SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-Q

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

For the Quarter Ended September 27, 1996 Commission File Number 0-16093

CONMED CORPORATION

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

New York	16-0977505
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)

310 Broad Street, Utica, New York	13501
(Address of principal executive offices)	(Zip Code)

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

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

The number of shares outstanding of registrant's common stock, as of October 31, 1996 is 14,944,693 shares.

CONMED CORPORATION

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FORM 10-Q

PART I FINANCIAL INFORMATION

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

	For the three months ended Sept. 29, 1995	For the three months ended Sept. 27, 1996	For the nine months ended Sept. 29, 1995	For the nine months ended Sept. 27, 1996
Net sales.....................	$26,258	$31,432	$71,886	$92,422
Cost and expenses:				
Cost of sales...............	13,737	16,469	37,960	48,141
Selling and administrative.	6,586	7,949	18,703	23,645
Research and development....	781	861	2,115	2,238
Total operating expenses..	21,104	25,279	58,778	74,024
Income from operations........	5,154	6,153	13,108	18,398
Interest income (expense),net.	(741)	148	(1,436)	(384)
Income before taxes...........	4,413	6,301	11,672	18,014
Provision for income taxes....	1,524	2,268	4,125	6,485
Net income....................	$ 2,889	$ 4,033	$ 7,547	$11,529
Weighted common shares and equivalents.................	12,168	15,195	11,396	14,285
Earnings per share............	$ .24	$ .27	$ .66	$ .81

See notes to consolidated financial statements.

CONMED CORPORATION
CONSOLIDATED BALANCE SHEETS
(in thousands except share amounts)

ASSETS

	December 29, 1995	Sept. 27, 1996 (unaudited)

Current assets:		
Cash and cash equivalents	$ 1,539	$ 13,978
Accounts receivable, net	22,649	26,181
Income taxes receivable	961	-
Inventories (Note 4)	20,943	23,010
Deferred income tax assets	2,678	678
Prepaid expenses and other current assets	476	1,071
Total current assets	49,246	64,918
Property, plant and equipment, net	19,728	29,925
Deferred income taxes	2,907	2,907
Covenant not to compete, net	1,153	823
Goodwill, net	41,438	60,696
Patents, trademarks, and other assets, net	4,931	5,684
Total assets	$ 119,403	$164,953

LIABILITIES AND SHAREHOLDERS' EQUITY

Current liabilities:		
Current portion of long-term debt	$ 6,000	$
Accounts payable	2,351	2,126
Income taxes payable	-	400
Accrued payroll and withholdings	2,282	1,301
Accrued pension	274	112
Other current liabilities	989	1,876
Total current liabilities	11,896	5,815
Long-term debt	26,340	-
Deferred compensation	868	978
Accrued pension	276	276
Long term leases	3,521	3,025
Other long-term liabilities	1,500	1,491
Total liabilities	44,401	11,585

CONMED CORPORATION
CONSOLIDATED BALANCE SHEETS
(in thousands except share amounts)
(continued)

	December 29, 1995	Sept. 27, 1996 (unaudited)
Shareholders' equity:		
Preferred stock, par value $.01 per share; authorized 500,000 shares; none outstanding	-	-
Common stock, par value $.01 per share; 20,000,000 and 40,000,000 authorized; 11,000,105 and 14,944,693 issued and outstanding,in 1995 and 1996, respectively	110	150
Paid-in capital	44,560	111,357
Retained earnings	30,332	41,861
Total equity	75,002	153,368
Total liabilities and shareholders' equity	$ 119,403	$164,953

See notes to consolidated financial statements.

CONMED CORPORATION
CONSOLIDATED STATEMENTS OF CASH FLOWS
(in thousands)

(unaudited)

	For the nine months ended	
	Sept. 29, 1995	Sept. 27, 1996
Cash flows from operating activities:		
Net income	$ 7,547	$11,529
Adjustments to reconcile net income to net cash provided (used) by operations:		
Depreciation	1,895	2,979
Amortization	1,454	2,269
Increase (decrease) in cash flows from changes in assets and liabilities		
Accounts receivable	(3,046)	(958)
Inventories	(4,953)	(2)
Prepaid expenses and other assets	(339)	(441)
Deferred income taxes	-	2,000
Patents, trademarks and other assets	574	(1,334)
Accounts payable	(1,004)	(225)
Income tax payable	(833)	1,361
Income tax benefit of stock option exercises	989	1,035
Accrued payroll and withholdings	(97)	(981)
Accrued pension	(145)	(162)
Accrued patent litigation costs	(2,360)	-
Other current liabilities	(371)	679
Other liabilities	466	(570)
	(7,770)	5,650
Net cash provided (used) by operations	(223)	17,179
Cash flows from investing activities:		
Business acquisitions	(9,500)	(33,705)
Acquisition of property, plant, and equipment	(3,805)	(3,992)
Net cash used by investing activities	(13,305)	(37,697)
Cash flows from financing activities:		
Proceeds from issuance of common stock, net	1,931	65,802
Proceeds of long and short term debt	26,590	32,660
Payments on debt and other obligations	(17,006)	(65,505)
Net cash provided by financing activities	11,515	32,957
Net increase (decrease)in cash and cash equivalents	(2,013)	12,439
Cash and cash equivalents at beginning of period.	3,615	1,539
Cash and cash equivalents at end of period	$ 1,602	$13,978

See notes to consolidated financial statements.

CONMED CORPORATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 1 - Consolidation

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

Note 2 - Interim financial information

The statements for the three and nine months ended September 29, 1995 and September 27, 1996 are unaudited; in the opinion of the Company such unaudited statements include all adjustments (which comprise only normal recurring accruals) necessary for a fair presentation of the results for such periods. The consolidated financial statements for the year ending December 27, 1996 are subject to adjustment at the end of the year when they will be audited by independent accountants. The results of operations for the three and nine months ended September 29, 1995 and September 27, 1996 are not necessarily indicative of the results of operations to be expected for any other quarter nor for the year ending December 27, 1996. The consolidated financial statements and notes thereto should be read in conjunction with the financial statements and notes for the years ended December 30, 1994 and December 29, 1995 included in the Company's Annual Report to the Securities and Exchange Commission on Form 10-K.

Note 3 - Earnings per share

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

Note 4 - Inventories

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

	December 29, 1995	September 27 1996
Raw materials...............	$ 7,209	$ 7,729
Work-in-process............	5,680	7,283
Finished goods..............	8,054	7,998
Total.................	$ 20,943	$ 23,010

Note 5 - Business acquisitions

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. The acquisition was 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 May 19, 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. The acquisition was 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 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 $31.2 million and the assumption of $2.7 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. The allocation of the purchase price for this acquisition is based on management's preliminary estimates; it is possible that re-allocations will be required during the next six months as additional information becomes available. Management does not believe that such re-allocations will have a material effect on the Company's results of operations or financial position.

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

	For the Three Months Ended	For the Nine Months Ended

	Sept.29, 1995	Sept.29, 1995	Sept.27, 1996
Pro forma net sales	$ 31,450	$ 99,681	$94,922
Pro forma net income	$ 3,076	$ 10,141	$11,750
Pro forma earnings per common, and common equivalent shares	$ .25	$ .85	$ .82

Note 6 - Stock Split and Stock Offering

On October 31, 1995, the Board of Directors of the Company declared a three-for-two split of the Company's common stock, to be effected in the form of a stock dividend, payable on November 30, 1995 to shareholders of record on November 13, 1995. Accordingly, common stock, retained earnings, earnings per share, the number of shares outstanding, and the weighted average number of shares and equivalents outstanding, have been restated to retroactively reflect the split.

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

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

Three months ended September 27, 1996 compared to three months ended September 29, 1995

Sales for the quarter ended September 27, 1996 were $31,432,000, an increase of 19.7% compared to sales of $26,258,000 in the quarter ended September 29, 1995. The increase is primarily a result of incremental sales volume associated with the NDM acquisition which became effective February 23, 1996.

Cost of sales increased to $16,469,000 in the current quarter compared to the $13,737,000 in the same quarter a year ago as a result of increased sales volume. The Company's gross margin percentage was substantially the same in the third quarter of 1996 as compared to 1995. The overall gross margin percentage in the third quarter of 1996 was favorably impacted by economies of scale and manufacturing efficiencies from the completed acquisitions, as well as the cost savings resulting from the fourth quarter 1995 move of the Company's ECG manufacturing facility from Haverhill, Massachusetts to Rome, New York. However, offsetting these gains in gross margin percentage were the effects of slightly lower pricing on ECG electrodes and the effects of the NDM product line which generally have slightly lower gross margins percentages than the Company's overall gross margin percentage.

Selling and administrative expenses increased to $7,949,000 in the third quarter of 1996 as compared to $6,586,000 in the third quarter of 1995. This increase resulted from the effects of the NDM acquisition. As a percentage of sales, however, selling and administrative expense remained fairly constant in the third quarters of 1996 and 1995 at 25%.

Research and development expense was $861,000 in the third quarter of 1996 as compared to $781,000 in the comparable 1995 period. This increase reflects increased activity in the 1996 period related to development of minimally-invasive surgical products.

The third quarter of 1996 had interest income of $148,000 compared to interest expense of $741,000 in the third quarter of 1995. As discussed below under Liquidity and Capital Resources, all of the Company indebtedness was repaid in the first quarter of 1996 with the proceeds of a March 1996 equity offering.

The provision for income tax increased in 1996 due to the higher income before tax.

Nine months ended September 27, 1996 compared to nine months ended September 29, 1995

The Company recorded net sales of $92,422,000 for the nine months ended September 27, 1996 compared to $71,886,000 for the nine months ended September 29, 1995, an increase of 29%. The increase is substantially a result of the effects of the Birtcher, Master Medical and NDM acquisitions.

The Company's gross margin was 47.9% for the first nine months of 1996 compared to 47.2% for the first nine months of 1995. As discussed above, the increase in gross margin percent is primarily a result of economies of scale and efficiencies resulting from the completed acquisitions and the move of the Company's ECG electrode manufacturing facility.

Selling and administrative costs have increased comparing the first nine months of 1996 with the first nine months of 1995 due to the effects of the acquisitions. However, as a percentage of sales, selling and administrative expense declined to 25.6% from 26.0% in the prior comparable period due to economies of scale resulting from acquisitions.

The first nine months of 1996 had net interest expense of $384,000 compared to $1,436,000 in the first nine months of 1995. As discussed under Liquidity and Capital Resources below, maximum borrowings during 1996 were $65,000,000 of which $32,660,000 related to the February 23, 1996 acquisition of NDM. All such indebtedness was repaid in late March 1996 with proceeds from the Company's equity offering. Aggregate indebtedness at September 29, 1995 was approximately $34,000,000 of which approximately $11,000,000 was incurred to facilitate the Birtcher acquisition in March 1995 and $10,000,000 was incurred to acquire Master Medical in May 1995.

Liquidity and Capital Resources

Cash flows provided or used by operating, investing and financing activities for the first nine months of 1995 and 1996 are disclosed in the Consolidated Statements of Cash Flows. Net cash provided by operations was $17,179,000 for the first nine months of 1996 as compared to $223,000 used by operations for the first nine months of 1995. Operating cash flows for the first nine months of 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 the first nine months of 1996 were negatively impacted by increases in accounts receivable and other assets and reductions in accrued payroll and withholdings. Adding to cash flows from operations for this period was a reduction in deferred income taxes, an increase in income taxes payable and the income tax benefit of stock option exercises.

Net cash used by investing activities was $37,697,000 in the first nine months of 1996 compared to $13,305,000 in the first nine months of 1995. Cash used for the 1996 acquisition of NDM approximated $33.7 million. Additions to property, plant and equipment for the first nine months of 1996 amounted to $3,992,000. During the first nine months of 1995, cash used for the Master Medical acquisition amounted to $9,500,000 and additions to property, plant and equipment amounted to $3,805,000.

Cash flows from financing activities were $32,957,000 for the first nine months of 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 equity offering of common stock and used $65,000,000 of the proceeds to eliminate the indebtedness of the Company.

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.

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

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

A. The annual meeting of shareholders was held on May 21, 1996.

C. Following is a description of the other matters voted upon at the May 21, 1996 annual meeting:

	Affirmative Vote	Negative Vote
1. Approved an amendment to the Company's 1992 Stock Option Plan to increase to 2,000,000 from 1,012,500 the number of shares of common stock that may be issued upon the exercise of options.	9,203,514	1,657,352
2. Approved an amendment to the Company's Certificate of Incorporation to increase to 40,000,000 the number of authorized shares of common stock.	12,568,610	577,176

Item 6. Exhibits and Reports on Form 8-K

List of Exhibits

Exhibit No.	Description
11	Computation of weighted average number of shares of common stock

Reports on Form 8-K

None

SIGNATURES

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

CONMED CORPORATION
(Registrant)

Date: November 8, 1996

/s/ Robert D. Shallish, Jr.

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

EXHIBIT 11

Computation of weighted average number of shares of common stock

	For the three months ended		For the nine months ended	
	Sept. 29, 1995	Sept. 27 1996	Sept.29, 1995	Sept. 27, 1996
Shares outstanding at beginning of period	10,785	14,933	9,059	11,105
Weighted average shares issued	141	6	1,276	2,644
Incremental shares of common stock outstanding giving effect to stock options and warrant	1,242	256	1,061	536
	12,168	15,195	11,396	14,285

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