 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 annual cash flow as defined in the senior credit agreement. Interest rates on the term facility are at the London Interbank Offered Rate ("LIBOR") plus 2.25% (3.62% at June 30, 2004). Interest rates on the revolving credit facility are at LIBOR plus 2.50% (3.87% at June 30, 2004).

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.

The 2001 debt outstanding in connection with the purchase of property in Largo, Florida utilized by our Linvatec subsidiary 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"). The principal balances outstanding on the Class A note and Class C note aggregated $9.0 million and $7.8 million, respectively, at June 30, 2004. These loans are secured by our Largo, Florida property.

Management believes that cash generated from operations, including accounts receivable sales, current cash resources and available borrowing capacity under our senior credit agreement will be adequate to meet our anticipated operating working capital requirements, debt service and the funding of capital expenditures in the foreseeable future.

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 with 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 may be less than the amount of the purchaser's asset interest, there is no recourse to CONMED or CRC for such shortfall. For receivables which have been sold, CONMED Corporation and its subsidiaries retain collection and administrative responsibilities as agent for the purchaser. As of June 30, 2004, the undivided percentage ownership interest in receivables sold by CRC to the purchaser aggregated $46 million, 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 $0.4 million in the six month period ended June 30, 2004 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 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 meet the requirements 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 on October 21, 2004. We currently expect the purchaser to extend its commitment for an additional year. 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 June 30, 2004:

		Payments Due By Period			
	Total	Less than 1 Year	1-3 Years	3-5 Years	More than 5 Years
Long-term debt.....	$ 240,387	$ 3,988	$ 8,483	$ 96,261	$ 131,655
Purchase obligations	49,180	48,588	569	23	-
Operating lease obligations.....	10,769	1,971	3,527	3,907	1,364
Total contractual obligations.....	$ 300,336	$ 54,547	$ 12,579	$ 100,191	$ 133,019

Item 4. Controls and Procedures

An evaluation of the effectiveness of the design and operation of the Company's disclosure controls and procedures was carried out under the supervision and with the participation of the Company's management, including the Chairman and Chief Executive Officer and the Vice President-Finance and Chief Financial Officer (the "Certifying Officers") as of June 30, 2004. Based on that evaluation, the Certifying Officers concluded that the Company's disclosure controls and procedures are effective to bring to the attention of the Company's management the relevant information necessary to permit an assessment of the need to disclose material developments and risks pertaining

to the Company's business in its periodic filings with the Securities and Exchange Commission. There was no change in the Company's internal control over financial reporting during the quarter ended June 30, 2004 that materially affected, or is reasonably likely to materially affect, the Company's internal control over financial reporting.

PART II OTHER INFORMATION

Item 1. Legal Proceedings

Reference is made to Item 3 of the Company's Annual Report on Form 10-K for the year-ended December 31, 2003 and to Note 9 of the Notes to Consolidated Condensed Financial Statements included in Part I of this Report for a description of certain legal matters.

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

The annual meeting of stockholders of CONMED Corporation was held on May 18, 2004 (the "Annual Meeting"). Holders of Common Stock were entitled to elect eight directors. On all matters which came before the Annual Meeting, holders of Common Stock were entitled to one vote for each share held. Proxies for 26,551,395 of the 29,725,841 shares of Common Stock entitled to vote were received in connection with the Annual Meeting.

The following table sets forth the names of the eight persons elected at the Annual Meeting to serve as directors until the first annual meeting of stockholders following the end of the Company's fiscal year ending December 31, 2004 and the number of votes cast for, against or withheld with respect to each person.

Election of Directors

Director	Votes Received	Votes Withheld
Eugene R. Corasanti	25,688,308	863,087
Joseph J. Corasanti	25,722,935	828,460
Bruce F. Daniels	25,618,168	933,227
Jo Ann Golden	26,218,912	332,483
Steve Mandia	26,217,966	333,429
William D. Matthews	26,214,292	337,103
Robert E. Remmell	25,421,019	1,130,376
Stuart J. Schwartz	26,355,709	195,686

Management Proposals	For	Against	Abstain	Broker Non-votes

Approval of PricewaterhouseCoopers LLP as independent auditors for the Company for the fiscal year ending December 31, 2004;	24,844,031	1,655,632	51,732	--
Approval of Amendment to 1999 Long-Term Incentive Plan	17,910,420	3,072,418	271,859	5,296,698

Item 5. Other Information

On June 15, 2004, Robert E. Remmell, who was then a Director of the CONMED Corporation Board of Directors died. The Nominating Committee of the Board of Directors has no intention at this time to propose, appoint or nominate any person to the Board of Directors to replace Mr. Remmell.

Item 6. Exhibits and Reports on Form 8-K

Exhibits

Exhibit No.	Description of Exhibit
31.1	Certification of Eugene R. Corasanti pursuant to Rule 13a-14(a) or Rule 15d-14(a), of the Securities Exchange Act, as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
31.2	Certification of Robert D. Shallish, Jr. pursuant to Rule 13a-14(a) or Rule 15d-14(a), of the Securities Exchange Act, as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
32.1	Certification 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.

Reports on Form 8-K

On July 23, 2004, the Company filed a Report on Form 8-K furnishing as Exhibit 99.1 under Item 12, a July 22, 2004 press release announcing financial results for the three and six month periods ended June 30, 2004.

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

CONMED CORPORATION
(Registrant)

Date: August 9, 2004

/s/ Robert D. Shallish, Jr.

Robert D. Shallish, Jr.
Vice President - Finance
(Principal Financial Officer)

Exhibit Index

Exhibit		Sequential Page Number
31.1	Certification of Eugene R. Corasanti pursuant to Rule 13a-14(a) or Rule 15d-14(a) of the Securities Exchange Act, as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.	E-1
31.2	Certification of Robert D. Shallish, Jr. pursuant to Rule 13a-14(a) or Rule 15d-14(a) of the Securities Exchange Act, as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.	E-2
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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 quarterly report on Form 10-Q of CONMED Corporation;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) 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.

August 9, 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 quarterly report on Form 10-Q of CONMED Corporation;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) 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.

August 9, 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 ohe 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 "Corporation"), does hereby certify that:

The Quarterly Report on Form 10-Q for the quarter ended June 30, 2004 (the "Form 10-Q") of the Corporation fully complies with the requirements of section 13(a) or 15(d) of the Securities Exchange Act of 1934 and information contained in the Form 10-Q fairly presents, in all material respects, the financial condition and results of operations of the Corporation.

Date: August 9, 2004

/s/Eugene R. Corasanti

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

Date: August 9, 2004

/s/Robert D. Shallish, Jr.

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