Securities and Exchange Commission
Washington, D.C.
20549

Form 10-K

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

For the fiscal year ended December 31, 1996 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)

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

Securities registered pursuant to Section 12(g) of the Act:

Common Stock, $.01 par value
(Title of class)

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

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

The aggregate market value of the shares of the voting stock held by non-affiliates of the Registrant was approximately $285,194,957 based upon the average bid and asked prices of stock, which was $19.75 on March 12, 1997.

The number of shares of the Registrant's $0.01 par value common stock outstanding as of March 12, 1997 was 14,998,351.

DOCUMENTS FROM WHICH INFORMATION IS INCORPORATED BY REFERENCE

Portions of the Definitive Proxy Statement, scheduled to be mailed on or about April 21, 1997 for the annual meeting of stockholders to be held May 20, 1997, are incorporated by reference into Part III.

CONMED CORPORATION

TABLE OF CONTENTS

FORM 10-K

Part I

PART I

CONMED CORPORATION

Item 1: Business

Forward Looking Statements

This Annual Report on Form 10-K contains statements that constitute forward looking statements within the meaning of the Private Securities Litigation Reform Act of 1995. These statements appear in a number of places in this Form 10-K and include statements regarding the intent, belief or current expectations of the Company, its directors or its officers primarily with respect to the future operating performance of the Company. Investors are cautioned that any such forward looking statements are not guarantees of future performance and involve risks and uncertainties, and that actual results or developments may differ materially from those in the forward looking statements as a result of various factors. Factors which may cause such differences to occur include but are not limited to (i) whether gross margins continue to increase or increase at a different rate than expected, (ii) whether the Company can continue to increase revenue, (iii) customer demand, competition, the cost of products and industry conditions, (iv) new competitors selling competing products, and (v) the other risks and uncertainties in the Company's business.

General

CONMED Corporation ("CONMED" or the "Company") was incorporated on February 10, 1970 in the State of New York. The Company is a leading provider of advanced electrosurgical systems and ECG electrodes and accessories. The Company also manufactures and markets a line of instruments for use in minimally-invasive surgical ("MIS") procedures, as well as products used for IV therapy and wound care. Eighty-five percent of the Company's revenues are derived from the sale of single-use, disposable products. The Company's products are used in a variety of clinical settings, such as operating rooms, physicians' offices and critical care areas of hospitals.

The Company has used strategic business acquisitions to increase its market share in certain product lines, broaden its product offerings and realize economies of scale. In July 1993, the Company acquired the business and certain assets of Medtronic Andover Medical, Inc., a manufacturer of ECG monitoring and diagnostic electrodes and ECG cables and lead wires, for a cash purchase price of approximately $21.8 million plus the assumption of approximately $1.2 million of liabilities. In November 1994, the Company

purchased the assets associated with a product line involving the manufacture and sale of ECG electrodes from Becton Dickinson Vascular Access, Inc. for approximately $2.0 million. These acquisitions expanded the ECG product offerings of the Company and have given the Company the additional market share necessary to become a leading supplier of ECG disposables to the domestic ECG disposables industry.

In March 1995, the Company acquired Birtcher Medical Systems, Inc. ("Birtcher") for approximately 1.6 million shares of common stock in a transaction valued at approximately $21.2 million. With the Birtcher acquisition, the Company added the argon beam coagulation technology to its existing lines of electrosurgical products and strengthened the Company's position as a leading supplier of electrosurgical systems to the medical industry. In May 1995, the Company acquired the business and certain assets and liabilities of The Master Medical Corporation ("Master Medical") for a cash purchase price of approximately $9.5 million plus the assumption of net liabilities totaling approximately $0.5 million. The Master Medical acquisition added a line of single-use IV fluid drip rate gravity controllers to the Company's product line.

On February 23, 1996, the Company acquired substantially all the business and certain assets of New Dimensions in Medicine, Inc. ("NDM") for a cash purchase price of approximately $31.6 million plus the assumption of net liabilities of approximately $3.3 million. Through the NDM acquisition, the Company acquired the business of NDM relating to the design, manufacture and marketing of a broad line of ECG electrode products, disposable electrosurgical products and a broad line of various Hydrogel wound care products. The completed acquisitions, together with internal growth, resulted in net sales growth of approximately 135% over the past three years.

Industry

The health care industry is undergoing significant and rapid change. Health care delivery costs have increased dramatically in recent years as compared to the overall rate of inflation. The growing influence of managed care has resulted in increasing pressure on participants in the health care industry to contain costs. Accordingly, health care providers have been purchasing medical devices which improve productivity and contain costs.

Health care providers continue to utilize low-cost, disposable medical devices, such as electrosurgical pencils and ground pads, ECG electrodes and other patient care products. Disposable devices improve health care professional productivity and, unlike reusable products, do not require costly, labor-intensive sterilization or reassembling. The risks of transmission of infectious diseases, such as AIDS, hepatitis and tuberculosis, and related concerns about occupational safety of health care professionals have also contributed to an increased demand for disposable, single-use products. In addition, the combination of medical cost containment pressures and patient-driven demands have resulted in greater use of minimally-invasive procedures as an alternative to traditional open surgery. MIS procedures reduce patient hospitalization and therapy, thereby reducing the cost to patients and health insurers.

According to the American Hospital Association and the American College of Surgeons, more than 23 million surgical procedures are performed annually in the over 5,200 general hospitals in the United States, with another approximate three million annual procedures being performed in the approximately 1,800 free standing ambulatory surgery centers. The Company believes that a majority of these operations involve electrosurgery. The American Hospital Association data also show that of the hospitals in the United States, there are approximately 96,000 intensive care beds, including neonatal, pediatric, cardiac and medical/surgical intensive care. The Company believes that a majority of these beds are equipped for ECG monitoring. In addition, the Company believes that demographic trends, such as the aging of the U.S. population, also should have a favorable effect on the demand for the Company's disposable medical products, since older people generally require more medical care and undergo more surgical procedures.

In response to increased competitive pressures in the health care industry, manufacturers of medical devices have been improving efficiency and productivity and consolidating. The Company believes that consolidations in the industry have increased primarily as a result of health care cost containment pressures. Consolidations can reduce costs from synergies in manufacturing, corporate overhead and research and development. The Company regards these developments as presenting opportunities for medical device companies seeking to

increase sales in core product lines and expand into new product lines through acquisitions.

Electrosurgery

Electrosurgery is the technique of using a high-frequency electric current which, when applied to tissue through special instruments, can be used to cut tissue, coagulate, or cut and coagulate simultaneously. An electrosurgical system consists of a generator, an active electrode in the form of a pencil or other instrument which the surgeon uses to apply the current from the generator to the target tissue and a ground pad to safely return the current to the generator. Electrosurgery is routinely used in most forms of surgery, including dermatologic and thoracic, orthopedic, urologic, neurosurgical, gynecological, laparoscopic and other endoscopic procedures. The Company's electrosurgical products consist of electrosurgical pencils, electrosurgical ground pads and electrosurgical generators. The Company also distributes a wide range of accessories used with electrosurgical generators such as forceps, adapters and cables. Most accessories of other electrosurgical companies are compatible with the Company's generators, including specialty accessories used in urologic surgery. During 1994, 1995 and 1996, net sales of electrosurgery products represented 54%, 53% and 49%, respectively, of the Company's net sales.

Electrosurgery Products

Electrosurgical Pencils. The Company manufactures and markets electrosurgical pencils, which are used by surgeons to introduce the electrosurgical current to the target tissue. The pencils can be either foot-controlled or hand-controlled; the majority of pencils sold by the Company are hand-controlled. The Company manufactures primarily disposable electrosurgical pencils, but also offers reusable pencils. In addition, the Company sells a line of disposable blades used with electrosurgical pencils for specific surgical applications, including cutting, coagulating and the resection of diseased tissue.

Electrosurgical Ground Pads. The Company manufactures and markets disposable ground pads in adult, pediatric and infant sizes as well as a ground pad specifically designed for prematurely born or low birth-weight infants (premies), the PREMIE Ground Pad. The Company believes that its PREMIE Ground Pad is the only disposable ground pad specifically made and marketed for these special patients. The Company also manufactures and markets ground pads specifically designed for use with its Aspen Return Monitor alarm system (A.R.M.), as well as alarm systems of competitive generators. Most of the Company's ground pads are made with its proprietary conductive adhesive polymer.

Electrosurgical Generators. The Company offers a complete line of electrosurgical generators for monopolar and bipolar applications, including general surgery as well as thoracic, urologic, laparoscopic, orthopedic and neurosurgical procedures. All models include a safety alarm, the A.R.M., which monitors the contact of the ground pad to the patients' skin surface. The EXCALIBUR(R) PLUS/PC (Power Control) is the most recent generation of the Company's EXCALIBUR(R) generator and incorporates a unique feature not previously seen in electrosurgical generators. The EXCALIBUR(R) PLUS/PC has been designed with a special software program that allows the surgeon to use any standard hand-controlled pencil or instrument to directly increase or decrease the power settings of the generator. The Company believes this is the first technology of its kind applied to electrosurgery and has applied for patent protection. In addition to the EXCALIBUR(R) PLUS/PC, the conventional generators marketed by the Company include the SABRE(R) 2400, a full-feature generator suitable for routine use in most surgical procedures, and the SABRE(R) 180, a low-power generator for surgical procedures in a physician's office or clinic setting.

The Hyfrecator Plus(R) is a low-power electrosurgical generator specifically designed for the physician's office based procedures, including dermatology, plastic surgery, dental and oral surgery and otolaryngology. The Hyfrecator Plus(R) is the latest model of Hyfrecator(R) generator that has been marketed to physicians for over 50 years, and was acquired in the Birtcher acquisition. The Company markets a line of accessories for the Hyfrecator Plus(R).

Argon Beam Coagulation System. Argon Beam Coagulation ("ABC") is a special method of electrosurgery, which allows a faster and more complete coagulation of many tissues as compared to conventional electrosurgery. Unlike conventional electrosurgery, the current travels in a beam of ionized argon gas, allowing the current to be dispersed onto the bleeding tissue without the

instrument touching the tissue. Clinicians have reported notable benefits of ABC in certain clinical situations including open-heart surgery, liver, spleen and trauma surgery and various other applications. The Company's ABC(R) products include specialized electrosurgical generators, specialized disposable handpieces and ground pads. The Company's proprietary ABC(R) devices provide non-contact argon gas electrocoagulation and conventional electrosurgical cutting and coagulation capabilities. The models 6000 and 6400 ABC(R) generators offer automatic gas-flow control as the power settings are increased or decreased, and a full-function electrosurgical generator with integrated argon beam coagulation capability. The Company's Beamer Plus(TM) ABC(R) module is a gas cart which is used in conjunction with an existing electrosurgical generator and is a lower cost alternative to the fully featured ABC(R) system. The Beamer Plus (TM) ABC(R) units work in conjunction with the hospital's present electrosurgery unit.

Patient Care Products

The Company's patient care products consist of ECG monitoring electrodes, intravenous flow controllers and catheter stabilization dressings, wound care products and other miscellaneous products. During 1994, 1995, and 1996 net sales of patient care products represented 44%, 44%, and 48%, respectively, of the Company's net sales.

ECG Monitoring

ECGs. An ECG is a representation of the electrical activity that stimulates the contraction of the heart muscle. This electrical activity can be detected by disposable electrodes which consist of a conductive element, a conductive gel for contact to the skin and an adhesive backing material that keeps the electrode adhered to the patient's skin for the required period of ECG monitoring. ECG monitoring is used to diagnose irregularities in heart function.

Disposable ECG electrodes are placed on the patient's skin in various patterns around the heart using 3, 5 or 10 electrodes per patient, depending upon the specific type of monitoring technique. The electrodes provide a direct contact to the skin surface by which the electrical activity of the heart can be sensed and relayed to a special ECG monitor by way of its lead wire and cable connections. ECG electrodes are used in the operating room and critical care areas of hospitals and for diagnostic tests, including exercise stress testing and ambulatory monitoring. Many ambulances and paramedic units have the capability to monitor the ECG in emergency situations outside of the hospital.

ECG Monitoring Products. The Company has developed and markets ECG electrodes for various patients and applications, including prematurely born infants, diaphoretic patients, stress test monitoring, ambulatory monitoring and special ECG electrodes for use in surgery. The strength of the product line lies in specific design features that provide those characteristics required to accurately detect the electrical signal and to remain in contact with the patient's skin for extended periods of time. Several special monitoring situations require electrodes that will not show a visible image under x-ray. This will allow the patient to undergo special diagnostic or therapeutic procedures with the use of x-ray and still have continuous monitoring of the ECG. The Company has developed special electrodes for this purpose.

The Company also manufactures and markets ECG monitoring cables, lead wire products and accessories. ECG cables and lead wires are products designed to transmit ECG signals from the heart (converted into electrical signals by an electrode) to an ECG monitor or recorder. Lead wires connected directly to the electrodes are plugged into the patient end of the cable. Cables are designed to accept from three to fifteen lead wires depending on the level of monitoring required. The Company also manufactures and markets disposable defibrillation pads for use in cardio defibrillation.

Intravenous Therapy

IVs. A large percentage of patients admitted to hospitals will undergo some type of IV therapy where medical fluids or blood are introduced into the patient's bloodstream. As part of the nursing care to the patient, the catheter or needle must be stabilized onto the skin to prevent movement of the catheter, as well as be covered with a dressing to keep the entry site free from bacterial contamination. The volume and speed of fluids administered to the patient in surgery or medical units must be controlled for proper infusion of the fluids. Typically, the flow of these intravenous fluids is controlled either by an electronic pump or gravity controller or by a manually operated clamping

mechanism.

Intravenous Therapy Products -- VENI-GARD(R) Catheter Stabilization Dressing. VENI-GARD(R) is a disposable, sterile product designed to hold and secure an IV needle or catheter in place. VENI-GARD(R) provides a protective, sterile barrier over the entry site by incorporating a transparent, semi-permeable membrane to allow an unobstructed view of the entry site with a patented foam border to provide stabilization of the catheter. This membrane also allows the evaporation of moisture vapor but is impermeable to outside fluids. The VENI-GARD(R) product line also includes specialized products for various applications in specialty segments of the IV therapy market including those used in conjunction with Total Parenteral Nutrition (intravenous feeding) and cardiovascular catheters, as well as NeoDerm(R) for use in stabilizing epidural catheters.

Disposable IV Fluid Drip Rate Gravity Controllers. With the Master Medical acquisition, the Company acquired Master Medical's line of disposable IV fluid drip rate gravity controllers. These disposable devices are a cost-effective alternative to electronic controllers or pumps. These devices are available as add-on extension sets which are attached to the primary IV tubing or as part of the full tubing set connecting the main IV bag to the patient's IV catheter.

Wound Care Management

Wound Care. Wounds to the skin are referred to as acute, such as surgical incisions and burns, or chronic, which are slow-healing conditions such as chronic venous ulcers, pressure ulcers, diabetic ulcers and wounds from various skin diseases. Traditionally, most open wounds have been treated with "dry" dressings such as gauze or covered with various ointments. A recent trend has been the use of occlusive dressings made from polymers called hydrocolloids and hydrogels. These occlusive dressings keep the wound "moist" or hydrated in order to promote healing. Wound care dressings are sold to hospitals as well as to alternate care sites such as nursing homes and skilled nursing facilities.

Wound Care Products. As part of the NDM acquisition, the Company expanded into the wound care market. NDM has developed a proprietary hydrogel technology, which is currently manufactured and marketed under the name ClearSite(R). ClearSite(R) is a transparent wound dressing that consists of hydrogel and a flexible, continuous polyurethane film covering. Because ClearSite(R) is transparent, the health care provider is able to monitor the course of healing without removing the wound dressing. ClearSite(R) absorbs wound exudate and, as the gel begins to saturate, moisture vapor transpires into the atmosphere. ClearSite(R) is able to absorb 2 1/2 times its weight in wound exudate and maintain its structural integrity and wound healing capabilities for up to seven days. Using its wound care technology, NDM has developed a number of innovative products for its clinical markets including an island dressing form of Clearsite(R) which has a clean, breathable, pliable, adhesive polyurethane film border and Hydrogauze(R), a gauze-like material that has been impregnated with dehydrated Clearsite(R) that hydrates upon contact with wound exudate.

Minimally-Invasive Surgical Products

Building on its expertise in electrosurgery, in 1991 the Company began marketing its line of MIS products, consisting of electronic trocars and multifunctional instruments. In 1994, 1995 and 1996, net sales attributable to the Minimally-Invasive Surgery Division represented 2%, 3% and 3%, respectively, of the Company's net sales.

Minimally-Invasive Surgery

MIS, or surgery performed without a major incision, results in less trauma for the patient and produces important cost savings as a result of reduced hospitalization and therapy. Laparoscopic surgery is an MIS procedure performed on organs in the abdominal cavity such as the gallbladder, appendix and female reproductive organs. During a laparoscopic procedure, devices called "trocars" are used to puncture the abdominal wall and then removed, leaving in place a trocar cannula. The trocar cannula provides access into the abdomen for the camera systems and surgical instruments. The recent trend toward minimally invasive surgery has led to the development of additional applications for laparoscopic surgery that can utilize electrosurgery systems.

Electrosurgical Products for Laparoscopic Surgery

TroGARD(R), a proprietary electronically controlled trocar system for laparoscopic surgery, incorporates a blunt-tipped version of a trocar (ordinarily a sharp pointed surgical instrument that punctures the abdominal wall) and an Electronic Trocar Monitor ("ETM") for making the puncture through the body wall. The TroGARD(R) cuts through the body wall with electrosurgical current rather than the sharp, pointed tips of conventional trocars. The ETM automatically and immediately deactivates the electrosurgical generator when the monitor senses that the trocar has entered the abdominal cavity. Simultaneously, it sounds an audible alarm for the surgeon upon entry into the abdominal cavity.

The Company also markets the UNIVERSAL S/I(TM) (suction/irrigation) and UNIVERSAL-PLUS(TM) laparoscopic instruments, specialized suction/irrigation electrosurgical instrument systems for use in laparoscopic surgery, which consist of a disposable handle and valve/control assembly with a system of interchangeable, single- use, disposable cannulae and instrument tips. The UNIVERSAL-PLUS(TM) offers the surgeon a choice of hand-control or foot-control of electrosurgery with suction/irrigation controls conveniently located on the handle of the instrument. The UNIVERSAL S/I(TM) laparoscopic instrument system provides high flow suction/irrigation, without electrosurgical capability, to fit the preferences of a wide range of surgeons and laparoscopic techniques. The Company also markets electrosurgical pencils, suction/irrigation accessories, laparoscopic scissors, active electrodes, insufflation needles and ABC(R) handpieces for use in laparoscopic surgery.

Marketing

The principal markets for the Company's products are the approximately 5,200 general hospitals and approximately 1,800 surgery centers in the United States. Certain of the Company's products are sold to others in the medical industry for private labeling. The total domestic sales and marketing force consists of approximately 100 persons. The Company's salespeople have been with the Company an average of six years.

The Company has located its salespeople (territory managers) in key metropolitan areas. They are supervised and supported by regional managers. Home office sales and marketing management provide the overall direction for the sales of the Company's products. The sales force is required to work closely with distributors where applicable and to maintain close relationships with end-users. Domestically, the Company's products are sold through approximately 20 national and regional hospital distributors, 150 to 250 local distributors, and directly to hospitals.

In response to competitive pressures in the health care industry, hospitals and other health care providers have aligned themselves with group purchasing organizations. Such organizations are able to negotiate competitive pricing from healthcare suppliers based on the purchasing volume of its affiliated membership. Terms of arrangements between group purchasing organizations, affiliated members and healthcare suppliers vary. The Company has a corporate sales department which is responsible for interacting with group purchasing organizations. The Company believes that it has contracts with most such organizations and that the lack of any individual group purchasing contract will not impact the Company's competitiveness in the marketplace.

Prior to January 1, 1997, the Company's domestic salesforce was structured into three groups, Electrosurgical Systems, Patient Care and MIS; with each group responsible for selling only the products in these categories. While this structure had been effective in maintaining business associated with recent acquisitions, it was not efficient as the Company had multiple sales people calling on individual customers. Accordingly, effective January 1, 1997, the three groups were combined into one salesforce whereby each of the territory managers sell the entire product line of the Company. The Company believes that this new structure is growth-oriented, will permit greater attention to each account and will facilitate focused selling of the Company's products.

The Company's international sales efforts are conducted by seven area managers who coordinate with local distributors in over 60 countries. International sales accounted for 14.5% of the Company's sales during 1996. Among the top foreign markets for the Company are Japan, Germany, Canada, Italy and Korea. International sales grew in 1995 in all areas and sales growth continued in 1996, with the strongest sales gains in Europe and the Far East.

The Company focuses on keeping its salespeople highly trained and educated in the applications for its products. The Company's salespeople call on key departments such as the surgery, intensive care, cardiac care and neonatal intensive care units and the emergency room. Therefore, it is essential that the

sales force has the ability to advise doctors and nursing staff on the techniques needed to take full advantage of the Company's products. A key element in the sale of any Company product is the initial and ongoing inservice training required of the end-user. The hiring criteria of the Company's salespeople include requiring them to have a background in the sale of medical devices. The field sales force is trained in the technical aspects of the Company's products and their uses, and provides hospital personnel and surgeons with information relating to the technical features and benefits of the Company's products.

Research and Development Activities

The Company's research and development department consists of approximately 32 employees. The Company's research and development programs are focused on the development of new products, as well as the enhancement of existing products through the updating of technology and design. Product development efforts include product extensions and improvements, electrosurgical applications in MIS procedures and other single use medical products. During the three years 1994, 1995 and 1996, the Company spent approximately $2,352,000, $2,832,000 and $2,953,000, respectively, for research and development.

The Company has approximately 152 U.S. patents and numerous corresponding foreign patents on its products expiring at various dates from 1997 through 2013 and has additional patents pending. Due to technological change, the Company does not solely rely on its patents, but believes that development of new products and improvement of existing ones is and will be generally more important than patent protection in maintaining its competitive position.

New Products

During 1996, the Company introduced a smoke evacuation system which includes a evacuation (vacuum) unit with disposable electrosurgical pencil, tubing and filter. This electrosurgical pencil has specially designed channels to remove the smoke plume, generated by the cutting and coagulation of tissue, from the surgical field. This feature addresses the concerns of health care givers toward certain potential health hazards from prolonged exposure to possible contaminants carried by the smoke plume generated by the use of electrosurgery and lasers.

The Company has signed an agreement that will permit it to bring ClearSite(R) to the consumer market in 1997. Under this agreement, the Company will supply a consumer bandage manufacturer with variations of its wound care technology for marketing and distribution through retail outlets.

The Company will expand its MIS offerings with its introduction of the TroGARD(R) Finesse(TM) trocar. The TroGARD(R) Finesse(TM) is a system which includes a dilating, conical blunt tip trocar and multi-feature cannulas. The Company believes that the TroGARD(R) Finesse(TM) will be competitive with existing trocar systems in the areas of patient safety, ease of use and economy. The Company expects to fully release the TroGARD(R) Finesse(TM) to the market in the second quarter of 1997.

Manufacturing and Supply Arrangements

The Company manufactures or assembles most of its products at its own facilities. The Company's vertically integrated manufacturing process allows it to (i) obtain cost efficiencies by purchasing raw materials for its disposable products in bulk and converting those materials into the parts and pieces used in final assembly and (ii) react quickly to changes in demand for the Company's products. The Company believes that its manufacturing capabilities are significant in terms of cost control, quality control and security of proprietary processes. The Company uses various manual, semi-automated and automated equipment for fabrication and assembly of its products and is continuing to further automate its facilities to remain competitive.

The Company believes its production and inventory practices are generally reflective of conditions in the industry. The Company's products are not generally made to order or to individual customer specifications. Accordingly, the Company schedules production and stocks inventory on the basis of experience and its knowledge of customer order patterns, and its judgment as to anticipated demand. Since customer orders must generally be filled promptly for immediate shipment, backlog is not significant to an understanding of the Company's business.

In connection with the NDM acquisition, the Company assumed NDM's obligations under a non-exclusive distribution agreement with Allegiance Healthcare Corporation (formerly Baxter Healthcare Corporation). Allegiance was and continues to be the largest distributor of NDM products. This agreement outlined certain terms and pricing for NDM's products distributed through Allegiance. Effective December 31, 1996, this agreement expired and sales of NDM products distributed through Allegiance became subject to the Company's established dealer terms and pricing. Management believes that the terms and pricing effective January 1, 1997 are materially consistent with that under the former distribution agreement.

Competition

The market for the Company's products is competitive. The Company faces competition from other manufacturers and from suppliers of products employing other technologies. Competitive pricing pressures or the introduction of new products by the Company's competitors could have an adverse effect on the Company's revenues and profitability. In addition, the Company operates in an industry that engages in extensive research efforts. Some of the companies with which the Company now competes or may compete in the future have or may have more extensive research, marketing and manufacturing capabilities and significantly greater technical and personnel resources than the Company, and may be better positioned to continue to improve their technology in order to compete in an evolving industry. The major competitors of the Company include ValleyLab (a division of Pfizer), 3M Corporation, Graphic Controls, Johnson & Johnson and U.S. Surgical Corporation.

The Company believes that product design, development and improvement, customer acceptance, marketing strategy, customer service and price are critical elements to compete in the industry. Demand for and use of the Company's electrosurgical equipment may fluctuate as a result of changes in surgeon preferences, the introduction of new electrosurgery products or new features to existing products, the introduction of alternative surgical technology and advances in surgical procedures and discoveries or developments in the health care industry. In addition, the growing trend toward managed care has increased cost-containment efforts of hospital purchasing departments and, in certain instances, the reliance on or utilization of group purchasing organizations and distributors. There can be no assurances that demand for the Company's products will not be adversely affected by such fluctuations and trends.

Government Regulation

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

The Company markets its products in a number of foreign markets. Requirements pertaining to its products vary widely from country to country, ranging from simple product registrations to detailed submissions such as those required by the FDA. The Company's European Community sales are subject to government regulations known as the "CE" mark certification. The Company's electronic devices (electrosurgical generators, Hyfrecators(R) and ABC(R) units) have received a "CE" mark certification. The Company believes that its products currently meet all applicable standards for the countries in which they are marketed.

As a manufacturer of medical devices, the Company's manufacturing processes and facilities are subject to periodic on-site inspections and continuing review by the FDA to insure compliance with "Good Manufacturing Practices." Many of the Company's products are subject to industry-set standards. Industry standards relating to the Company's products are generally formulated by committees of the Association for the Advancement of Medical

Instrumentation. The Company believes that its products presently meet applicable standards.

Any change in existing federal, state or foreign laws or regulations, or in the interpretation or enforcement thereof, or the promulgation or any additional laws or regulations could have an adverse effect on the Company's financial condition or results of operations.

Employees

As of December 31, 1996 the Company had 957 full-time employees, of whom 668 were in manufacturing, 32 were in research and development, and the balance were in sales, marketing, executive and administrative positions. None of the Company's employees is represented by a union, and the Company considers its employee relations to be excellent. The Company has never experienced any strikes or work stoppages.

Item 2. Properties

The Company operates in Utica, New York from an owned facility of approximately 130,000 square feet and in Rome, New York from a owned facility of approximately 120,000 square feet. Additionally, the Aspen subsidiary operates from an owned facility of approximately 65,000 square feet of space in Englewood, Colorado; the Birtcher subsidiary leases a 29,000 square foot warehouse and distribution center in El Paso, Texas pursuant to a lease that expires in April 1999 and a 25,000 square foot manufacturing facility in Juarez, Mexico pursuant to a lease that expires in June 1998; and the NDM business is operated from an owned facility of approximately 100,000 square feet in Dayton, Ohio. The Company believes its facilities are adequate in terms of space and suitability for its needs over the next several years.

Item 3. Legal Proceedings

From time to time the Company is a defendant in certain lawsuits alleging product liability 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.

The Company's Birtcher subsidiary is voluntarily participating in an environmental investigation at its former facility in El Monte, California. The former facility is located in the El Monte Operable Unit of the San Gabriel Valley Superfund Site. The Environmental Protection Agency has not named Birtcher as a Potentially Responsible Party in this matter. In connection with its accounting for the Birtcher acquisition, the Company has established what it believes is an appropriate reserve for this matter. Such reserve is the subject of an adjustment in the purchase accounting for the Birtcher acquisition. The Company does not expect that the resolution of the environmental investigation will have a material adverse effect on the Company's financial condition or results of operations.

The Company's ABC(R) technology is protected by patents in the United States, Canada, United Kingdom, Germany and Japan. Three separate companies have filed challenges to the validity of the United Kingdom, German and Japanese patents. In the United Kingdom, the patent office ruled to invalidate a portion of the claims stated in the Company's ABC(R) patent, however, the majority of the significant claims remain valid and enforceable. The Company is vigorously defending the validity of these patents in the above jurisdictions.

Manufacturers of medical products may face exposure to significant product liability claims. To date, the Company has not experienced any material product liability claims, but any such claims arising in the future could have a material adverse effect on the Company's business or results of operations. The Company currently maintains commercial product liability insurance of $10,000,000 per incident and $10,000,000 in the aggregate annually, which the Company, based on its experience, believes 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 the Company.

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

No matter was submitted to a vote of security holders during the fourth quarter of the fiscal year ended December 31, 1996.

PART II

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

The Company's Common Stock, par value $.01 per share, is traded on the Nasdaq National Market System (symbol - CNMD). At December 31, 1996, there were 1,505 owners of record of the Company's Common Stock.

The following table show the high-low last sales prices for the years ended December 1995 and 1996, as reported by the Nasdaq National Market. The sales prices have been adjusted to give retroactive effect to the three-for-two stock split in the form of stock dividend paid on November 30, 1995.

	1995	
Period	High	Low
First Quarter	$15.17	$11.17
Second Quarter	16.67	9.67
Third Quarter	23.33	15.67
Fourth Quarter	25.00	20.25

	1996	
Period	High	Low
First Quarter	$25.63	$20.50
Second Quarter	34.00	24.50
Third Quarter	25.25	13.50
Fourth Quarter	20.88	16.00

The Company did not pay cash dividends on its Common Stock during 1995 and 1996. The Board of Directors presently intends to retain future earnings to finance the development of the Company's business and does not presently intend to declare cash dividends. Should this policy change, the declaration of dividends will be determined by the Board in light of conditions then existing, including the Company's financial requirements and condition and provisions affecting the declaration and payment of dividends contained in debt agreements.

Item 6. Selected Financial Data

FIVE - YEAR SUMMARY OF SELECTED FINANCIAL DATA
(In thousands, except per share data)

	1992	1993(2)	1994	1995	1996
Consolidated Statements of Income (Loss)(1)					
Net sales	$ 42,602	$ 53,641	$ 71,064	$ 99,558	$125,630
Net income (loss)	4,106	(1,396)	5,416	10,863	16,286
Earnings (loss) per share (3)	.42	(.15)	.56	.94	1.12
Weighted average number of shares and equivalents outstanding (3)	9,702	9,426	9,624	11,613	14,496
Consolidated Balance Sheet					
Working capital	$ 23,827	$ 15,399	$ 18,159	$ 37,350	$ 66,074
Total assets	41,939	57,338	62,104	119,403	170,083
Long-term debt (less current portion)	30	9,375	6,875	26,340	--
Shareholders' equity	38,669	37,490	43,061	75,002	158,635

- ---

(1) Includes the results of (i) CONMED Andover Medical from July 12, 1993; (ii) Birtcher from March 14, 1995 and Master Medical from May 22, 1995; (iii) NDM from February 23, 1996, in each such case from the date of acquisition.

(2) Includes litigation charge of $5,000 relating to a patent infringement case involving CONMED's line of coated electrosurgical accessory blades and a product restructure charge of $675 for the write-off of obsolete

inventory, net of related tax benefit of $1,930.

(3) Share and per share information have been adjusted to give retroactive effect to the three-for-two stock splits in the form of stock dividends paid to shareholders on December 27, 1994 and November 30, 1995.

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

The following discussion and analysis provides information which management believes is relevant to an assessment and understanding of the Company's consolidated results of operations and financial condition. The discussion should be read in conjunction with the consolidated financial statements and notes thereto.

Results of Operations

The following table presents, as a percent of net sales, certain categories included in the Company's consolidated statements of income for the periods indicated:

	1994	1995	1996
Net sales	100.0%	100.0%	100.0%
Operating expense:			
Cost of sales	54.6	52.6	52.1
Selling and administrative expense	29.5	25.7	25.2
Research and development expense	3.3	2.9	2.4
Income from operations	12.6	18.8	20.4
Interest income (expense), net	(0.9)	(2.0)	(0.2)
Income before income taxes	11.7	16.8	20.2
Net income	7.6	10.9	13.0

1996 Compared to 1995

Sales for 1996 were $125,630,000, an increase of 26.2% compared to sales of $99,558,000 in 1995. The increase is primarily a result of incremental sales volume associated with the NDM acquisition, which became effective February 23, 1996, and the Birtcher and Master Medical acquisitions that were reflected in 1995 results only from March 14, 1995 and May 19, 1995, their respective dates of acquisition.

Cost of sales increased to $65,393,000 in 1996 as compared to $52,402,000 in 1995. The Company's gross margin percentage was 47.9% in 1996 as compared to 47.4% in 1995. The effects of the Birtcher and Master Medical acquisitions had a significant positive impact on the overall corporate gross margin percentage which improved to an average of 47.8% for the last three quarters of 1995. During 1996, the NDM acquisition resulted in further manufacturing efficiencies. However, partially offsetting these gains in gross margin percentage, were the effects of lower pricing on ECG electrodes and the effects of the NDM product line, which generally have lower gross margin percentages than the Company's overall gross margin percentage.

Selling and administrative expenses increased to $31,620,000 in 1996 as compared to $25,570,000 in 1995. As a percentage of sales, however, selling and administrative expense decreased from 25.7% in 1995 to 25.2% in 1996 due to economies of scale resulting from the completed acquisitions.

Research and development expense was $2,953,000 in 1996 as compared to $2,832,000 in 1995. The Company continues to conduct research activities in all of its product lines, with a particular emphasis on products for minimally-invasive surgery.

Net interest expense was $217,000 in 1996 as compared to $1,991,000 in 1995. In connection with the 1995 acquisitions of Birtcher and Master Medical, the Company borrowed approximately $23,000,000 bringing aggregate 1995 borrowing outstanding under its credit agreement to $32,340,000. While an additional $32,660,000 was borrowed in connection with the February 1996 acquisition of NDM, all indebtedness of the Company under its credit agreement was repaid in March 1996 following the Company's offering of 2,998,000 shares of common stock.

The Company's effective tax rate for 1996 was 36.0% as compared

to 35.2% in 1995.

1995 Compared to 1994

The Company had net sales of $99,558,000 for 1995 as compared to $71,064,000 in 1994, an increase of $28,494,000 or 40.1%. The increase was substantially a result of the effects of the Birtcher and Master Medical acquisitions.

The Company's gross margin percentage was 47.4% in 1995 as compared to 45.4% in 1994. This increase was primarily a result of manufacturing efficiencies and economies of scale realized through the Birtcher and Master Medical acquisitions. On a quarterly basis, the gross margin percentage for the first quarter of 1995 was 45.7% and approximated 47.8% for each of the remaining three quarters of 1995.

Selling and administrative expense increased to $25,570,000 during 1995 compared to $20,979,000 in 1994, an increase of $4,591,000 or 21.9%, due primarily to the effects of the Birtcher and Master Medical acquisitions. However, as a percentage of net sales, selling and administrative expense declined to 25.7% in 1995 as compared to 29.5% in 1994, due to the economies of scale resulting from the acquisitions of Birtcher and Medical.

Research and development expense increased 20.4% to $2,832,000 in 1995 as compared to $2,352,000 in 1994. Research and development expenditures for 1995 reflect increased activities relative to integration and further development of Birtcher products, as well as the continued emphasis on the development of surgical products for MIS procedures.

The Company incurred $1,991,000 in interest expense in 1995 compared to $628,000 in 1994. This increase reflects the incremental debt incurred as a result of the Birtcher and Master Medical acquisitions.

The Company's effective tax rate for 1995 was 35.2% as compared to 34.8% in 1994.

Liquidity and Capital Resources

Cash flows provided or used by operating, investing and financing activities for 1995 and 1996 are disclosed in the Consolidated Statements of Cash Flows. Net cash provided by operations was $25,908,000 for 1996 as compared to $5,059,000 provided by operations in 1995. Operating cash flows for 1996 were aided by higher net income compared to the same period in 1995. Depreciation and amortization in 1996 increased primarily due to the effects of the completed acquisitions. Operating cash flows for 1996 were negatively impacted by increases in accounts receivable and other current assets, and a reduction in accrued payroll and withholdings. Adding to cash flows from operations for this period was a reduction in deferred income taxes and the income tax benefit of stock option exercises.

Net cash used by investing activities was $36,618,000 in 1996 compared to $14,695,00 in 1995. Cash used for the 1996 acquisition of NDM was $31,672,000. Additions to property, plant and equipment for 1996 amounted to $4,946,000. During 1995, cash used for the Master Medical acquisition amounted to $9,500,000 and additions to property, plant and equipment amounted to $5,195,000.

Cash flows from financing activities were $29,344,000 for 1996. 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 offering of common stock which raised $61,735,000. Proceeds relating to the 1996 exercise of stock options and a warrant to purchase the Company's common stock amounted to $1,218,000 and $3,000,000, respectively. Subsequent to the Company's equity offering, all indebtedness under the Company's credit agreement was repaid. Payments on long-term debt and other obligations included $3,133,000 to liquidate NDM obligations assumed on connection with the acquisition.

The Company's credit facility consists of a $60,000,000 secured revolving line of credit which expires in March 2001. This facility carries an interest rate of 0.5%-1.25% over LIBOR depending on defined cash flow performance ratios. Nothing was outstanding under the credit agreement at December 31, 1996.

Management believes that cash generated from operations, its

current cash resources and funds available under its credit agreement will provide sufficient liquidity to ensure continued working capital for operations and funding of capital expenditures in the foreseeable future.

Inflation

Management does not believe that inflation has had or is likely to have any significant impact on the Company's operations.

Item 8. Financial Statements and Supplementary Data

The Company's 1996 Financial Statements, together with the report thereon of Price Waterhouse LLP dated February 7, 1997, are included elsewhere herein. See Item 14 for a list of Financial Statements and Financial Statement Schedules.

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

The Company and Price Waterhouse LLP have had no disagreements which would be required to be reported under this Item 9.

PART III

Item 10. Directors and Executive Officers of the Registrant

Information with respect to the Directors and Executive Officers of the Company is incorporated herein by reference to the sections captioned "Proposal One: Election of Directors" and "Directors and Executive Officers" in CONMED Corporation's definitive Proxy Statement to be mailed on or about April 21, 1997 for the annual meeting of shareholders to be held on May 20, 1997.

Item 11. Executive Compensation

Information with respect to Executive Compensation is incorporated herein by reference to the sections captioned "Compensation of Executive Officers", "Stock Option Plans", and "Pension Plans" in CONMED Corporation's definitive Proxy Statement to be mailed on or about April 21, 1997 for the annual meeting of shareholders to be held on May 20, 1997.

Item 12. Security Ownership of Certain Beneficial Owners and Management

Information with respect to Security Ownership of Certain Beneficial Owners and Management is incorporated herein by reference to the section captioned "Security Ownership of Certain Beneficial Owners and Management" in CONMED Corporation's definitive Proxy Statement to be mailed on or about April 21, 1997 for the annual meeting of shareholders to be held on May 20, 1997.

Item 13. Certain Relationships and Related Transactions

Information regarding certain relationships and related transactions is incorporated herein by reference to the section captioned "Certain Relationships and Related Transactions" in CONMED Corporation's definitive Proxy Statement to be mailed on or about April 21, 1997 for the annual meeting of shareholders to be held on May 20, 1997.

PART IV

Item 14. Exhibits, Financial Statement Schedules, and Reports on Form 8-K

Index to Financial Statements:

(a)(1) List of Financial Statements

Report of Independent Accountants

Consolidated Balance Sheets at December 1995 and 1996

Consolidated Statements of Income for the Years Ended December 1994, 1995 and 1996

Consolidated Statements of Shareholders' Equity for the Years Ended December 1994, 1995 and 1996

Consolidated Statements of Cash Flows for the Years Ended December 1994, 1995 and 1996

Notes to Consolidated Financial Statements

(2) List of Financial Statement Schedules

Valuation and Qualifying Accounts (Schedule VIII)

All other schedules have been omitted because they are not applicable, or the required information is shown in the financial statements or notes thereto.

(3) List of Exhibits

The exhibits listed on the accompanying Exhibit Index on pages 19-20 below are filed as part of this Form 10-K.

(b) Reports on Form 8-K

(1) On December 6, 1996, the Company filed a report on Form 8-K regarding the change in the Company's year from a 52-53 week fiscal year ending on the last Friday in December in each year to a calendar year ending on each December 31.

SIGNATURES

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

CONMED CORPORATION

March 21, 1997

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

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

Signature	Title	Date
/s/ EUGENE R. CORASANTI Eugene R. Corasanti	Chairman of the Board, Chief Executive Officer, President (Principal Executive Officer) and Director	March 21, 1997
/s/ ROBERT D. SHALLISH, JR. Robert D. Shallish, Jr.	Vice President-Finance and Chief Financial Officer (Principal Financial Officer)	March 21, 1997
/s/ JOSEPH J. CORASANTI Joseph J. Corasanti	Vice President-Legal Affairs, General Counsel and Director	March 21, 1997
/s/ LUKE A. POMILIO Luke A. Pomilio	Controller (Principal Accounting Officer)	March 21, 1997
/s/ HARRY CONE Harry Cone	Director	March 21, 1997

/s/ BRUCE F. DANIELS - ---------- Bruce F. Daniels	Director	March 21, 1997
/s/ ROBERT E. REMMELL - ---------- Robert E. Remmell	Director	March 21, 1997

LIST OF EXHIBITS

Exhibit No.	Description of Instrument
3.1	- Amended and Restated By-Laws, as adopted by the Board of Directors on December 26, 1990 - incorporated herein by reference to the exhibit in the Company's Current Report on Form 8-K, dated March 7, 1991 (File No. 0-16093).
3.2	- 1992 Amendment to Certificate of Incorporation and Restated Certificate of Incorporation of CONMED Corporation - incorporated herein by reference to the exhibit in the Company's Annual Report on Form 10-K for the year ended December 25, 1992.
3.3	- 1996 Amendment to Certificate of Incorporation and Restated Certificate of Incorporation of CONMED Corporation.
4.1	- See Exhibit 3.1.
4.2	- See Exhibit 3.2.
4.3	- Amended and Restated Credit Agreement - Revolving Credit Facility dated March 13, 1996 incorporated herein by reference to the exhibit in the Company's Quarterly Report on Form 10-Q for the quarter ended March 29, 1996.
4.4	- First Amendment of Credit Agreement dated March 13, 1996 - incorporated herein by reference to the exhibit in the Company's Quarterly Report on Form 10-Q for the quarter ended March 29, 1996.
10.1	- Employment Agreement between the Company and Eugene R. Corasanti, dated December 16, 1996.
10.2	- Amended and Restated Employee Stock Option Plan (including form of Stock Option Agreement) -- incorporated herein by reference to the exhibit in the Company's Annual Report on Form 10-K for the year ended December 25, 1992.

List of Exhibits

Exhibit No.	Description of Instrument
10.3	(a) Eugene R. Corasanti disability income plans with Northwestern Mutual Life Insurance Company, dated January 14, 1980 and March 7, 1981 -- policy specification sheets -- incorporated herein by reference to Exhibit 10.0(a) of the Company's Registration Statement on Form S-2 (File No. 33-40455).
	(b) William W. Abraham disability income plan with Northwestern Mutual Life Insurance Company, dated March 24, 1981 -- policy specification sheet -- incorporated herein by reference to Exhibit 10.0(b) of the Company's Registration Statement on Form S-2 (File No. 33-40455).
	(c) Eugene R. Corasanti life insurance plan with Northwestern Mutual Life Insurance Company, dated

October 6, 1979 -- policy specification sheet -- incorporated herein by reference to Exhibit 10.9(c) of the Company's Registration Statement on Form S-2 (File No. 33-40455).

(d) Eugene R. Corasanti life insurance plans with Northwestern Mutual Life Insurance Company dated August 25, 1991 -- Statements of Policy Cost and Benefit Information, Benefits and Premiums, Assignment of Life Insurance Policy as Collateral -- incorporated herein by reference to the Company's Annual Report on Form 10-K for the year ended December 27, 1991.

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

10.5 - Stock Option Plan for Non-Employee Directors of CONMED Corporation

10.6 - Amendment to 1992 Stock Option Plan.

10.7 - Plan and Agreement of Merger dated as of December 5, 1994 among the Company, CONMED Acquisition Corporation and Birtcher Medical Systems, Inc.- incorporated herein by reference to appendix A of the Company's registration statement on S-4 (File No. 33-87746)

10.8 - Asset Purchase Agreement by and between New Dimensions In Medicine, Inc. and CONMED Corporation dated as of the 18th day of October 1995 - incorporated herein by reference to New Dimensions In Medicine, Inc's. (Commission File No. 1-09156) Report on Form 8-K dated October 18, 1995.

11 - Computation of weighed average number of shares of common stock.

21 - Subsidiaries of the registrant.

23 - Consent of Independent Accountants.

REPORT OF INDEPENDENT ACCOUNTANTS

To the Board of Directors and
Shareholders of CONMED Corporation

In our opinion, the consolidated financial statements listed in the index appearing under Item 14(a)(1) and (2) on page 17 of the Annual Report on Form 10-K present fairly, in all material respects, the financial position of CONMED Corporation and its subsidiaries at December 31, 1996 and December 29, 1995, and the results of their operations and their cash flows for each of the three years in the period ended December 31, 1996, in conformity with generally accepted accounting principles. These financial statements are the responsibility of the Company's management; our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits of these statements in accordance with generally accepted auditing standards which require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for the opinion expressed above.

PRICE WATERHOUSE LLP

Syracuse, New York
February 7, 1997

CONMED CORPORATION
CONSOLIDATED BALANCE SHEETS
December 1995 and 1996
(In thousands except share amounts)

	1995	1996
ASSETS		
Current assets:		
Cash and cash equivalents	$ 1,539	$ 20,173
Accounts receivable less allowance for doubtful accounts of $400 in 1995 and $500 in 1996	22,649	26,336
Income taxes receivable (Note 6)	961	766
Inventories (Notes 1 and 2)	20,943	23,187
Deferred income taxes (Note 6)	2,678	626
Prepaid expenses and other current assets	476	740
Total current assets	49,246	71,828
Property, plant and equipment, net (Notes 1 and 3)	19,728	26,458
Deferred income taxes (Note 6)	2,907	1,246
Covenant not to compete, net (Note 1)	1,153	713
Goodwill, net (Notes 1 and 10)	41,438	64,283
Patents, trademarks and other assets (Note 1)	4,931	5,555
Total assets	$119,403	$170,083
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current liabilities:		
Current portion of long-term debt (Note 4)	$ 6,000	$ --
Accounts payable	2,351	2,433
Accrued payroll and withholdings	2,282	2,037
Accrued pension (Note 9)	274	333
Other current liabilities	989	951
Total current liabilities	11,896	5,754
Long-term debt (Note 4)	26,340	--
Accrued pension (Note 9)	276	276
Deferred compensation	868	1,033
Long-term leases (Note 5)	3,521	2,924
Other long-term liabilities (Note 5)	1,500	1,461
Total liabilities	44,401	11,448

(Continued)

CONMED CORPORATION
CONSOLIDATED BALANCE SHEETS
December 1995 and 1996
(In thousands except share amounts)

	1995	1996
Commitments (Notes 3, 5, 7, 9, and 11)		
Shareholders' equity (Notes 1 and 7):		
Preferred stock, par value $.01 per share; authorized 500,000 shares; none outstanding		
Common stock, par value $.01 per share; 40,000,000 authorized; 11,000,105 and 14,988,783, issued and outstanding in 1995 and 1996, respectively	110	150
Paid-in capital	44,560	111,867
Retained earnings	30,332	46,618
Total shareholders' equity	75,002	158,635
Total liabilities and shareholders' equity	$119,403	$170,083

See notes to consolidated financial statements.

CONMED CORPORATION
CONSOLIDATED STATEMENTS OF INCOME
Years Ended December 1994, 1995 and 1996
(In thousands except per share amounts)

	1994	1995	1996
Net sales (Note 8)	$ 71,064	$ 99,558	$ 125,630
Cost of sales	38,799	52,402	65,393
Selling and administrative expense	20,979	25,570	31,620
Research and development expense	2,352	2,832	2,953
	62,130	80,804	99,966

Income from operations	8,934	18,754	25,664
Interest expense, net (Note 4)	(628)	(1,991)	(217)
Income before income taxes	8,306	16,763	25,447
Provision for income taxes (Notes 1 and 6)	2,890	5,900	9,161
Net income	$ 5,416	$ 10,863	$ 16,286
Weighted average number of common shares and equivalents outstanding (Note 1)	9,624	11,613	14,496
Earnings per common and common equivalent share	$ .56	$ .94	$ 1.12

See notes to consolidated financial statements.

CONMED CORPORATION
CONSOLIDATED STATEMENTS OF SHAREHOLDERS' EQUITY
Years Ended December 1994, 1995 and 1996
(In thousands)

	Common Stock		Paid-in	Retained
	Number	Amount	Capital	Earnings
Balance at December 1993	9,027	$ 90	$ 23,346	$ 14,054
Exercise of stock options	30		97	
Tax benefit arising from exercise of stock options			59	
Cash payment in lieu of fractional shares for stock split in the form of a stock dividend				(1)
Net income				5,416
Balance at December 1994	9,057	90	23,502	19,469
Exercise of stock options	353	4	2,096	
Tax benefit arising from exercise of stock options			1,223	
Stock issued in connection with Birtcher acquisition (Note 10)	1,590	16	17,739	10,863
Balance at December 1995	11,000	110	44,560	30,332
Issuance of shares (Note 7)	2,998	30	61,705	
Exercise of stock options and a warrant (Note 7)	991	10	4,208	
Tax benefit arising from exercise of stock options			1,394	16,286
Balance at December 1996	14,989	$ 150	$111,867	$ 46,618

See notes to consolidated financial statements.

CONMED CORPORATION
CONSOLIDATED STATEMENTS OF CASH FLOWS
Years Ended December 1994, 1995 and 1996
(In thousands)

	1994	1995	1996
Cash flows from operating activities:			
Net income	$ 5,416	$ 10,863	$ 16,286
Adjustments to reconcile net income to net cash provided by operations:			
Depreciation	2,457	2,861	3,670
Amortization	1,421	2,154	2,740
Increase (decrease) in cash flows from changes in assets and liabilities, net of effects from acquisitions (Note 10):			
Accounts receivable	(1,684)	(3,943)	(1,552)
Inventories	(619)	(4,311)	360
Prepaid expenses and other current assets	58	(25)	(264)
Accounts payable	274	452	82
Income tax receivable/payable	394	(2,659)	195
Income tax benefit of stock option exercises	59	1,233	1,394
Accrued payroll and withholdings	1,327	(487)	(245)
Accrued pension	(147)	(33)	59
Accrued patent litigation	(355)	(2,360)	--
Other current liabilities	(210)	559	(38)
Deferred income taxes	182	1,398	3,713
Other assets/liabilities (net)	(313)	(643)	(492)
	2,844	(5,804)	9,622
Net cash provided by operations	8,260	5,059	25,908
Cash flows from investing activities:			
Acquisitions (Note 10)	(2,000)	(9,500)	(31,672)
Acquisition of property, plant and equipment	(2,190)	(5,195)	(4,946)
Net cash used by investing activities	(4,190)	(14,695)	(36,618)
Cash flows from financing activities:			
Proceeds of long term debt	--	26,590	32,660

Proceeds from issuance of common stock	97	3,328	65,953
Payments on long-term debt and other obligations	(2,530)	(22,358)	(69,269)
Net cash provided (used) by financing activities	(2,433)	7,560	29,344
Net increase (decrease) in cash and cash equivalents	1,637	(2,076)	18,634
Cash and cash equivalents at beginning of year	1,978	3,615	1,539
Cash and cash equivalents at end of year	$ 3,615	$ 1,539	$ 20,173

(Continued)

CONMED CORPORATION
CONSOLIDATED STATEMENTS OF CASH FLOWS
Years Ended December 1994, 1995 and 1996
(In thousands)

	1994	1995	1996
Supplemental disclosures of cash flow information: Cash paid during the year for:			
Interest	$ 641	$ 1,876	$ 941
Income taxes	2,470	2,466	5,347

Supplemental non-cash investing and financing activities:
As more fully discussed in Note 10, the Company acquired a business in 1995 through the exchange of 1,590,000 shares of the Company's common stock and the assumption of $3,500,000 of net liabilities.

See notes to consolidated financial statements.

CONMED CORPORATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 1 - OPERATIONS AND SIGNIFICANT ACCOUNTING POLICIES

Organization and operations

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

Statement of cash flows

The Company considers all highly liquid investments with an original maturity of three months or less to be cash equivalents.

Fiscal year end

Prior to 1996, the Company's fiscal year ended on the last Friday in December. Effective in 1996, the Company changed its fiscal year to end on December 31.

Inventories

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

Property, plant and equipment

Property, plant and equipment are stated at cost and depreciated using the straight-line method over the estimated useful lives of the related assets, which range from four to forty years. Expenditures for repairs and maintenance are charged to expense as incurred. When assets are retired or otherwise disposed of, the cost and related accumulated depreciation are removed from the accounts and any resultant gain or loss is recognized.

Patents and trademarks

Patents and trademarks are amortized over their expected useful lives of 3 to 17 years. Accumulated amortization of patents and trademarks was $867,000 and $1,123,000 at December 1995 and 1996, respectively.

Goodwill

Goodwill is amortized over periods ranging from 13 to 40 years. Accumulated amortization of goodwill amounted to $2,171,000 and $4,074,000 at

December 1995 and 1996, respectively.

Covenant not to compete

Covenant not to compete is amortized over a 5 year period. Accumulated amortization related to this asset amounted to $3,047,000 and $3,487,000 at December 1995 and 1996, respectively.

Earnings per common and common equivalent share

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

Use of estimates

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

Reclassifications

Certain amounts previously reported have been reclassified to conform to current year classifications.

NOTE 2 - INVENTORIES

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

	1995	1996
Raw materials	$ 7,209	$ 7,079
Work in process	5,680	7,541
Finished goods	8,054	8,567
	$20,943	$23,187

NOTE 3 - PROPERTY, PLANT AND EQUIPMENT

Details of property, plant and equipment are as follows (in thousands):

	1995	1996
Land and improvements	$ 495	$ 1,007
Building and improvements	12,285	14,873
Machinery and equipment	20,460	27,250
Construction in progress	702	722
	33,942	43,852
Less: Accumulated depreciation	14,214	17,394
	$19,728	$26,458

Rental expense on operating leases was approximately $441,000, $445,000 and $327,000 for the years ended December 1994, 1995 and 1996, respectively. The aggregate future minimum lease commitments for operating leases at December 31, 1996 amounted to $139,000, $79,000 and $26,000 payable in 1997, 1998 and 1999, respectively.

NOTE 4 - LONG-TERM DEBT

At December 29, 1995, the Company had $32,340,000 outstanding

under its credit facility at interest rates ranging from LIBOR plus 1.50% to LIBOR plus 1.625% (7.47% to 7.60% at December 29, 1995).

In connection with the February 23, 1996 acquisition of NDM (Note 10), the Company borrowed an additional $32,660,000 bringing aggregate borrowings under the credit facility to $65,000,000. On March 20, 1996, the Company completed an offering of common stock (Note 7) and applied the proceeds to repayment of the Company's indebtedness.

The Company's credit facility consists of a $60,000,000 secured revolving line of credit which expires in 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 against this facility at December 31, 1996.

Total interest costs in 1994 and 1996 were $628,000 and $765,000, respectively, all of which was expensed. Interest cost during 1995 was $2,119,000, of which $73,000 was capitalized as interest during construction.

NOTE 5 - LEASES AND OTHER LONG-TERM LIABILITIES

Upon the Company's acquisition of Birtcher (Note 10), use of certain manufacturing and administrative facilities previously occupied by Birtcher was discontinued. A liability was established in connection with Birtcher purchase accounting representing the aggregate future rental payments net of committed sublease income at the date of acquisition.

Future minimum rental commitments, net of sublease income, for such leases at December 31, 1996 are as follows (in thousands):

	Minimum Rental Payments	Minimum Rental Income	Net
1997	$1,444	$ 895	$ 549
1998	1,474	729	745
1999	1,534	590	944
2000	1,081	395	686
	$5,533	$2,609	$2,924

Prior to its acquisition by the Company, Birtcher voluntarily began participation in an environmental investigation at a former facility located in El Monte, California. The former facility is located in the El Monte Operable Unit of the San Gabriel Valley Superfund Site. The Environmental Protection Agency has not named Birtcher as a Potentially Responsible Party in this matter. Based on estimates prepared by the Company's environmental consultants, the Company established a liability for site clean-up in connection with purchase accounting for Birtcher. This liability is reflected in Other long-term liabilities in the Consolidated Balance Sheets.

NOTE 6 - FEDERAL AND STATE INCOME TAXES

The provision for income taxes consists of the following (in thousands):

	1994	1995	1996
Current tax expense:			
Federal	$2,416	$4,493	$6,398
State	292	356	311
	2,708	4,849	6,709
Deferred income tax expense	182	1,051	2,452
Provision for income taxes	$2,890	$5,900	$9,161

A reconciliation between income taxes computed at the statutory federal rate and the provision for income taxes follows:

	1994	1995	1996
Tax provision at statutory rate based on income before taxes	34.0%	34.7%	35.0%
Foreign sales corporation	(1.5)	(1.7)	(1.3)
State taxes	2.3	1.4	0.8
Nondeductible intangible amortization	0.2	1.0	1.1
Other, net	(0.2)	(0.2)	0.4
	34.8%	35.2%	36.0%

The tax effects of the significant temporary differences which comprise the deferred tax assets and liabilities at December 1995 and 1996 are as follows (in thousands):

	1995	1996
Assets		
Receivables	$ 617	$ 177
Inventory	1,860	352
Deferred compensation	295	361
Employee benefits	201	218
Other	258	439
Leases	1,650	1,183
Goodwill and intangible assets	1,304	892
Birtcher net operating losses	6,084	5,529
Valuation allowance for deferred tax assets	(5,417)	(5,417)
	6,852	3,734
Liabilities		
Depreciation	1,017	1,261
Interest charge DISC	109	84
Other	141	517
	1,267	1,862
	$ 5,585	$ 1,872

Birtcher net operating losses are subject to certain limitations and expire over the period 2008 to 2010. Management has established a valuation allowance of $5,417,000 to reflect the uncertainty of realizing the benefit of certain of these carry forwards. Utilization of Birtcher operating loss carry forwards in excess of the net amount recorded at December 31, 1996 of $112,000 will serve to decrease Goodwill associated with the Birtcher acquisition.

NOTE 7 - SHAREHOLDERS' EQUITY

On November 22, 1994 and October 31, 1995, the Board of Directors of the Company declared three-for-two splits of the Company's common stock to be effected in the form of stock dividends. Such dividends were payable on December 27, 1994 and November 30, 1995 to shareholders of record on December 8, 1994 and November 13, 1995, respectively. Accordingly, common stock, retained earnings, earnings per share, the number of shares outstanding, the weighted average number of shares and equivalents outstanding and stock option data have been restated to retroactively reflect the split.

On March 20, 1996, the Company completed a public offering of 2,998,000 shares of its common stock with net proceeds to the Company amounting to $61,735,000.

Through the Company's 1989 acquisition of Aspen Laboratories, Inc., Bristol-Myers Squibb Company received a warrant to purchase 698,470 shares of

the Company's common stock at $4.29 per share. This warrant was exercised in March 1996 with proceeds to the Company amounting to $3,000,000.

In connection with the acquisition of Birtcher (Note 10), Birtcher incentive stock options outstanding as of the acquisition were exchanged for options to purchase common stock of CONMED Corporation. Such options were exercisable for a period of six months from the date of the acquisition. Proceeds resulting from the exercise of options of 100,000 shares for $797,000 have been recorded as an increase to common stock and paid-in capital.

In 1983, the shareholders authorized 500,000 shares of preferred stock, par value $.01 per share, which may be issued in one or more series by the Board of Directors without further action by the shareholders. As of December 31, 1996, no preferred stock had been issued.

The Company has reserved shares of common stock for issuance to employees and directors under three Stock Option Plans (the "Plans"). Through December 31, 1996, a total of 1,870,000 of these options had been granted at $.89 to $30.75 per share. The option price on all outstanding options is equal to the estimated fair market value of the stock at the date of grant. Stock options are non-transferable other than on death and are exercisable beginning one year from date of grant but for not more than ten years from date of grant. As of December 31, 1996, 725,000 stock options were exercisable.

The following is a summary of incentive stock option activity under the Plans (in thousands except per share amounts):

	Number of Shares	Price per Share	Total
Outstanding at December 1993	1,155	$ 0.89-15.00	$ 7,913
Granted during 1994	137	5.11-10.67	1,275
Forfeited	(8)	5.11-12.22	(108)
Exercised	(30)	0.89- 6.22	(97)
Outstanding at December 1994	1,254	0.89-15.00	8,983
Granted during 1995	251	11.67-25.00	4,968
Forfeited	(12)	7.67-21.75	(104)
Exercised	(253)	0.89-12.22	(1,299)
Outstanding at December 1995	1,240	0.89-25.00	12,548
Granted during 1996	197	16.50-30.75	4,545
Forfeited	(10)	5.11-30.75	(81)
Exercised	(292)	0.89-15.00	(1,208)
Outstanding at December 1996	1,135	$ 2.33-30.75	$ 15,804

At December 31, 1996, the number of shares exerciseable at less than $10, between $10 and $20, and greater than $20 were 197,000, 699,000 and 239,000, respectively. The weighted average price per share and remaining life for options in these categories were $5.56 and 6 years, $12.15 and 7 years, and $27.08 and 9 years.
respectively.

In October 1995, the Financial Accounting Standards Board issued Statement of Financial Accounting Standards No. 123 (SFAS 123), "Accounting for Stock-Based Compensation". SFAS 123 defines a fair value based method of accounting for an employee stock option whereby compensation cost is measured at the grant date based on the fair value of the award and is recognized over the service period. A company may elect to adopt SFAS 123 or elect to continue accounting for its stock option or similar equity awards using the method of accounting prescribed by Accounting Principles Board Opinion No. 25 (APB 25), "Accounting for Stock Issued to Employees", where compensation cost is measured at the date of grant based on the excess of the market value of the underlying stock over the exercise price. The Company has elected to continue to account for its stock-based compensation plans under the provisions of APB 25 and, accordingly, no compensation expense has been recognized in the accompanying financial statements relative to the Company's stock option plans.

SFAS 123 also calls for the pro forma disclosure of stock-based compensation expense for those companies which elect to maintain their accounting policy under APB 25. The Company has calculated the pro forma stock-

based compensation under the guidelines set forth in SFAS 123, and have determined the effects to be immaterial for disclosure purposes.

NOTE 8 - MAJOR CUSTOMERS AND EXPORT SALES

The Company's products are provided to medical professionals and facilities directly and through medical supply distributors. Sales to one distributor totaled 10.7%, 12.3% and 12.2% of the Company's sales in 1994, 1995 and 1996, respectively. During 1996, sales to another distributor totaled 14.5% of the Company's sales and, in 1994, sales to a third distributor totaled 10.7% of sales.

Sales outside of the United States accounted for approximately 13.6% of the Company's total sales in 1994, 15.5% in 1995 and 14.5% in 1996.

NOTE 9 - PENSION PLANS

The Company maintains defined benefit plans covering substantially all employees. The Company makes annual contributions to the plans equal to the maximum deduction allowed for federal income tax purposes.

Net pension cost for 1993, 1994 and 1995 included the following components (in thousands):

	1994	1995	1996
Service cost - benefits earned during the period	$ 583	$ 758	$ 766
Interest cost on projected benefit obligation	286	353	402
Actual (gain) loss on plan assets	(327)	(959)	(442)
Net amortization and deferral	86	685	138
Net pension cost	$ 628	$ 837	$ 864

The following tables set forth the plans' funded status and amounts recognized in the Company's Consolidated Balance Sheets at December 1995 and 1996 (in thousands):

	1995	1996
Actuarial present value of accumulated benefit obligation		
Vested benefits	$ 3,811	$ 4,057
Non-vested benefits	216	241
Accumulated benefits obligations	4,027	4,298
Additional amounts related to projected pay increases	661	1,814
Projected benefit obligations for service rendered to date	4,688	6,112
Plan assets at fair value, consisting of debt and equity securities	4,014	4,405
Plan benefit obligations in excess of plan assets	674	1,707
Unrecognized net obligation at December 1986 being recognized over 25 years	(80)	(76)
Unrecognized prior service cost	(206)	(195)
Unrecognized net gain (loss) from past experience different from that assumed and effects of changes in assumptions	162	(827)
Accrued pension costs recognized in the balance sheet	$ 550	$ 609

For 1994, 1995 and 1996 actuarial calculation purposes, the weighted average discount rate was 7.0%, the expected long term rate of return was 8.0% and the rate of increase in future compensation levels was 4.0%. Common stock of the Company included in plan assets, at fair value, was approximately $459,000 and $377,000 at December 1995 and 1996, respectively.

NOTE 10 - BUSINESS ACQUISITIONS

In November 1994, the Company acquired a specialty ECG monitoring

product line from Becton Dickinson Vascular Access Company in a purchase transaction amounting to $2,000,000 in cash. The product line's operations have been included with the Company's financial results since the acquisition date. Goodwill is being amortized on a straight-line basis over a 40 year period and a covenant not to compete is being amortized over a five year period.

On March 14, 1995, the Company acquired Birtcher Medical Systems, Inc. ("Birtcher") through an exchange of the Company's common stock for all of the outstanding common and preferred stock of Birtcher. In connection with this transaction, the Company issued 1,590,000 shares of common stock valued at $17,750,000 and assumed approximately $3,500,000 of net liabilities. Accordingly, the results of operations of the acquired business are included in the consolidated results of the Company from the date of acquisition. The acquisition was accounted for using the purchase method of accounting. Goodwill associated with the acquisition is being amortized on a straight-line basis over a 40 year period.

On May 22, 1995, the Company acquired the business and certain assets of the Master Medical Corporation ("Master Medical") for a cash purchase price of approximately $9,500,000 and assumption of $500,000 of liabilities. Accordingly, the results of operations of the acquired business are included in the consolidated results of the Company from the date of acquisition. The acquisition was accounted for using the purchase method of accounting. Goodwill associated with the acquisition is being amortized on a straight-line basis over a 15 year period.

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 $31.6 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 an unaudited pro forma basis, assuming the Birtcher, Master Medical and NDM acquisitions had occurred as of the beginning of the periods presented, the consolidated results of the Company would have been as follows (in thousands, except per share amounts):

	For the Years Ended December	
	1995	1996
Pro forma revenues	$ 132,927	$128,130
Pro forma net income	$ 13,323	$ 16,507
Pro forma earnings per common and common equivalent share	$ 1.12	$ 1.14

The unaudited pro forma financial information presented above gives effect to purchase accounting adjustments which have resulted or are expected to result from the acquisitions. This pro forma information is not necessarily indicative of the results that would actually have been obtained had the companies been combined for the periods presented.

NOTE 11 - LEGAL MATTERS

From time to time, the Company has been named as a defendant in certain lawsuits alleging product liability or other claims incurred in the ordinary course of business. These claims are generally covered by various insurance policies, subject to deductible amounts and maximum policy limits. Ultimate liability with respect to these contingencies, if any, is not considered to be material to the consolidated financial statements of the Company.

NOTE 12 - SELECTED QUARTERLY FINANCIAL DATA (UNAUDITED)

Selected quarterly financial data for 1995 and 1996 are as follows (in thousands, except per share amounts):

1995	Three Months Ended March	June	September	December
Net sales	$19,753	$25,875	$26,258	$27,672
Gross profit	9,028	12,377	12,521	13,230
Net income	1,840	2,818	2,889	3,316
Earnings per share	.18	.24	.24	.27

1996	Three Months Ended March	June	September	December
Net sales	$29,200	$31,790	$31,432	$33,208
Gross profit	14,033	15,285	14,963	15,956
Net income	3,272	4,224	4,033	4,757
Earnings per share	.26	.28	.27	.31

SCHEDULE VIII - Valuation and Qualifying Accounts
(In thousands)

Column A	Column B	Column C		Column D	Column E
		Additions			
Description	Balance at Beginning of Period	(1) Charged to Costs and Expenses	(2) Charged to Other Accounts	Deductions	Balance at End of Period
1996					
Allowance for bad debts	$ 400	$ 337		$(237)	$ 500
Inventory reserves	$ 504	$ 267		$(309)	$ 462
Deferred tax asset valuation allowance	$5,417				$5,417
1995					
Allowance for bad debts	$ 343	$ 85		$ (28)	$ 400
Inventory reserves	$ 703	$ 245		$(444)	$ 504
Deferred tax asset valuation allowance	$ --		$5,417		$5,417
1994					
Allowance for bad debts	$ 347			$ (4)	$ 343
Inventory reserves	$ 559	$ 144			$ 703

AMENDMENT TO THE COMPANY'S
RESTATED CERTIFICATE OF INCORPORATION

The amendment amends the first paragraph of Article FOURTH of the Certificate of Incorporation to read in its entirety as follows:

> FOURTH. The aggregate number of shares of stock which the Corporation shall have the authority to issue is 40,500,000 , of which 40,000,000 shares of the par value of $.01 per share shall be designated as Common Stock ("Common Stock"), and 500,000 shares of the par value of $.01 per share shall be designated as Preferred Stock ("Preferred Stock").

Language deleted by the amendment has been crossed out and language added by the amendment has been underlined. The rest of Article FOURTH will remain unchanged.

EMPLOYMENT AGREEMENT

December 16, 1996

Mr. Eugene R. Corasanti
310 Broad Street
Utica, New York 13501

Dear Mr. Corasanti:

In consideration of the mutual promises herein contained, CONMED Corporation, a New York corporation (hereinafter the "Company"), and you hereby agree that you will be employed by the Company on the following terms and conditions:

1. Employment.

The Company hereby agrees that you will be employed to serve as the President and Chief Executive Officer of the Company during the term of employment set forth in Section 2 of this Agreement. You hereby agree to serve as President and Chief Executive Officer of the Company during such term of employment.

2. Term of Employment.

Subject to the provisions for early termination pursuant to Section 5 of the Agreement, your term of employment under this Agreement shall be for a period beginning January 1, 1997 and ending December 31, 2001.

3. Duties During Term of Employment.

During your term of employment under this Agreement, you shall devote your full business time and attention and all reasonable efforts to the affairs of the Company and its subsidiaries and affiliates and shall perform such executive and administrative duties for the Company and subsidiaries and affiliates as you may be called upon to perform, from time to time, by the Board of Directors of the Company.

4. Compensation and Benefits.

(a) Base Annual Salary.

The Company shall pay to you during your term of employment under this Agreement a base annual salary at the rate of at least $300,000 per year, payable in equal weekly installments during each year of your term of employment. It is understood that the Board of Directors of the Company may in its discretion review from time to time your base annual salary and in its discretion may from time to time increase your base annual salary and/or grant bonuses if it determines that circumstances justify any such increase and/or bonuses.

(b) Deferred Compensation.

In addition to your base annual salary, the Company shall continue under this Agreement your deferred compensation account established under your prior employment agreement with the Company, which shall be credited with the amount of $100,000 on December 31, 1997 and on each subsequent December 31 during the term of this Agreement. This account shall also be credited on December 31, 1996 and each December 31 thereafter with an amount equal to

interest on the amount outstanding in the account on the day prior to such December 31 at the rate of 10% per annum. Commencing at retirement, the Company shall pay you, for 120 months, an amount equal to the amount then outstanding in the deferred compensation account divided by the number of payments remaining to be made. The account shall be reduced by the amount of any payments and shall continue to be credited with interest annually on the amount outstanding in the account. Such payments may be accelerated at the option of the Company. In the event of your death the Company shall make payments to the beneficiary or beneficiaries designated by you in writing to the Company or to your estate in the absence of such designation or if no designated beneficiary should survive you. Such payments to your beneficiary (or beneficiaries) or estate, as the case may be, shall be made in the same manner as specified above, except that such payments shall commence within one month of your death. In the event of the death of the last designated beneficiary prior to the completion of all

payments, the balance credited to the deferred compensation account shall be made to the estate of the last surviving beneficiary. You understand and agree, and the Company agrees, that the deferred compensation account is solely a bookkeeping account, does not represent a segregated amount of money for your benefit, and that you shall not have by virtue of this Agreement a security interest in the foregoing account or in any assets or funds of the Company.

(c) Benefit Plans.

You also shall be entitled to participate in all life and health insurance plans, pension plans and other plans, benefits or bonus arrangements provided by the Company from time to time during your term of employment under this Agreement and made available by the Company to its executives generally, if and to the extent that you are eligible to participate in accordance with the provisions of any such plan or for such benefits. Specifically, you shall be entitled to participate in the Company's stock option plans and shall continue to be entitled to participate in the Company's pension and disability plans and be provided with split-dollar life insurance coverage and reimbursement of club memberships and automobile expenses as under present practices. In no event shall the benefits provided you be less, in the aggregate, than those provided you under present plans and practices. Life and health insurance benefits and split-dollar life insurance coverage shall continue for your and your wife during the terms of your lives. In addition, the Company shall reimburse you for your reasonable personal legal and accounting expenses related to your estate and tax planning and to preparing and filing your tax returns.

5. Early Termination of the Term of Employment.

(a) Early Termination Other Than for Just Cause.

If at any time during your term of employment under this Agreement, the Board of Directors of the Company shall fail to reelect you as the Chief Executive Officer of the Company, shall remove you from such office, shall substantially reduce your duties and responsibilities or shall terminate your employment under this Agreement, in each case other than for "just cause" as such term is defined in paragraph (c) of this Section 5, such event shall be deemed an early termination other than for just cause; provided, however, that the appointment of a chief operating officer to undertake the duties and responsibilities normally associated with such office shall not be deemed an

early termination other than for just cause. After an early termination other than for just cause, you shall have no obligations under this Agreement (other than your obligations under Sections 7 and 8 of this Agreement), you shall have no obligation to seek other employment in mitigation of damages in respect of any period following the date of such early termination and you shall be entitled to receive from the Company an immediate lump sum payment equal to the result of multiplying (i) the greater of (A) three or (B) the number of years and fractions thereof (rounded to the nearest month) then remaining in the term of employment by (ii) the sum of (A) your base annual salary to which you are then entitled and (B) an amount equal to the average of the bonuses, deferred compensation and incentive compensation earned by you in each of the Company's three fiscal years prior to the date of your early termination. If such lump sum payment is not made in full within ten days of such early termination other than for just cause, the Company shall also pay you interest on the amount of the remaining payment at the prime rate of Chase Manhattan Bank, N.A. in effect from time to time.

In addition, in the event of your early termination other than for just cause, you shall be entitled to continued coverage under the benefit plans of the Company specified in paragraph (c) of Section 4 of this Agreement as if such early termination had not occurred, for a period equal to the greater of (x) three years from the date of such early termination or (y) the remainder of the term of employment. You shall also be entitled to receive payment of the deferred compensation account as specified in paragraph (b) of Section 4 of this Agreement, and you or your beneficiary or your estate shall be entitled to receive from the Company all payments and benefits required pursuant to the provisions of Section 6 of this Agreement, as if such early termination had not occurred.

(b) Early Termination for Just Cause.

If at any time during your term of employment under this Agreement, the Board of Directors of the Company shall fail to reelect you as the Chief Executive Officer of the Company, shall remove you from such office, shall substantially reduce your duties and responsibilities or shall terminate

your employment under this Agreement, in the case for "just cause" as such term is defined in paragraph (c) of this Section 5, subject to the provisions of Section 6 for additional payments and benefits in the event of your death or permanent disability (as such term is defined in Section 6), the Company shall only be obligated to pay you (i) your then base salary and to provide continued coverage under the benefit plans of the Company specified in paragraph (c) of Section 4 of this Agreement through the end of the month during which such early termination occurs, and (ii) the deferred compensation account as specified in paragraph (b) of Section 4 of this Agreement, plus an additional amount of deferred compensation equal to a pro rata amount of such deferred compensation under paragraph (b) of Section 4 for the year of your termination.

(c) Definition of Just Cause.

"Just cause" under this Agreement shall mean a breach by you of your obligations under this Agreement, willful misconduct, dishonesty, conviction of a crime (other than traffic or other similar violations or minor misdemeanors), intoxication on the job or excessive absenteeism not related to illness.

6. Death or Disability.

If before the expiration date of your term of employment under this Agreement you shall die, or become permanently disabled, the Company shall be obligated to pay (in the case of death) to your beneficiary in writing or to your estate in the absence or lapse of such designation, or (in the case of such disability) to you or your representative, 100% of your annual base salary to which you are then entitled to the end of such term of employment. In addition, in the event of such disability, you shall continue to fully participate in all benefit plans of the Company specified in paragraph (c) of Section 4 of this Agreement to the expiration date of such term of employment, and in the case of life and health insurance benefits and split-dollar life insurance coverage, the benefits will continue for you and your wife during the terms of your lives. For purposes of this Agreement, "permanent disability" means inability to perform the services required under this Agreement due to physical or mental disability which continues for 180 consecutive days. Evidence of such disability shall be certified by a physician acceptable to both the Company and you.

7. Effect of Change in Control.

(a) Definition of Change in Control. "Change in Control" under this Agreement shall mean the occurrence of any one of the following events:

(i) any "person" (as such term is defined in Section 3(a)(9) of the Securities Exchange Act of 1934 (the "Exchange Act") and as used in Sections 13(d)(3) and 14(d)(2) of the Exchange Act) is or becomes a "beneficial owner" (as defined in Rule 13d-3 under the Exchange Act), directly or indirectly, of securities of the Company representing 25% or more of the combined voting power of the Company's then outstanding securities eligible to vote for the election of the Board (the "Company Voting Securities"); provided, however, that the event described in this paragraph (i) shall not be deemed to be a Change in Control by virtue of any of the following acquisitions: (A) by the Company or any of its subsidiaries, (B) by any employee benefit plan sponsored or maintained by the Company or any of its subsidiaries, (C) by any underwriter temporarily holding securities pursuant to an offering of such securities, (D) pursuant to a Non-Control Transaction (as defined in paragraph (iii)) or (E) pursuant to any acquisition by you or any group of persons including you;

(ii) individuals who, on January 1, 1997, constitute the Board (the "Incumbent Directors") cease for any reason to constitute at least a majority of the Board, provided that any person becoming a director subsequent to January 1, 1997, whose election or nomination for election was approved by a vote (either by a specific vote or by approval of the proxy statement of the Company in which such person is named as a nominee for director, without objection to such nomination) of at least three-quarters of the Incumbent Directors who remain on the Board, including those directors whose election or nomination for election was previously so approved, shall also be deemed to be an Incumbent Director; provided, however, that no individual initially elected or nominated as a director of the Company as a

result of an actual or threatened election contest with respect to directors or any other actual or threatened solicitation of proxies or consents by or on behalf of any person other than the Board shall be deemed to be an Incumbent Director;

(iii) the consummation of a merger, consolidation, share exchange or similar form of corporate reorganization of the Company (or any such type of transaction involving the Company or any of its subsidiaries that requires the approval of the Company's stockholders, whether for the transaction or the issuance of securities in the transaction or otherwise) (a "Business Combination"), unless immediately following such Business Combination: (A) more than 60% of the total voting power of the corporation resulting from such Business Combination (including, without limitation, any corporation which directly or indirectly has beneficial ownership of 100% of the Company Voting Securities) eligible to elect directors of such corporation is represented by shares that were Company Voting Securities immediately prior to such Business Combination (either by remaining outstanding or being converted), and such voting power is in substantially the same proportion as the voting power of such Company Voting Securities immediately prior to the Business Combination, (B) no person (other than any holding company resulting from such Business Combination, any employee benefit plan sponsored or maintained by the Company (or the corporation resulting from such Business Combination)) immediately following the consummation of the Business Combination becomes the beneficial owner, directly or indirectly, of 25% or more of the total voting power of the outstanding voting securities eligible to elect directors of the corporation resulting from such Business Combination, and (C) at least a majority of the members of the board of directors of the corporation resulting from such Business Combination were Incumbent Directors at the time of the approval of the execution of the initial agreement providing for such Business Combination (any Business Combination which satisfies the conditions in clauses (A), (B) and (C) is referred to hereunder as a "Non-Control Transaction"); or

(iv) the stockholders of the Company approve a plan of complete liquidation or dissolution of the Company or the sale of all or substantially all of its assets.

Notwithstanding the foregoing, a Change in Control of the Company shall not be deemed to occur solely because any person acquires beneficial ownership of more than 25% of the Company Voting Securities as a result of the acquisition of Company Voting Securities by the Company which reduces the number of Company Voting Securities outstanding; provided, that if after such acquisition by the Company such person becomes the beneficial owner of additional Company Voting Securities that increases the percentage of outstanding Company Voting Securities beneficially owned by such person, a Change in Control of the Company shall then occur.

Notwithstanding anything in this Agreement to the contrary, if your employment is terminated prior to a Change in Control, and you reasonably demonstrate that such termination was at the request or suggestion of a third party who has indicated an intention or taken steps reasonably calculated to effect a Change in Control (a "Third Party") and a Change in Control involving the Third Party occurs, then for all purposes of this Agreement, the date of a Change in Control shall mean the date immediately prior to the date of such termination of employment.

(b) Early Termination after a Change in Control. If at any time during your term of employment under this Agreement and within two years after a Change in Control your employment with the Company is terminated by the Company other than for Cause or by you for Good Reason, such event shall be deemed an early termination after a Change in Control; provided, however, that the appointment, within two years of a Change in Control, of a chief operating officer to undertake the duties and responsibilities normally associated with such office shall not be deemed an early termination after a Change in Control.

"Cause" under this Agreement means (i) your willful and continued failure to substantially perform your duties with the Company after a written demand for substantial performance is delivered to you by the Company which specifically identifies the manner in which the Company believes that you are not substantially performing your duties or (ii) your willfully engaging in

illegal conduct which is materially and demonstrably injurious to the Company. The Company must notify you of any event constituting Cause within ninety (90) days following the Company's knowledge of its existence or such event shall not constitute Cause under this Agreement.

"Good Reason" under this Agreement means (i) a material diminution in your duties and responsibilities as in effect immediately prior to the Change in Control, (ii) a breach by the Company of its obligations under Section 4 of this Agreement, (iii) a failure by the Company to allow you to participate in all life and health insurance plans, pension plans and other plans, benefits or bonus arrangements provided by the Company (or other plans providing you with no less favorable benefits) to the extent of, and on the same basis as, your participation in such immediately prior to the Change in Control, (iv) your being required to be based anywhere more than 25 miles from the location of your office immediately prior to the Change in Control (except for required travel on the Company's business substantially consistent with the business travel obligations which you undertook on behalf of the Company immediately prior to the Change in Control), or (v) any reason during the 30-day period commencing one year after the date of a Change in Control. For purposes of this Agreement, any good faith determination of Good Reason made by you shall be conclusive; provided, however, that an isolated, insubstantial and inadvertent action taken in good faith and which is remedied by the Company promptly after receipt of notice thereof given by you shall not constitute Good Reason. You must provide notice of termination of employment within ninety (90) days of your knowledge of an event constituting Good Reason or such event shall not constitute Good Reason under this Agreement.

After an early termination after a Change in Control, you shall have no obligations under this Agreement (other than your obligations under Sections 8 and 9 of this Agreement), you shall have no obligation to seek other employment in mitigation of damages in respect of any period following the date of such early termination and you shall be entitled to receive from the Company the benefits described in paragraph (c) of this Section.

(c) Benefits upon Early Termination after a Change in Control. In the event of an early termination after a Change in Control, you shall be entitled to receive from the Company, in lieu of any other benefits provided by this Agreement, to:

(i) an immediate lump sum payment equal to three times the sum of (A) the higher of (I) your base annual salary on the date of your early termination or (II) your base annual salary in effect immediately prior to the Change in Control plus (B) an amount equal to the average of the bonuses, deferred compensation and incentive compensation earned by you in each of the Company's three fiscal years prior to the date of your early termination;

(ii) continued coverage under the benefit plans of the Company in which you participated as of the date of such termination for a period of two years from the date of such early termination on the same basis as in effect on the date of such early termination;

(iii) a lump sum payment, to be paid by the Company within 10 days of such early termination, equal to the aggregate amount credited to your deferred compensation account pursuant to this Agreement and any prior employment agreements with the Company; and

(iv) awards, for the calendar year of your early termination after a Change in Control, under incentive plans maintained by the Company as of the date of such termination as though any performance or objective criteria used in determining such awards were satisfied.

(d) Certain Additional Payments by the Company.

(i) Anything in this Agreement to the contrary notwithstanding, in the event it shall be determined that any payment, award, benefit or distribution or acceleration of awards, payments or benefits by the Company or its affiliated companies to or for your benefit (whether paid, payable, distributed or distributable or accelerated pursuant to the terms of this Agreement or otherwise, but determined without regard to any additional payments required under this Section 7) (a

"Payment") would be subject to the excise tax imposed by Section 4999 of the Internal Revenue Code of 1986, as amended (the "Code"), or any interest or penalties are incurred by you with respect to such excise tax (such excise tax, together with any such interest and penalties, are hereinafter collectively referred to as the "Excise Tax"), then you shall be entitled to receive an additional payment (a "Gross-Up Payment") in an amount such that after payment by you of all taxes (including any interest or penalties imposed with respect to such taxes) including, without limitation, any income and employment taxes (and any interest and penalties imposed with respect thereto) and Excise Tax, imposed upon the Gross-Up Payment but before deduction for any federal, state or local income tax upon the Payments, you retain an amount (before deductions for any federal, state or local income or employment taxes on the Payments) equal to the sum of (x) the Payments and (y) an amount equal to the product of any deductions disallowed because of the inclusion of the Gross-Up Payment in your adjusted gross income and the highest applicable marginal rate of federal income taxation for the calendar year in which the Gross-Up Payment is

to be made. Notwithstanding the foregoing, in the event it shall be determined that you would be entitled to a Gross-Up Payment and that you, after taking into account the Payments and the Gross-Up Payment, would not receive net after-tax proceeds of at least $50,000 (taking into account income and employment taxes and any Excise Tax) in excess of the net after-tax proceeds to you resulting from an elimination of the Gross-Up Payment and a reduction of the Payments, in the aggregate, to an amount (the "Reduced Amount") such that the receipt of Payments would not give rise to any Excise Tax, then no Gross-Up Payment shall be made to you and the Payments, in the aggregate, shall be reduced as elected by you to the Reduced Amount. For purposes of determining the amount of the Gross-Up Payment, you shall be deemed to (I) pay federal income taxes at the highest marginal rates of federal income taxation for the calendar year in which the Gross-Up Payment is to be made, (II) pay applicable state and local income taxes at the highest marginal rate of taxation for the calendar year in which the Gross-Up Payment is to be made, net of the maximum reduction in federal income taxes which could be obtained from deduction of such state and local taxes and (III) have otherwise allowable deductions for federal income tax purposes at least equal to those disallowed because of the increase of the Gross-Up Payment in your adjusted gross income.

(ii) Subject to the provisions of subparagraph (i) above, all determinations required to be made under this paragraph (d), including whether and when a Gross- Up Payment is required and the amount of such Gross-Up Payment and the assumptions to be utilized in arriving at such determination, shall be made by the public accounting firm that is retained by the Company as of the date immediately prior to the Change in Control (the "Accounting Firm") which shall provide detailed supporting calculations both to the Company and you within fifteen (15) business days of the receipt of notice from the Company or you that there has been a Payment, or such earlier time as is requested by the Company (collectively, the "Determination"). In the event that the Accounting Firm is serving as accountant or auditor for the individual, entity or group effecting the Change in Control, you may appoint another nationally recognized public accounting firm to make the determinations required hereunder (which accounting firm shall then be referred to as the Accounting Firm hereunder). All fees and expenses of the Accounting Firm shall be borne solely by the Company and the Company shall enter into any agreement requested by the Accounting Firm in connection with the performance of the services hereunder. The Gross-Up Payment under this paragraph (d) with respect to any Payments shall be made no later than thirty (30) days following such Payment. If the Accounting Firm determines that no Excise Tax is payable by you, it shall furnish you with a written opinion to such effect, and to the effect that failure to report the Excise Tax, if any, on your applicable federal income tax return will not result in the imposition of a negligence or similar penalty. The Determination by the Accounting Firm shall be binding upon the Company and you.

As a result of the uncertainty in the application of Section 4999 of the Code at the time of the Determination, it is possible that Gross-Up Payments which will not have been made by the Company should have been made ("Underpayment") or Gross-Up Payments are made by the Company which should not have been made ("Overpayment"), consistent with the calculations required to be made hereunder. In the event that thereafter you are required to make payment of any additional Excise Tax, the Accounting Firm shall determine the amount of the Underpayment that has occurred and any such Underpayment (together with interest at the rate provided in Section 1274(b)(2)(B) of the Code) shall be promptly paid by the Company to or for your benefit. In the event the amount of the Gross-Up Payment exceeds the amount necessary to reimburse you for your Excise Tax, the Accounting Firm shall determine the amount of the Overpayment that has been made and any such Overpayment (together with interest at the rate provided in Section 1274(b)(2) of the Code) shall be promptly paid by you to or for the benefit of the Company. You shall cooperate, to the extent his expenses are reimbursed by the Company, with any reasonable requests by the Company in connection with any contests or disputes with the Internal Revenue Service in connection with the Excise Tax.

(e) Interest and Reimbursement of Expenses. If the Company fails to make payment in full of the amounts provided for in paragraphs (c) and (d) of this Section within ten days after they are due, the Company shall also pay you interest on any unpaid amount at the prime rate of Chase Manhattan Bank, N.A. in effect from time to time. If any contest or dispute shall arise under this Section involving your termination of employment with the Company under this Section or involving the failure or refusal of the Company to perform fully under this Section in accordance with the terms hereof, the Company shall reimburse you, on a current basis, for all legal fees and expenses, if any, incurred by you in connection with such contest or dispute (regardless of the result thereof), together with interest in an amount equal to the prime rate of Chase Manhattan Bank, N.A. in effect from time to time, such interest to accrue from the date the Company receives your statement for such fees and expenses through the date of payment thereof, regardless of whether or not your claim is upheld by a court of competent jurisdiction; provided, however, you shall be required to repay any such amounts to the Company to the extent that a court issues a final and non-appealable order setting forth the determination that the position taken by you was frivolous or advanced by you in bad faith.

8. Non-competition.

It is agreed that during your term of employment under this Agreement and for a period of two years thereafter you will not, without the prior written approval of the Board of Directors of the Company, become an officer, employee, agent, limited or general partner, director, member or shareholder of any business enterprise in competition with the Company or any subsidiary of the Company, as the business of the Company or any such subsidiary may be constituted during such term of employment, or at the expiration of such term or period; provided, however, that the foregoing shall not require you to terminate or alter the nature or extent of your relationships with Mohawk Hospital Equipment, Inc. as they existed on the date of this Agreement, or any successor of such corporation. Notwithstanding the preceding sentence, you shall not be prohibited from owning less than five (5%) percent of the outstanding equity of any publicly traded business enterprise.

9. Non-disclosure.

You shall not, at any time during or following your term of employment under this Agreement, disclose or use, except in the course of your employment or consultation arrangements with the Company in the pursuit of the business or interests of the Company or any of its subsidiaries or affiliates, any confidential information or proprietary data of the Company or any of its subsidiaries or affiliates, whether such information or proprietary data is in your memory or memorialized in writing or other physical terms.

10. Conflicts.

Any paragraph, sentence, phrase or other provision of this Agreement which is in conflict with any applicable statute, rule or other law shall be deemed, if possible, to be modified or altered to conform thereto or, if not possible, to be omitted herefrom. The invalidity of any portion of this Agreement shall not affect the force and effect of the remaining valid portions

hereof. Section and paragraph headings are included in this Agreement for convenience only and are not intended to affect in any way the meaning or interpretation of this Agreement.

11. Beneficiaries.

Wherever this Agreement provides for the written designation of a beneficiary or beneficiaries by yourself, you shall have the right to revoke such designation and to redesignate a beneficiary or beneficiaries by written notice to the Company to such effect.

12. Governing Law.

This Agreement is governed by and is to be construed and enforced in accordance with the laws of the State of New York.

13. Miscellaneous.

This Agreement constitutes the entire understanding between you and the Company relating to your employment with the Company and supersedes and cancels all prior written and oral understandings and agreements with respect to such matters, other than with respect to the deferred compensation account under Section 4(b). This Agreement shall be binding upon, and shall inure to the benefit of you and the Company, your heirs, executors and administrators and the Company's successors.

If the foregoing correctly sets forth the understanding between you and the Company, please execute and return the enclosed copy of this letter.

CONMED CORPORATION

By: _____

Agreed and accepted as of the date first above written:

- ------------------------------
Eugene R. Corasanti

STOCK OPTION PLAN
FOR NON-EMPLOYEE DIRECTORS
OF CONMED CORPORATION

The Stock Option Plan for Non-Employee Directors of CONMED Corporation (this "Plan") is established to attract and retain highly qualified individuals who are not current or former employees of CONMED Corporation (the "Company") as members of the Board of Directors of the Company and to enable them to increase their ownership in the common stock, par value $0.01 per share, of the Company (the "Company's Common Stock"). This Plan will be beneficial to the Company and its stockholders because it will allow these directors to have a greater personal financial stake in the Company through the ownership of the Company's Common Stock, in addition to underscoring their common interest with stockholders in increasing the long-term value of the Company's Common Stock.

1. ELIGIBILITY

All members of the Company's Board of Directors who are not current or former employees of the Company or any of its subsidiaries ("Non-Employee Directors") are eligible to participate in this Plan.

2. SHARES AVAILABLE

(a) Number of Shares Available. Stock options may be granted under this Plan to purchase up to a maximum of 50,000 shares of the Company's Common Stock, subject to adjustment, as hereinafter provided. Shares issuable under this Plan may be authorized but unissued shares or treasury shares. If any stock option granted under this Plan expires or otherwise terminates without having been exercised, the shares subject to the unexercised portion of such stock option shall continue to be available for the granting of stock options under this Plan.

(b) Recapitalization Adjustment. In the event of a reorganization, recapitalization, stock split, stock dividend, combination of shares, merger, consolidation, rights offering, or any other change in the corporate structure or shares of the Company, adjustments in the number and kind of shares authorized by this Plan, in the number and kind of shares covered by, and in the option price of outstanding stock options under, this Plan shall be made if, and in the same manner as, such adjustments are made to stock options issued under the Company's then current stock option plans.

3. ANNUAL GRANT OF NONQUALIFIED STOCK OPTIONS

Each year on the first business day following the Company's Annual Meeting of Stockholders, each individual elected, reelected or continuing as a Non-Employee Director shall automatically receive stock options covering 1,000 shares of the Company's Common Stock. If the Company's Common Stock is not listed for quotation on the Nasdaq National Market on any such date a grant would otherwise be awarded, then such grant shall be made the next day thereafter that the Company's Common Stock is so listed on Nasdaq National Market or any national securities exchange or inter-dealer automated quotation system.

4. OPTION PRICE

The price of each stock option granted under this Plan shall be the Fair Market Value (as defined below) on the date of grant of such option. For purposes of this Plan, "Fair Market Value" shall mean, as of any date, (i) if the Company's Common Stock is listed or admitted to unlisted trading privileges on any national securities exchange or is not so listed or admitted but transactions in the Company's Common Stock are reported on the Nasdaq National Market, the mean between the reported high and low sale prices of the Company's Common Stock on such exchange or by the Nasdaq National Market as of such date (or, if no such shares were traded on such date, as of the next preceding day on which there was such a trade); or (ii) if the Company's Common Stock is not so listed or admitted to unlisted trading privileges or reported on the Nasdaq National Market, and bid and asked prices therefor in the over-the-counter market are reported by the National Association of Securities Dealers, Inc. or the National Quotation Bureau, Inc. (or any comparable reporting service), the mean of the closing bid and ask prices of the Company's Common Stock as of such date, as so reported; or (iii) if the Company's Common Stock is not so listed or reported, such value as the Board of Directors of the Company determines in good faith in the exercise of its reasonable discretion.

5. OPTION PERIOD

A stock option granted under this Plan shall become exercisable one year after date of grant and shall expire ten years after date of grant (the "Option Period").

6. PAYMENT

The stock option price shall be paid in cash in U.S. dollars at the time the stock option is exercised.

7. TERMINATION OF SERVICE

Upon termination of service as a Non-Employee Director (other than for reasons of retirement, disability or death), all stock options of such optionee shall terminate immediately. If an optionee's service is terminated by reason of disability or retirement with the consent of the Board of Directors (other than the optionee), such optionee's stock options shall be exercisable at any time prior to the expiration date of the stock option or within 90 days after the date of such termination, whichever is the shorter period. If an optionee's service is terminated as a result of such optionee's death, such optionee's stock options shall be exercisable by the person or persons to whom those rights pass by will or by the laws of descent and distribution at any time prior to the expiration date of the stock option or within 90 days after the date of such death, whichever is the shorter period.

8. ADMINISTRATION AND AMENDMENT OF THIS PLAN

This Plan shall be administered by the Board of Directors of CONMED Corporation. This Plan may be terminated or suspended by the Board of Directors as they deem advisable. The Board of Directors may amend this Plan from time to time in any respect the Board of Directors may deem to be in the best interests of the Company; provided, however, that (a) no such amendment shall be effective without approval of the shareholders of the Company, if shareholder approval of the amendment is then required pursuant to Rule 16b-3 under the Securities Exchange Act of 1934 (the "Exchange Act"), or the applicable rules of any securities exchange or consolidated reporting system, and (b) to the extent prohibited by Rule 16b-3(c)(2)(ii)(B) under the Exchange Act, this Plan may not be amended more than once every six months unless necessary to comply with the Internal Revenue Code of 1986, as amended. A stock option may not be granted under this Plan after May 23, 2005, but stock options granted prior to that date shall continue to become exercisable and may be exercised according to their terms.

9. NONTRANSFERABILITY

No stock option granted under this Plan is transferable other than by will or the laws of descent and distribution. During the optionee's lifetime, a stock option may only be exercised by the optionee or the optionee's guardian or legal representative.

10. COMPLIANCE WITH SEC REGULATIONS

It is the Company's intent that this Plan comply in all respects with Rule 16b-3 under the Exchange Act, and any regulations promulgated thereunder. If any provision of this Plan is later found not to be in compliance with Rule 16b-3 under the Exchange Act, the provision shall be deemed null and void. All grants of stock options under this Plan shall be executed in accordance with the requirements of Rule 16b-3 under the Exchange Act.

11. GOVERNMENTAL COMPLIANCE

Each grant under this Plan shall be subject to the requirement that if at any time the Board of Directors shall determine that the listing, registration or qualification of any shares issuable or deliverable thereunder upon any securities exchange or under any federal or state law, or the consent or approval of any governmental regulatory body, is necessary or desirable as a condition thereof, or in connection therewith, no such grant may be exercised or shares issued or delivered unless such listing, registration, qualification, consent or approval shall have been effected or obtained free of any conditions not acceptable to the Board of Directors.

12. MISCELLANEOUS

Except as provided in this Plan, no Non-Employee Director shall have any claim or right to be granted a stock option under this Plan. Neither this Plan nor any action thereunder shall be construed as giving any director any right to be retained in the service of the Company.

13. GOVERNING LAW

This Plan and all rights and obligations under this Plan shall be construed in accordance with and governed by the laws of the State of New York.

14. EFFECTIVE DATE

This Plan shall be effective May 23, 1995 or such later date as stockholder approval is obtained.

AMENDMENT TO THE COMPANY'S
1992 STOCK OPTION PLAN

The amendment amends Section 2 of the 1992 Stock Option Plan to read in its entirety as follows:

2. STOCK

Options may be granted under the Plan to purchase up to a maximum of 2,000,000 shares of the Company's common stock, par value $.01 per share ("Common Stock"), in the aggregate and 800,000 shares of Common Stock for any participant, subject to adjustment as hereinafter provided. Shares issuable under the Plan may be authorized but unissued shares or reacquired shares, and the Company may purchase shares required for this purpose, from time to time, if it deems such purchases to be advisable. If any option granted under the Plan expires or otherwise terminates without having been exercised, the shares subject to the unexercised portion of such option shall continue to be available for the granting of options under the Plan.

Language deleted by the amendment has been crossed out and language added by the amendment has been underlined. The rest of the 1992 Stock Option Plan, which was approved by shareholders in 1992, will remain unchanged.

EXHIBIT 11

Computation of Weighed Average Number of Shares of Common Stock

	Year Ended December		
	1994	1995	1996
Shares outstanding at beginning of period	9,027	9,057	11,000
Weighted average shares issued	5	1,460	3,045
Incremental shares of common stock outstanding giving effect to stock options and warrant	592	1,096	451
Weighted average shares for earnings per share	9,624	11,613	14,496

EXHIBIT 21

Subsidiaries of CONMED Corporation

Name	State of Incorporation
Aspen Laboratories, Inc.	Colorado
Consolidated Medical Equipment International, Inc.	New York
CONMED Andover Medical, Inc.	New York
Birtcher Medical Systems, Inc.	California
NDM, Inc.	New York

EXHIBIT 23

CONSENT OF INDEPENDENT ACCOUNTS

We hereby consent to the incorporation by reference in the Registration Statements on Form S-8 (Nos. 33-23514, 33-49422 and 33-49526) of CONMED Corporation of our report dated February 7, 1997 appearing on page F-1 of the 1996 Annual Report on Form 10-K.

PRICE WATERHOUSE LLP

Syracuse, New York
March 21, 1997

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