CONMED Reports Record Quarterly Sales

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- Sales Increase 11.9% (9.4% at Constant Currency) to $124.5 Million - - Excluding Charges, Net Income Increases 13.3% to $10.2 Million - - Reported Net Income, Including Financing and Other Charges, is $2.8 Million-

UTICA, N.Y., Jul 17, 2003 /PRNewswire-FirstCall via COMTEX/ -- CONMED Corporation (Nasdaq: CNMD) today announced financial results for the second quarter and six months ended June 30, 2003.

Total sales for the quarter increased 11.9% (9.4% at constant currency) to $124.5 million compared to $111.3 million in last year's second quarter. For the 2003 second quarter, CONMED posted net income, excluding financing, acquisition, and other charges, of $10.2 million, up 13.3% from net income of $9.0 million for last year's second quarter. Diluted earnings per share excluding the charges grew to $0.35, on a 7% increase in diluted shares outstanding, compared to diluted earnings per share of $0.33 for the 2002 second quarter. In the 2003 second quarter, the Company recorded after-tax charges totaling $7.4 million related to the refinancing of the Company's senior subordinated 9% bonds, the acquisitions of Bionx and Core Dynamics, and settlement of certain pension obligations (please see below for full explanation). On a generally accepted accounting principles (GAAP) basis, including these charges, CONMED reported net income of $2.8 million, or $0.09 per diluted share for the second quarter of 2003.

Commenting on the quarter, Mr. Joseph J. Corasanti, President and Chief Operating Officer, said, "CONMED had a very strong second quarter, with revenue growth exceeding our projections across almost all product lines. Most notable was the performance of our powered instruments, electrosurgery and endoscopy business segments-all of which either met or exceeded our expectations thanks to the success of new products and the efforts of our devoted sales teams. Additionally, from an expense control standpoint, we were able to refinance all of our 9% senior subordinated bonds and as such will have substantially lower interest costs going forward."

The Company's Arthroscopy sales were $44.4 million, including $4.1 million in sales from Bionx Implants, Inc., which was acquired by CONMED on March 10, 2003, compared to $41.2 million in the second quarter of last year. Organic sales for arthroscopy were slightly softer than the prior year's second quarter, as a 5% increase in sales of resection shaver blades was offset by modest declines in sales of video systems and fluid management products. Second quarter Powered Surgical Instrument sales grew 10% to $29.7 million compared to $27.0 million last year, reflecting continued growth in demand for the PowerPro(R) group of products. Electrosurgery revenues increased 11% to $18.9 million compared to $17.0 million in the prior year's second quarter, due to strong sales of the Company's new generator. Patient Care sales grew 4% to $17.7 million over the $17.1 million recorded in the second quarter of 2002. Endoscopy sales increased 32% to $11.9 million compared to $9.0 million in the same quarter a year ago. Organic sales growth in Endoscopy was 12%, rebounding from flat sales in the first quarter of 2003. The remainder of sales growth in Endoscopy came from Core Dynamics, acquired by CONMED on December 31, 2002, which contributed $1.8 million for the second quarter. The Integrated Systems product line, which CONMED obtained through its acquisitions of ValMed and Nortrex in the fourth quarter of 2002, contributed $1.9 million to total revenue for the 2003 second quarter.

Mr. Corasanti continued, "As demonstrated by our strong powered instruments sales, our PowerPro(R) line of battery powered surgical instruments continues to build momentum within the medical community, fueled by a 21% increase in large bone product sales. Additionally, our distribution agreement with DePuy is moving forward, as PowerPro(R) sales to DePuy grew sequentially from the first quarter. In Electrosurgery, our 11% growth was led by our newly released Series 5000 electrosugical generators. We continue to be very excited by the many opportunities in Endoscopy and Integrated Systems and believe that these businesses will fuel much growth for CONMED over the coming years."

Mr. Corasanti added, "We are making solid progress in expanding our orthopedic sales force to maximize coverage in key markets for arthroscopy and powered instruments. Since announcing our sales strategy this past April, we have added 30 sales professionals and remain committed to our stated goal of adding a total of 50 professionals to our orthopedic sales team over the next twelve months."

For the six months ended June 30, 2003, CONMED reported revenues of $242.6 million, up 8% from the $224.5 million in the first half of last year. Net income, excluding special charges and credits, for the first half of this year grew to $20.2 million, or

$0.69 per diluted share, on a 10.5% increase in diluted shares outstanding, compared to net income of $18.0 million, or $0.68 per diluted share, for the six months ended June 30, 2002 (please see below for full explanation of the special charges and credits). On a GAAP basis, including these charges and credits, CONMED reported net income of $17.3 million, or $0.59 per diluted share for the six months ended June 30, 2003.

Mr. Corasanti concluded, "Seasonally, the upcoming third quarter tends to be our softest in terms of sales, due to the combination of fewer elective surgeries performed and overall slowness in European business during the summer months. Accordingly, for the 2003 third quarter, we expect to generate revenues of approximately $117 million to $122 million, and diluted earnings per share, reflecting the reduced interest rates, in the range of $0.35 to $0.38, excluding special charges, if any. For the full year of 2003, we remain comfortable with our forecast for top-line growth of 10% over 2002 levels and diluted earnings per share, reflecting the reduced interest costs, in the range of $1.47 to $1.51 excluding the special charges and credits. (Please see paragraph below on reconciliation of forecasted earnings per share).

Explanation of Unusual Charges and Credits

As previously disclosed, on June 30, 2003, the Company refinanced all of its outstanding 9% senior subordinated notes with the proceeds of a $160 million expansion of the term loan component of its senior credit facility. The Company expensed a total of $7.9 million of pre-tax costs in the second quarter of 2003 associated with the refinancing consisting of the call premium on the notes of $5.7 million and $2.2 million (non-cash) for the unamortized deferred financing fees associated with original issue of the notes. The current interest rate on the term loan expansion is equivalent to LIBOR plus 2.75%, for an approximate total of 4.0%.

During the second quarter of 2003, CONMED recorded pre-tax acquisition related charges associated with the acquisitions of Bionx and Core Dynamics amounting to $1.5 million for various transitional activities.

In the second quarter of 2003, the Company's pension plan settled pension obligations with certain terminated employees, primarily with regard to the sales-force reorganization on April 1, 2003, by lump-sum payment of accrued benefits. Because Department of Labor rules with respect to lump-sum payment calculations are different than the pension plan's assumptions regarding discount rates, a non-cash, pre-tax loss was incurred amounting to $2.1 million. The Company recorded this expense in the second quarter of 2003.

In the first quarter of 2003, the Company recorded a special credit to income that, together with first quarter acquisition charges, affected the Company's results for the six months ended June 30, 2003. As previously announced, in March 2003, the Company received $9.5 million as a settlement of a dispute related to the 1997 acquisition of its orthopedic subsidiary, Linvatec Corporation. Accordingly, the Company recorded the settlement, less estimated legal expenses of $0.5 million, as a pre-tax gain of $9.0 million in the first quarter of 2003. Offsetting this gain in the first quarter of 2003, were pre-tax charges totaling $1.7 million associated with the integration of the Company's previously announced Bionx, Core and ValMed acquisitions. In addition, the Company incurred a $0.2 million pre-tax expense related to the purchase on the open market of $2.6 million of the Company's 9% subordinated bonds.

Reconciliation of Forecasted Earnings Per Share

The diluted earnings per share forecasted range of $0.35 to $0.38 for the third quarter 2003 excludes any potential additional pension settlement charges and acquisition related charges for the Bionx acquisition which, if they occur, are not presently quantifiable. The Company expects to record in an in-process research and development write-off associated with the Bionx acquisition once an independent valuation has been completed, most likely in the third quarter of 2003.

The diluted earnings per share forecasted range of $1.47 to $1.51 for the year 2003 excludes the earnings per share net benefit of the lawsuit settlement gain, acquisition, financing and pension settlement related charges recorded in the first and second quarters of 2003 (explained above), and any potential pension settlement and acquisition related charges which may occur in the third and fourth quarters of 2003 which, if they occur, are not presently quantifiable.

CONMED Profile

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, ENT, neuro- surgery, and other surgical specialties. The Company is also a leading developer, manufacturer and supplier of RF electrosurgery systems used routinely to cut and cauterize tissue in nearly all types of surgical procedures worldwide, endoscopy products such as trocars, clip appliers, scissors, and surgical staplers. The Company offers integrated operating room design and intensive care unit service managers. The Company also manufactures and sells a full line of ECG electrodes for heart monitoring and other patient care products. Headquartered in Utica, New York, the Company's 2,600 employees distribute its products worldwide from eleven manufacturing locations.

Forward Looking Information

This press release contains forward-looking statements based on certain assumptions and contingencies that involve risks and uncertainties. The forward-looking statements are made pursuant to the safe harbor provisions of the Private Securities Litigation Reform Act of 1995 and relate to the Company's performance on a going-forward basis. The forward-looking statements in this press release involve risks and uncertainties which could cause actual results, performance or trends, including the above mentioned anticipated revenues and earnings, to differ materially from those expressed in the forward-looking statements herein or in previous disclosures. The Company believes that all forward-looking statements made by it have a reasonable basis, but there can be no assurance that management's expectations, beliefs or projections as expressed in the forward-looking statements will actually occur or prove to be correct. In addition to general industry and economic conditions, factors that could cause actual results to differ materially from those discussed in the forward-looking statements in this press release include, but are not limited to: (i) the failure of any one or more of the assumptions stated above, to prove to be correct; (ii) the risks relating to forward-looking statements discussed in the Company's Annual Report on Form 10-K for the fiscal year ended December 31, 2002; (iii) cyclical purchasing patterns from customers, end-users and dealers; (iv) timely release of new products, and acceptance of such new products by the market; (v) the introduction of new products by competitors and other competitive responses; (vi) the possibility that any new acquisition or other transaction may require the Company to reconsider its financial assumptions and goals/targets; and/or (vii) the Company's ability to devise and execute strategies to respond to market conditions.

CONMED CORPORATION
CONSOLIDATED STATEMENTS OF INCOME
(in thousands except per share amounts)
(unaudited)

	Three months ended June 30,		Six months ended June 30,	
	2002	2003	2002	2003
Net sales	$111,269	$124,540	$224,474	$242,574
Cost of sales	51,711	59,082	105,815	115,048
Cost of sales, nonrecurring - Note A	--	327	--	739
Gross profit	59,558	65,131	118,659	126,787
Selling and administrative	35,141	39,353	69,609	76,498
Research and development	4,078	4,378	7,902	8,081
Other expense - Note B, C	--	11,222	--	3,730
	39,219	54,953	77,511	88,309
Income from operations	20,339	10,178	41,148	38,478
Interest expense	6,355	5,861	12,983	11,399
Income before income taxes	13,984	4,317	28,165	27,079
Provision for income taxes	5,034	1,554	10,139	9,748
Net income	$ 8,950	$ 2,763	$ 18,026	$ 17,331

Per share data:

Net Income

Basic	$ .34	$ .10	$ .70	$ .60
Diluted	.33	.09	.68	.59
Weighted average common shares				
Basic	26,584	28,910	25,735	28,892
Diluted	27,359	29,212	26,422	29,195

Note A - Included in cost of sales in the three and six months ended June 30, 2003 are $.3 million and $.7 million, respectively, in acquisition-related costs

Note B - Included in other expense in the three months ended June 30, 2003 are the following: $7.9 million in losses on the early extinguishment of debt; $2.1 million in pension settlement costs; and $1.2 million in other acquisition-related costs.

Note C - Included in other expense in the six months ended June 30, 2003 are the following: a $9.0 million gain on the settlement of a contractual dispute; $8.1 million in losses on the early extinguishment of debt; $2.1 million in pension settlement costs; and $2.5 million in other acquisition-related costs.

CONMED CORPORATION
CONSOLIDATED CONDENSED BALANCE SHEETS
(in thousands)

ASSETS

	December 31, 2002	(unaudited) June 30, 2003
Current assets:		
Cash and cash equivalents	$ 5,626	$ 2,360
Accounts receivable, net	58,093	63,242
Inventories	120,443	128,099
Other current assets	9,504	9,851
Total current assets	193,666	203,552
Property, plant and equipment, net.	95,608	96,109
Goodwill and other assets, net	452,866	497,299
Total assets	$742,140	$796,960

LIABILITIES AND SHAREHOLDERS' EQUITY

	December 31, 2002	(unaudited) June 30, 2003
Current liabilities:		
Current portion of long-term debt	$ 2,631	$ 4,061
Accrued interest	3,794	510
Other current liabilities	51,549	50,699
Total current liabilities	57,974	55,270
Long-term debt	254,756	285,451
Other long-term liabilities	42,471	46,466
Total liabilities	355,201	387,187
Shareholders' equity:		
Capital accounts	231,701	234,361
Retained earnings	162,391	179,722
Accumulated other comprehensive loss	(7,153)	(4,310)
Total equity	386,939	409,773
Total liabilities and shareholders' equity	$742,140	$796,960

OTHER FINANCIAL INFORMATION
(unaudited, in thousands)

	Three months ended June 30,	Six months ended June 30,

	2002	2003	2002	2003
Depreciation	$ 2,198	$ 2,534	$ 4,404	$ 4,908
Amortization	3,029	3,375	5,809	6,321
Capital expenditures	5,220	2,241	8,428	3,951

CONMED CORPORATION
RECONCILIATION OF REPORTED NET INCOME TO NET INCOME
BEFORE NONRECURRING ITEMS
(In thousands except per share amounts)
(unaudited)

	Three months ended June 30, 2002	2003
Reported net income (loss)	$ 8,950	$ 2,763
Acquisition-related costs included in cost of sales	--	327
Pension settlement costs	--	2,081
Other acquisition-related costs	--	1,229
Loss on early extinguishment of debt	--	7,912
Other expense	--	11,222
Nonrecurring expense before income taxes	--	11,549
Provision (benefit) for income taxes on nonrecurring expense	--	(4,157)
Net income before nonrecurring items.	$ 8,950	$ 10,155
Per share data:		
Reported net income		
Basic	$ 0.34	$ 0.10
Diluted	0.33	0.09
Net income before nonrecurring items		
Basic	$ 0.34	$ 0.35
Diluted	0.33	0.35

Management has provided the above reconciliation of net income before nonrecurring items as an additional measure that investors can use to compare operating performance between reporting periods. Management believes this reconciliation provides a useful presentation of operating performance.

CONMED CORPORATION
RECONCILIATION OF REPORTED NET INCOME TO NET INCOME
BEFORE NONRECURRING ITEMS
(In thousands except per share amounts)
(unaudited)

	Six months ended June 30, 2002	2003
Reported net income	$ 18,026	$ 17,331

Acquisition-related costs included in cost of sales	--	739
Gain on settlement of a contractual dispute, net of legal costs	--	(9,000)
Pension settlement costs	--	2,081
Other acquisition-related costs	--	2,571
Loss on early extinguishment of debt	--	8,078
Other expense	--	3,730
Nonrecurring expense before income taxes	--	4,469
Provision (benefit) for income taxes on nonrecurring expense	--	(1,608)
Net income before nonrecurring items.	$ 18,026	$ 20,192
Per share data:		
Reported net income		
Basic	$ 0.70	$ 0.60
Diluted	0.68	0.59
Net income before nonrecurring items		
Basic	$ 0.70	$ 0.70
Diluted	0.68	0.69

Management has provided the above reconciliation of net income before nonrecurring items as an additional measure that investors can use to compare operating performance between reporting periods. Management believes this reconciliation provides a useful presentation of operating performance.

SOURCE CONMED Corporation

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