Securities and Exchange Commission

Washington, D.C.

20549

Form 10-Q

QUARTERLY REPORT Pursuant to Section 13 or 15(d) of

The Securities Exchange Act of 1934

For the Quarter Ended Septeber 30, 1997 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.)
310 Broad Street, Utica, New York	13501
(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 [ ]

The number of shares outstanding of registrant's common stock, as of November 8, 1997 is 15,003,203 shares.

CONMED CORPORATION

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CONMED CORPORATION

CONSOLIDATED STATEMENTS OF INCOME

(in thousands except per share amounts)
(unaudited)

	For the Three Months Ended September		For the Nine Months Ended September	
	1996	1997	1996	1997
Net sales	$ 31,432	$ 38,581	$ 92,422	$100,760
Cost and expenses:				
Cost of sales	16,469	21,601	48,141	54,335
Facility consolidation expense (Note 7)	--	--	--	2,328
Selling and administrative	7,949	9,304	23,645	26,236
Research and development ..	861	752	2,238	2,294
Total operating expenses	25,279	31,657	74,024	85,193
Income from operations	6,153	6,924	18,398	15,567
Interest income (expense),net	148	134	(384)	762
Income before taxes	6,301	7,058	18,014	16,329
Provision for income taxes ..	2,268	2,541	6,485	5,878
Net income	$ 4,033	$ 4,517	$ 11,529	$ 10,451
Weighted common shares and equivalents	15,195	15,219	14,285	15,221
Earnings per share	$ .27	$ .30	$ .81	$ .69

See notes to consolidated financial statements.

CONMED CORPORATION
CONSOLIDATED BALANCE SHEETS

(in thousands except share amounts)

ASSETS

	December 1996	September 1997 (unaudited)
Current assets:		
Cash and cash equivalents	$ 20,173	$ 5,159

Accounts receivable, net	26,336	32,032
Income taxes receivable	766	--
Inventories (Note 4)	23,187	23,373
Deferred income taxes	626	626
Prepaid expenses and other current assets	740	1,154
Total current assets	71,828	62,344
Property, plant and equipment, net	26,458	31,008
Deferred income taxes	1,246	1,246
Covenant not to compete, net	713	383
Goodwill, net	64,283	83,964
Patents, trademarks, and other assets, net	5,555	4,829
Total assets	$ 170,083	$ 183,774

LIABILITIES AND SHAREHOLDERS' EQUITY

Current liabilities:		
Accounts payable	$ 2,433	$ 3,186
Income taxes payable	--	996
Accrued payroll and withholdings	2,037	1,868
Accrued pension	333	879
Other current liabilities	951	1,970
Total current liabilities	5,754	8,899
Deferred compensation	1,033	1,192
Accrued pension	276	276
Long term leases	2,924	2,785
Other long-term liabilities	1,461	1,742
Total liabilities	11,448	14,894

CONMED CORPORATION
CONSOLIDATED BALANCE SHEETS

(in thousands except share amounts)
(continued)

	December 1996	September 1997 (unaudited)
Shareholders' equity:		
Preferred stock, par value $.01 per share; authorized 500,000 shares; none outstanding	--	--
Common stock, par value $.01 per share; 40,000,000 authorized; 14,988,783 and 14,991,108 issued and outstanding, in 1996 and 1997, respectively	150	150
Paid-in capital	111,867	112,080
Treasury stock	--	(419)
Retained earnings	46,618	57,069
Total equity	158,635	168,880
Total liabilities and shareholders' equity	$ 170,083	$ 183,774

See notes to consolidated financial statements.

CONMED CORPORATION

CONSOLIDATED STATEMENTS OF CASH FLOW

Nine Months Ended September 1996 and 1997

(in thousands)
(unaudited)

	1996	1997
Cash flows from operating activities:		
Net income	$ 11,529	$ 10,451
Adjustments to reconcile net income to net cash provided by operations:		
Depreciation	2,979	2,979
Amortization	2,269	2,504
Increase (decrease) in cash flows from changes in assets and liabilities:		
Accounts receivable	(958)	(5,696)
Inventories	(2)	2,864
Prepaid expenses and other assets	(441)	(414)
Deferred income taxes	2,000	--
Other assets	(1,334)	155
Accounts payable	(225)	753
Income taxes payable	1,361	1,762
Income tax benefit of stock option exercises	1,035	--
Accrued payroll and withholdings	(981)	(169)
Accrued pension	(162)	546
Other current liabilities	679	321
Other liabilities	(570)	159
	5,650	5,764
Net cash provided by operations	17,179	16,215
Cash flows from investing activities:		
Business acquisitions	(33,705)	(24,000)
Acquisition of property, plant, and equipment	(3,992)	(6,884)
Net cash used by investing activities	(37,697)	(30,884)

CONMED CORPORATION

CONSOLIDATED STATEMENTS OF CASH FLOW

Nine Months Ended September 1996 and 1997

(in thousands)
(unaudited)
(continued)

	1996	1997
Cash flows from financing activities:		
Proceeds from issuance of common stock, net	65,802	213
Payment for purchase of treasury stock	--	(419)
Proceeds of long and short term debt	32,660	--
Payments on debt and other obligations	(65,505)	(139)
Net cash provided (used) by financing activities	32,957	(345)
Net increase (decrease) in cash and cash equivalents	12,439	(15,014)

Cash and cash equivalents at beginning of period ...	1,539	20,173
Cash and cash equivalents at end of period	$ 13,978	$ 5,159

See notes to consolidated financial statements.

CONMED CORPORATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 1 - Consolidation

The consolidated financial statements include the accounts of CONMED Corporation ("the Company") and its subsidiaries. The Company is primarily engaged in the development, manufacturing and marketing of disposable medical products and related devices. All significant intercompany accounts and transactions have been eliminated in consolidation.

Note 2 - Interim financial information

The statements for the three and nine months ended September 1996 and 1997 are unaudited; in the opinion of the Company such unaudited statements include all adjustments (which comprise only normal recurring accruals) necessary for a fair presentation of the results for such periods. The consolidated financial statements for the year ending December 1997 are subject to adjustment at the end of the year when they will be audited by independent accountants. The results of operations for the three and nine months ended September 1996 and 1997 are not necessarily indicative of the results of operations to be expected for any other quarter nor for the year ending December 1997. The consolidated financial statements and notes thereto should be read in conjunction with the financial statements and notes for the year ended December 1996 included in the Company's Annual Report to the Securities and Exchange Commission on Form 10-K.

Note 3 - Earnings per share

Earnings per share was computed by dividing net income by the weighted average number of shares of common stock and common stock equivalents outstanding during the period.

Note 4 - Inventories

The components of inventory are as follows (in thousands):

	December 1996	September 1997
Raw Material.............	$ 7,079	$ 9,145
Work-in-process..........	7,541	6,938
Finished goods...........	8,567	7,290
Total................	$ 23,187	$ 23,373

Note 5 - Business acquisitions

On February 23, 1996, the Company acquired the business and certain assets of New Dimensions in Medicine, Inc. ("NDM") for a cash purchase price of approximately $31.2 million and the assumption of $3.3 million of liabilities. The acquisition is being accounted for using the purchase method of accounting. Accordingly, the results of operations of the acquired business are included in the consolidated results of the Company from the date of acquisition. Goodwill associated with the acquisition is being amortized on a straight-line basis over a 40 year period.

On July 1, 1997, the Company completed the acquisition of a product line from Davol Inc., a subsidiary of C.R. Bard, Inc., for a cash purchase price of $24,000,000. Annual sales associated with the product line approximate $25 million. This acquisition is being accounted for using the purchase method of accounting. Accordingly, the results of operations of the acquired business are included in the consolidated results of the Company from the date of acquisition. Goodwill associated with the acquisition is being amortized on a straight-line basis over a 40 year period. The allocation of the purchase price for this acquisition is based on management's preliminary estimates; it is possible that re-allocations will be required as additional information becomes available. Management does not believe that such re-allocations will have a material effect on the Company's results of operations or financial position.

On an unaudited pro forma basis, assuming each of the acquisitions had occurred as of the beginning of the periods, the consolidated results of the Company would have been as follows (in thousands, except per share amounts):

	For the Three Months Ended September 1996	For the Nine Months Ended September 1996	For the Nine Months Ended September 1997
Pro forma net sales	$ 37,682	$113,672	$113,260
Pro forma net income	4,456	12,960	11,411
Pro forma earnings per common, and common equivalent shares	0.29	0.91	0.75

Note 6 - Stock offering

On March 20, 1996, the Company completed a public offering of its common stock whereby 3,000,000 and 850,000 shares of common stock were sold by the Company and certain shareholders, respectively. The common shares sold by the shareholders were received upon the exercise of a warrant and options during the first quarter of 1996. Net proceeds to the Company related to the sale of 3,000,000 shares and exercise of the warrant and options amounted to approximately $62,500,000 and $3,500,000, respectively. Of the aggregate proceeds, $65,000,000 was used to eliminate the Company's indebtedness under its credit agreements.

Note 7 - Facility consolidation

During the first quarter of 1997, the Company recorded a pre-tax charge of $2,328,000 related to the closure of the Company's Dayton, Ohio manufacturing facility. Operations of the Dayton facility, which was acquired in connection with the February 1996 acquisition of NDM, were transferred to the Company's manufacturing facilities in Rome and Utica, New York during the second and third quarters of 1997. The components of the charge consisted primarily of costs associated with employee severance and termination, and the impairment of the carrying value of fixed assets.

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

The following discussion includes certain forward-looking statements. Such forward-looking statements are subject to a number of factors, including material risks, uncertainties and contingencies, which could cause actual results to differ materially from the forward-looking statements.

Three months ended September 1997 compared to three months ended September 1996

Sales for the quarter ended September 1997 were $38,581,000, an increase of 22.7% compared to sales of $31,432,000 in the quarter ended September 1996. The increase is largely a result of incremental sales volume associated with the Davol product line acquisition which became effective July 1, 1997. Other factors impacting net sales for the third quarter of 1997 as compared to the third quarter of 1996 include increased sales of the Company's surgical disposables offset partially by lower pricing on ECG electrodes.

Cost of sales increased to $21,601,000 in the current quarter compared to the $16,469,000 in the same quarter a year ago as a result of increased sales volume. The Company's gross margin was 44.0% in the third quarter of 1997 as compared to 47.6% in the third quarter of 1996. The decrease is primarily a result of the Davol product line which currently has a lower gross margin percentage than the Company's overall gross margin percentage.

Selling and administrative expenses increased to $9,304,000 in the third quarter of 1997 as compared to $7,949,000 in the third quarter of 1996. This increase resulted from the effects of the Davol product line acquisition. As a percentage of sales, however, selling and administrative expense declined from 25.3% in the third quarter of 1996 to 24.1% in the third quarter of 1997 due to economies of scale resulting from incremental sales.

Research and development expense was $752,000 in the third quarter of 1997 as compared to $861,000 in the comparable 1996 period. The Company continues to conduct research activities in all of its product lines, with a particular emphasis on products for minimally-invasive surgery.

The third quarter of 1997 had interest income of $134,000 as compared to $366,000 in the second quarter of 1997 and $148,000 in the third quarter of 1996. As discussed below under Liquidity and Capital Resources, the Company's invested cash balances declined in the third quarter of 1997 as a result of the acquisition of the Davol product line and the purchase of a building in Utica, New York.

Nine months ended September 1997 compared to nine months ended September 1996

Sales for the nine months ended September 1997 were $100,760,000 as compared to sales of $92,422,000 in the nine months ended September 1996. The increase was primarily a result of the Davol product line acquisition effective July 1, 1997, and the NDM acquisition that was reflected in 1996 results only from February 23, 1996, the date of acquisition. Offsetting the incremental sales volume associated with the acquisitions was the effect of realignment of the Company's domestic sales force effective January 1, 1997, the effect of discontinuing certain end of quarter dealer incentives and lower pricing relative to ECG electrode sales.

Prior to 1997, the Company maintained separate sales forces, each of which sold only a portion of the Company's product offerings. With the realignment, each of the Company's territory managers sell the entire product line of the Company. While management believes that this change has enhanced the Company's sales efforts, management believes that sales for the first six months of 1997 were negatively impacted by this change due to training and transition issues. Additionally, during the second quarter of 1997, the Company announced that it would immediately discontinue certain end of quarter dealer incentives which had previously been offered. Management believes that this had a negative effect on the Company's sales in the second quarter of 1997 by as much as $2.0 million.

Cost of sales increased to $54,335,000 in the first nine months of 1997 as compared to the $48,141,000 in the same 1996 period. The Company's gross margin percentage was 46.1% for the first nine months of 1997 as compared to 47.9% in the first nine months of 1996. Factors adversely impacting the gross margin percentage in 1997 include the third quarter sales of the Davol product line which currently has a lower gross margin percentage than the Company's overall gross margin percentage and the effect of lower pricing on ECG electrodes.

During the first quarter of 1997, the Company recorded a charge of $2,328,000 related to the closure of its Dayton, Ohio manufacturing facility. Operations of the Dayton facility, which was acquired in connection with the February 1996 acquisition of NDM, were transferred to the Company's manufacturing facilities in Utica and Rome, New York during the second and third quarters of 1997.

Selling and administrative costs increased to $26,236,000 in the first nine months of 1997 as compared to $23,645,000 in the first nine months of 1996. As a percentage of sales, selling and administrative expense was 26.0% in the nine months of 1997 as compared to 25.6% in the comparable 1996 period. This increase reflects incremental expenses during the first and second quarters of 1997 related to increased marketing efforts and the domestic sales force realignment.

The first nine months of 1997 had interest income of $762,000 as compared to interest expense of $384,000 in the first nine months of 1996. As discussed under Liquidity and Capital Resources, maximum borrowings during the first quarter of 1996 were $65,000,000 of which $32,660,000 related to borrowings associated with the February 23, 1996 acquisition of NDM. All such indebtedness was repaid in late March 1996 with proceeds from the Company's equity offering.

The provision for income taxes decreased in 1997 due to the lower income before tax.

Liquidity and Capital Resources

Cash flows provided or used by operating, investing and financing activities for the first nine months of 1996 and 1997 are disclosed in the Consolidated Statements of Cash Flow. Net cash provided by operations was $16,215,000 in the first nine months of 1997 as compared to $17,179,000 in the first nine months of 1996. Operating cash flows in the first nine months of 1997 were negatively impacted by lower net income as compared to the first nine months of 1996. Depreciation and amortization in 1997 increased primarily due to the effects of the NDM and Davol product line acquisitions. Operating cash flows for the first nine months of 1997 were positively impacted by a reduction in inventories and an increase in income taxes payable. Adversely impacting operating cash flows in the first nine months of 1997 was an increase in accounts receivable resulting from incremental sales associated with the Davol product line acquisition.

Net cash used by investing activities was $30,884,000 in the first nine months of 1997 compared to $37,697,000 in the first nine months of 1996. Cash used for the July 1, 1997 acquisition of the Davol product line was $24.0 million. During the first nine months of 1997, additions to property, plant and equipment were $6,884,000 including $4,000,000 used to purchase a building in Utica, New York. Cash used for the 1996 acquisition of NDM approximated $33.7 million. Additions to property, plant and equipment for the first nine months of 1996 amounted to $3,992,000.

Cash flows used by financing activities were $345,000 in the first nine months of 1997 as compared to $32,957,000 provided by financing activities in the first nine months of 1996. During the third quarter of 1997, the Company repurchased 25,000 shares of its common stock for approximately $419,000. In connection with the NDM acquisition on February 23, 1996, the Company borrowed $32,660,000 bringing aggregate borrowings under its credit facility to $65,000,000. On March 20, 1996, the Company completed an equity offering of common stock and used $65,000,000 of the proceeds to eliminate the indebtedness of the Company.

Management believes that cash generated from operations, its current cash resources and funds available under its banking agreement will provide sufficient liquidity to ensure continued working capital for operations and funding of capital expenditures in the foreseeable future.

The Company's credit facility consists of a $60,000,000 secured revolving line of credit which expires on March 2001. This facility carries an interest rate of 0.5%-1.25% over LIBOR depending on defined cash flow performance ratios. There were no borrowings outstanding under this facility during the nine months ended September 1997.

Item 5. Other Information

On May 6, 1997, the Company announced that its Board of Directors authorized the Company to repurchase $30,000,000 of its common stock. The repurchase program calls for shares to be purchased in the open market or in private transactions from time to time. The Company may suspend or discontinue the program at any time. The timing of the purchases will depend upon market conditions, the market price of the common stock and management's assessment of the Company's liquidity and cash flow needs. The Company will finance the repurchases from cash-on-hand and amounts available under the Company's bank credit facility.

Item 6. Exhibits and Reports on Form 8-K

List of Exhibits

Exhibit No.	Description

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11	Computation of weighted average number of shares of common stock

Reports on Form 8-K

None

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: November 14, 1997

/s/Robert D. Shallish, Jr.

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

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Exhibit

11 - Computations of weighted average number of shares of common stock

EXHIBIT 11

Computation of weighted average number of shares of common stock

	For the Three Months Ended September		For the Nine Months Ended September	
	1996	1997	1996	1997
Shares outstanding at beginning of period	14,933	14,999	11,105	14,989
Net weighted average share issued and repurchased .	6	(12)	2,644	6
Incremental shares of common stock outstanding giving effect to stock options and warrant	256	232	536	226
	15,195	15,219	14,285	15,221

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