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 March 31, 2002 Commission File Number 0-16093

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

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

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

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

The number of shares outstanding of registrant's common stock, as of April 30, 2002 is 25,621,202 shares.

CONMED CORPORATION

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CONMED CORPORATION
CONSOLIDATED CONDENSED STATEMENTS OF INCOME
Three Months Ended March 31, 2001 and 2002
(in thousands except per share amounts)
(unaudited)

	2001	2002
Net sales	$105,909	$113,205
Cost of sales	49,674	54,104
Selling and administrative expense	34,829	34,468
Research and development expense	3,696	3,824
	88,199	92,396
Income from operations	17,710	20,809
Interest expense, net	8,331	6,628
Income before income taxes	9,379	14,181
Provision for income taxes	3,376	5,105
Net income	$ 6,003	$ 9,076
Per share data:		
Net income		
Basic	$ .26	$ .36
Diluted	26	.35
Weighted average common shares		
Basic	23,057	25,397
Diluted	23,307	25,969

See notes to consolidated condensed financial statements.

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

	December 31, 2001	(unaudited) March 31, 2002
ASSETS		
Current assets:		
Cash and cash equivalents	$ 1,402	$ 2,634
Accounts receivable, net	51,188	50,893
Inventories	107,390	109,951
Deferred income taxes	1,105	1,105
Prepaid expenses and other current assets	3,464	3,698
Total current assets	164,549	168,281
Property, plant and equipment, net	91,026	92,028
Goodwill, net	251,140	252,450
Other intangible assets, net	189,752	188,614
Other assets	5,141	5,577
Total assets	$701,608	$706,950
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current liabilities:		
Current portion of long-term debt	$ 73,429	$ 73,914
Accounts payable	19,877	26,380
Accrued compensation	11,863	9,256
Income taxes payable	2,507	2,340
Accrued interest	4,954	1,573
Other current liabilities	7,207	7,384
Total current liabilities	119,837	120,847
Long-term debt	262,500	252,077
Deferred income taxes	18,655	22,924
Other long-term liabilities	16,982	15,891
Total liabilities	417,974	411,739
Shareholders' equity:		
Preferred stock, par value $.01 per share; authorized 500,000 shares; none outstanding	--	--
Common stock, par value $.01 per share; 100,000,000 shares authorized; 25,261,590 and 25,549,358 shares issued and outstanding in 2001 and 2002, respectively	253	255
Paid-in capital	160,757	162,740
Retained earnings	128,240	137,316
Accumulated other comprehensive loss	(5,197)	(4,681)
Less 37,500 shares of common stock in treasury, at cost	(419)	(419)
Total shareholders' equity	283,634	295,211
Total liabilities and shareholders' equity	$701,608	$706,950

See notes to consolidated condensed financial statements.

CONMED CORPORATION
CONSOLIDATED CONDENSED STATEMENTS OF CASH FLOWS
Three Months Ended March 31, 2001 and 2002
(in thousands)
(unaudited)

	2001	2002
Cash flows from operating activities:		
Net income	$ 6,003	$ 9,076
Adjustments to reconcile net income to net cash provided by operations:		
Depreciation	2,185	2,206
Amortization	5,381	3,197
Increase (decrease) in cash flows from changes in assets and liabilities:		
Accounts receivable	(1,837)	289
Inventories	(1,168)	(3,605)
Prepaid expenses and other current assets	(677)	(247)
Accounts payable	2,114	6,503
Income taxes payable	3,036	(167)
Accrued compensation	180	(2,607)
Accrued interest	(3,114)	(3,381)
Other assets/liabilities, net	(987)	1,087
	5,113	3,275
Net cash provided by operating activities	11,116	12,351
Cash flows from investing activities:		
Purchases of property, plant, and equipment	(3,867)	(3,208)
Net cash used by investing activities	(3,867)	(3,208)
Cash flows from financing activities:		
Borrowings (repayments)under revolving credit facility	3,000	(1,000)
Proceeds from issuance of common stock	481	1,985
Payments on long-term debt	(9,023)	(8,938)
Net cash used by financing activities	(5,542)	(7,953)
Effect of exchange rate changes on cash and cash equivalents	(1,073)	42
Net increase in cash and cash equivalents	634	1,232
Cash and cash equivalents at beginning of period	3,470	1,402
Cash and cash equivalents at end of period	$ 4,104	$ 2,634

See notes to consolidated condensed financial statements.

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

Note 1 - Organization and operations

The consolidated condensed financial statements include the accounts of CONMED Corporation and its subsidiaries ("CONMED", the "Company", "we" or "us"). All intercompany accounts and transactions have been eliminated. CONMED Corporation is a medical technology company specializing in instruments, implants and video equipment for arthroscopic sports medicine, and powered surgical instruments, such as drills and saws, for orthopedic, ENT, neuro-surgery and other surgical specialties. We are also a leading developer, manufacturer and supplier of advanced medical devices, including radio frequency, or RF, electrosurgery systems used routinely to cut and cauterize tissue in nearly all types of surgical procedures worldwide and endoscopy products such as trocars, clip appliers, scissors and surgical staplers. We also manufacture and sell a full line of ECG electrodes for heart monitoring and other patient care products. Our products are used in a variety of clinical settings, such as operating rooms, surgery centers, physicians' offices and critical care areas of hospitals. Our business is organized, managed and internally reported as a single segment, since our product offerings have similar economic, operating and other related characteristics.

Note 2 - Interim financial information

The statements for the three months ended March 31, 2001 and 2002 are unaudited; in our opinion 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 condensed financial statements for the year ending December 31, 2002 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 months ended March 31, 2002 are not necessarily indicative of the results of operations to be expected for any other quarter nor for the year ending December 31, 2002. The consolidated condensed financial statements and notes thereto should be read in conjunction with the financial statements and notes for the year ended December 31, 2001 included in our Annual Report to the Securities and Exchange Commission on Form 10-K.

Note 3 - Other comprehensive income (loss)

Comprehensive income (loss) consists of the following:

	Three months ended March 31, 2001	Three months ended March 31, 2002
Net income	$ 6,003	$ 9,076
Other comprehensive income:		
Foreign currency translation adjustment	(1,063)	36
Cash flow hedging (net of income taxes)	(1,550)	480
Comprehensive income	$ 3,390	$ 9,592

Accumulated other comprehensive income (loss) consists of the following:

	Minimum Pension Liability	Cumulative Translation Adjustments	Cash Flow Hedges	Accumulated Other Comprehensive Income (loss)
Balance, December 2001	$(1,062)	$(2,169)	$(1,966)	$(5,197)
Foreign currency translation adjustments	-	36	-	36
Cash flow hedging (net of income taxes)	-	-	480	480
Balance, March 2002	$(1,062)	$(2,133)	$(1,486)	$(4,681)

Note 4 - Inventories

The components of inventory are as follows:

	December 31, 2001	March 31, 2002
Raw materials	$38,101	$38,173
Work-in-process	11,921	13,893
Finished goods	57,368	57,885
Total	$107,390	$109,951

Note 5 - Earnings per share

Basic earnings per share (EPS) is computed based on the weighted average number of common shares outstanding for the period. Diluted EPS gives effect to all dilutive potential shares outstanding (i.e., options and warrants) during the period. The following is a reconciliation of the weighted average shares used in the calculation of basic and diluted EPS (in thousands):

	Three months ended March 31, 2001	2002
Shares used in the calculation of Basic EPS (weighted average shares outstanding)	23,057	25,397
Effect of dilutive potential securities	250	572
Shares used in the calculation of Diluted EPS	23,307	25,969

The shares used in the calculation of diluted EPS exclude warrants and options to purchase shares where the exercise price was greater than the average market price of common shares for the period. Such shares aggregated 2,296,000 and 351,000 for the three months ended March 31, 2001 and 2002, respectively.

Note 6 - Business acquisitions

On June 11, 2001, we reached a definitive agreement to acquire the remaining assets of the minimally invasive surgical business of Imagyn Medical Technologies, Inc. that we did not acquire in November 2000 (the "second Imagyn acquisition"). The results of operations of the acquired business are included in our consolidated results from July 6, 2001, the date of acquisition. The new products, with revenues of $6.5 million in the quarter ended March 31, 2002, complement our existing endoscopy product lines. Under the terms of the acquisition agreement, we issued Imagyn 1,950,000 shares of CONMED common stock, valuing the transaction at $29.9 million based on the average market price of our common stock over the 2-day period before and after the terms of the acquisition were agreed to and announced. Goodwill associated with the second Imagyn acquisition aggregated approximately $26.7 million.

Note 7 - Subsequent events

On April 30, 2002, we filed a registration statement to sell up to 3,450,000 shares of our common stock. The registration statement is not yet effective. We plan to use the net proceeds from this offering to repay outstanding debt under our credit agreement.

In 1997, in connection with the acquisition of Linvatec Corporation, we issued to Bristol-Myers Squibb Company a warrant exercisable in whole or in part for up to 1,500,000 shares of our common stock at a price of $22.82 per share. On May 6, 2002, we purchased the warrant for $2.0 million in cash and subsequently cancelled it. The purchase resulted in a $2.0 million reduction to paid-in capital.

Note 8 - New accounting pronouncements

In June 2001, the Financial Accounting Standards Board approved Statement of Financial Accounting Standards No. 142 "Goodwill and Other Intangible Assets", ("SFAS 142"). We adopted SFAS 142 effective January 1, 2002. Under this standard, amortization of goodwill and certain intangible assets, including certain intangibles recorded as a result of past business combinations, is to be discontinued upon adoption of SFAS 142. In addition, in accordance with the transition provisions of SFAS 142, goodwill recorded as a result of the second Imagyn acquisition has not been amortized.

During the quarter ended March 31, 2002, we performed tests of goodwill and indefinite-lived intangible assets as of January 1, 2002. We tested for impairment using the two-step process prescribed in SFAS 142. The first step is a screen for potential impairment. The second step, which has been determined not to be necessary, measures the amount of any impairment. No impairment losses have been recognized as a result of these tests. The following is a reconciliation assuming goodwill and other intangible assets had been accounted for in accordance with SFAS 142 in the quarter ended March 31, 2001:

	Three months ended March 31, 2001	Three months ended March 31, 2002
Reported net income	$6,003	$ 9,076
Adjustments (net of income taxes)		
Add back: Goodwill amortization	1,030	--
Add back: Trademarks and tradenames amortization	383	--
Adjusted net income	$7,416	$ 9,076

	2001	2002
	======	=======

Basic earnings per share	Three months ended March 31, 2001	2002
Reported net income	$ .26	$ .36
Adjustments (net of income taxes)		
Add back: Goodwill amortization	.04	--
Add back: Trademarks and tradenames amortization	.02	--
Adjusted net income	$ .32	$ .36

Diluted earnings per share	Three months ended March 31, 2001	2002
Reported net income	$ .26	$ .35
Adjustments (net of income taxes)		
Add back: Goodwill amortization	.04	--
Add back: Trademarks and tradenames amortization	.02	--
Adjusted net income	$ .32	$ .35

Note 9 - Guarantor financial statements

Our credit facility and subordinated notes (the "Notes") are guaranteed (the "Subsidiary Guarantees") by each of our subsidiaries (the "Subsidiary Guarantors") except CRC (the "Non-Guarantor Subsidiary"). The Subsidiary Guarantees provide that each Subsidiary Guarantor will fully and unconditionally guarantee our obligations under the credit facility and the Notes on a joint and several basis. Each Subsidiary Guarantor and Non-Guarantor Subsidiary is wholly-owned by CONMED Corporation. The following supplemental financial information sets forth on a condensed consolidating basis, condensed consolidating balance sheet, statement of income and statement of cash flows for the Parent Company Only, Subsidiary Guarantors and Non-Guarantor Subsidiary and for the Company as of December 31, 2001 and March 31, 2002 and for the three months ended March 31, 2001 and 2002.

CONMED CORPORATION
CONSOLIDATING CONDENSED BALANCE SHEET
December 31,2001
(in thousands)

	Parent Company Only	Subsidiary Guarantors	Non-Guarantor Subsidiary	Eliminations	Company Total

	Parent Company Only	Subsidiary Guarantors	Non-Guarantor Subsidiary	Eliminations	Company Total
ASSETS					
Current assets:					
Cash and cash equivalents	$ --	$ 1,181	$ 221	$ --	$ 1,402
Accounts receivable, net	--	7,198	43,990	--	51,188
Inventories	23,045	84,345	--	--	107,390
Deferred income taxes	1,105	--	--	--	1,105
Prepaid expenses and other current assets	831	2,633	--	--	3,464
Total current assets	24,981	95,357	44,211	--	164,549
Property, plant and equipment, net	45,856	45,170	--	--	91,026
Goodwill, net	86,412	164,728	--	--	251,140
Other intangible assets, net	8,177	181,575	--	--	189,752
Other assets	477,798	2,376	--	(475,033)	5,141
Total assets	$643,224	$489,206	$44,211	$(475,033)	$701,608
LIABILITIES AND SHAREHOLDERS' EQUITY					
Current liabilities:					
Current portion of long-term debt	$ 72,241	$ 1,188	$ --	$ --	$ 73,429
Accounts payable	5,078	14,799	--	--	19,877
Accrued compensation	3,979	7,884	--	--	11,863
Income taxes payable	2,372	135	--	--	2,507
Accrued interest	4,760	37	157	--	4,954
Other current liabilities	4,634	2,573	--	--	7,207
Total current liabilities	93,064	26,616	157	--	119,837
Long-term debt	241,404	21,096	--		262,500
Deferred income taxes	18,655	--	--		18,655
Other long-term liabilities	6,467	285,329	41,947	(316,761)	16,982
Total liabilities	359,590	333,041	42,104	(316,761)	417,974
Shareholders' equity:					
Preferred stock	--	--	--		--
Common stock	253	1	--	(1)	253
Paid-in capital	160,757	--	2,000	(2,000)	160,757
Retained earnings	128,240	158,333	107	(158,440)	128,240
Accumulated other comprehensive loss	(5,197)	(2,169)	--	2,169	(5,197)
Less common stock in treasury, at cost	(419)	--	--	--	(419)
Total shareholders' equity	283,634	156,165	2,107	(158,272)	283,634
Total liabilities and shareholders' equity	$643,224	$489,206	$44,211	$(475,033)	$701,608

CONMED CORPORATION
CONSOLIDATING CONDENSED BALANCE SHEET
March 31, 2002
(in thousands)(unaudited)

	Parent Company Only	Subsidiary Guarantors	Non-Guarantor Subsidiary	Eliminations	Company Total
ASSETS					
Current assets:					
Cash and cash equivalents	$ --	$ 1,551	$ 1,083	$ --	$ 2,634
Accounts receivable, net	--	10,606	40,287	--	50,893
Inventories	24,132	85,819	--	--	109,951
Deferred income taxes	880	-	225	--	1,105
Prepaid expenses and other current assets	755	2,943	--	--	3,698
Total current assets	25,767	100,919	41,595	--	168,281
Property, plant and equipment, net	46,650	45,378	--	--	92,028
Goodwill, net	87,719	164,731	--	--	252,450
Other intangible assets, net	8,325	180,289	--	--	188,614
Other assets	477,232	2,448	--	(474,103)	5,577
Total assets	$645,693	$493,765	$41,595	$(474,103)	$706,950
LIABILITIES AND SHAREHOLDERS' EQUITY					
Current liabilities:					
Current portion of long-term debt	$ 72,720	$ 1,194	$ --	$ --	$ 73,914
Accounts payable	7,223	19,157	--	--	26,380
Accrued compensation	2,680	6,576	--	--	9,256
Income taxes payable	2,340	--	--	--	2,340
Accrued interest	1,268	256	49	--	1,573
Other current liabilities	6,793	591	--	--	7,384
Total current liabilities	93,024	27,774	49	--	120,847
Long-term debt	230,899	21,178	--		252,077

Deferred income taxes................................	22,924	--	--		22,924
Other long-term liabilities..........................	3,635	282,374	39,430	(309,548)	15,891
Total liabilities................................	350,482	331,326	39,479	(309,548)	411,739
Shareholders' equity:					
Preferred stock..................................	--	--	--		--
Common stock.....................................	255	1	--	(1)	255
Paid-in capital..................................	162,740	--	2,000	(2,000)	162,740
Retained earnings................................	137,316	164,571	116	(164,687)	137,316
Accumulated other comprehensive loss..	(4,681)	(2,133)	--	2,133	(4,681)
Less common stock in treasury, at cost..............................	(419)	--	--	--	(419)
Total shareholders' equity...................	295,211	162,439	2,116	(164,555)	295,211
Total liabilities and shareholders' equity.......................	$645,693	$493,765	$41,595	$(474,103)	$706,950

CONMED CORPORATION
CONSOLIDATING CONDENSED STATEMENT OF INCOME
Three Months Ended March 31, 2001
(in thousands)
(unaudited)

	Parent Company Only	Subsidiary Guarantors	Eliminations	Company Total
Net sales..	$ 20,470	$ 85,439	$ --	$105,909
Cost of sales..	12,483	37,191	--	49,674
Selling and administrative expense..................	6,098	28,731	--	34,829
Research and development expense.....................	382	3,314	--	3,696
	18,963	69,236	--	88,199
Income from operations..............................	1,507	16,203	--	17,710
Interest expense, net................................	-	8,331	--	8,331
Income before income taxes..........................	1,507	7,872	--	9,379
Provision for income taxes..........................	543	2,833	--	3,376
Income before equity in earnings of unconsolidated subsidiaries.....................	964	5,039	--	6,003
Equity in earnings of unconsolidated subsidiaries.......................................	5,039	--	(5,039)	--
Net income...	$ 6,003	$ 5,039	$ (5,039)	$ 6,003

CONMED CORPORATION
CONSOLIDATING CONDENSED STATEMENT OF INCOME
Three Months Ended March 31, 2002
(in thousands)
(unaudited)

	Parent Company Only	Subsidiary Guarantors	Non-Guarantor Subsidiary	Eliminations	Company Total
Net sales	$26,299	$ 86,906	$ --	$ --	$113,205
Cost of sales	14,003	40,101	--	--	54,104
Selling and administrative expense	7,447	27,355	(334)	--	34,468
Research and development expense	429	3,395	--	--	3,824
	21,879	70,851	(334)	--	92,396
Income from operations	4,420	16,055	334	--	20,809
Interest expense, net	-	6,308	320	--	6,628
Income before income taxes	4,420	9,747	14	--	14,181
Provision for income taxes	1,591	3,509	5	--	5,105
Income before equity in earnings of unconsolidated subsidiaries	2,829	6,238	9	--	9,076
Equity in earnings of unconsolidated subsidiaries	6,247	--	--	(6,247)	--
Net income	$ 9,076	$ 6,238	$ 9	$ (6,247)	$ 9,076

CONMED CORPORATION
CONSOLIDATING STATEMENT OF CASH FLOWS
Three Months Ended March 31, 2001
(in thousands)
(unaudited)

	Parent Company Only	Subsidiary Guarantors	Eliminations	Company Total
Net cash flows from operating activities	$ 3,120	$ 7,996	$ --	$ 11,116
Cash flows from investing activities:				
Distributions from subsidiaries	5,661	--	(5,661)	--
Purchases of property, plant and equipment	(3,239)	(628)	--	(3,867)
Net cash provided (used) by investing activities	2,422	(628)	(5,661)	(3,867)
Cash flows from financing:				
Distributions to parent	--	(5,661)	5,661	--
Borrowings under revolving credit facility	3,000	--	--	3,000
Proceeds from issuance of common stock	481	--	--	481
Payments on long-term debt	(9,023)	--	--	(9,023)
Net cash provided (used)by financing activities	(5,542)	(5,661)	5,661	(5,542)
Effect of exchange rate changes on cash and cash equivalents	--	(1,073)	--	(1,073)

Net increase (decrease) in cash and cash equivalents	--	634	--	634
Cash and cash equivalents at beginning of period	--	3,470	--	3,470
Cash and cash equivalents at end of period	$ --	$ 4,104	$ --	$ 4,104

CONMED CORPORATION
CONSOLIDATING CONDENSED STATEMENT OF CASH FLOWS
Three Months Ended March 31, 2002
(in thousands)
(unaudited)

	Parent Company Only	Subsidiary Guarantors	Non-Guarantor Subsidiary	Eliminations	Company Total
Net cash flows from operating activities	$ 2,761	$ 6,090	$ 3,500	$ --	$12,351
Cash flows from investing activities:					
Distributions from subsidiaries	6,752	--	--	(6,752)	--
Purchases of property, plant and equipment	(1,560)	(1,648)	--	--	(3,208)
Net cash provided (used) by investing activities	5,192	(1,648)	--	--	(3,208)
Cash flows from financing:					
Distributions to parent	--	(4,114)	--	4,114	--
Repayment on note payable to parent	--	--	(2,638)	2,638	--
Borrowings (repayments) under revolving credit facility	(1,000)	--	--	--	(1,000)
Proceeds from issuance of common stock	1,985	--	--	--	1,985
Payments on long-term debt	(8,938)	--	--	--	(8,938)
Net cash provided (used) by financing activities	(7,953)	(4,114)	(2,638)	6,752	(7,953)
Effect of exchange rate changes on cash and cash equivalents	--	42	--	--	42
Net increase (decrease) in cash and cash equivalents	--	370	862	--	1,232
Cash and cash equivalents at beginning of period	--	1,181	221	--	1,402
Cash and cash equivalents at end of period	$ --	$ 1,551	$ 1,083	$ --	$ 2,634

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

Forward-Looking Statements Made in this Form 10-Q

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

Forward-Looking Statements are not Guarantees of Future Performance

Forward-looking statements involve known and unknown risks, uncertainties and other factors, including those that may cause our actual results, performance or achievements, or industry results, to be materially different from any future results, performance or achievements expressed or implied by such forward-looking statements. Such factors include those identified under "Risk Factors" in our Annual Report on Form 10-K for the year-ended December 31, 2001 and the following, among others:

- general economic and business conditions;
- changes in customer preferences;
- changes in technology;
- the introduction of new products;
- changes in business strategy;
- the possibility that United States or foreign regulatory and/or administrative agencies might initiate enforcement actions against us or our distributors;
- quality of our management and business abilities and the judgment of our personnel; and
- the availability, terms and deployment of capital.

See "Management's Discussion and Analysis of Financial Condition and Results of Operations" below and "Business" in our Annual Report on Form 10-K for the year-ended December 31, 2001 for a further discussion of these factors. You are cautioned not to place undue reliance on these forward-looking statements, which speak only as of the date hereof. We do not undertake any obligation to publicly release any revisions to these forward-looking statements to reflect events of circumstances after the date of this prospectus or to reflect the occurrence of unanticipated events.

Critical Accounting Policies

The accounting policies discussed below are considered by management to be critical to understanding our financial condition and results of operations.

Accounts receivable sale

On November 1, 2001, we entered into a five-year accounts receivable sales agreement pursuant to which we and certain of our subsidiaries sell on an ongoing basis certain accounts receivable to CONMED Receivables Corporation, ("CRC"), our wholly-owned special-purpose subsidiary. CRC may in turn sell up to an aggregate $50.0 million

undivided percentage ownership interest in such receivables to a commercial paper conduit (the "conduit purchaser"). For receivables that have been sold, we retain collection and administrative responsibilities as agent for the conduit purchaser. As of December 31, 2001 and March 31, 2002, the undivided percentage ownership interest in receivables sold by CRC to the conduit purchaser aggregated $40.0 million, which has been accounted for as a sale and reflected in the balance sheet as a reduction in accounts receivable. We used the initial $40.0 million in proceeds from the sale of accounts receivable in November 2001 to repay a portion of our term loans under our credit agreement. Expenses associated with the sale of accounts receivable, including the conduit purchaser's financing cost of issuing commercial paper, were $0.3 million in the quarter ended March 31, 2002.

There are certain statistical ratios, primarily related to sales dilution and losses on accounts receivable which must be calculated and maintained on the pool of receivables in order to continue selling to the conduit purchaser. We believe that additional accounts receivable arising in the normal course of business will be of sufficient quality and quantity to qualify for sale under the accounts receivable sales agreement. In the event that new accounts receivable arising in the normal course of business do not qualify for sale, then collections on sold receivables will flow to the conduit purchaser rather than being used to fund new receivable purchases. If this were to occur, we would need to access an alternate source of working capital.

Goodwill and other intangible assets

Goodwill represents the excess of purchase price over fair value of identifiable net assets of acquired businesses. Other intangible assets primarily represent allocations of purchase price to identifiable intangible assets of acquired businesses. Goodwill and other intangible assets have been amortized over periods ranging from 5 to 40 years. Because of our history of growth through acquisitions, goodwill and other intangible assets comprise a substantial portion (62.4% at March 31, 2002) of our total assets.

In June 2001, the Financial Accounting Standards Board approved Statement of Financial Accounting Standards No. 142 "Goodwill and Other Intangible Assets", ("SFAS 142"). We adopted SFAS 142 effective January 1, 2002. Under this standard, amortization of goodwill and certain intangible assets, including certain intangibles recorded as a result of past business combinations, is to be discontinued upon adoption of SFAS 142. In addition, in accordance with the transition provisions of SFAS 142, goodwill recorded as a result of our acquisition of certain product lines from Imagyn Medical Technologies, Inc. in July 2001 (the "second Imagyn acquisition") has not been amortized.

During the quarter ended March 31, 2002, we performed tests of goodwill and indefinite-lived intangible assets as of January 1, 2002. We tested for impairment using the two-step process prescribed in SFAS 142. The first step is a screen for potential impairment. The second step, which has been determined not to be necessary, measures the amount of any impairment. No impairment losses have been recognized as a result of these tests. During the quarter ended March 31, 2002, net income increased by approximately $1.4 million or $.05 per share as a result of the adoption of SFAS 142.

Derivative financial instruments

We use an interest rate swap, a form of derivative financial instrument, to manage interest rate risk. We have designated as a cash-flow hedge, an interest rate swap which effectively converts $50.0 million of LIBOR-based floating rate debt under our credit facility into fixed rate debt with a

base interest rate of 7.01%. The interest rate swap expires in June 2003 and is included in liabilities on the balance sheet with a fair value approximating $2.3 million. During the quarter ended March 31, 2002, gross holding gains on the interest rate swap were $.1 million, before income taxes, and holding losses of $.6 million, before income taxes, were reclassified and included in net income. There were no material changes in our market risk during the quarter ended March 31, 2002. For a detailed discussion of market risk, see our Annual Report on Form 10-K for the year ended December 31, 2001, Part II, Item 7A, Quantitative and Qualitative Disclosures About Market Risk.

Revenue recognition

Revenue is recognized when title to the goods and risk of loss pass to our customers. Amounts billed to customers related to shipping and handling costs are included in net sales. We assess the risk of loss on accounts receivable and adjust the allowance for doubtful accounts based on this risk assessment. Historically, losses on accounts receivable have not been material. We believe the allowance for doubtful accounts of $1.5 million at March 31, 2002 is adequate to provide for any potential losses from accounts receivable.

Results of Operations

Three months ended March 31, 2002 compared to three months ended March 31, 2001

The following table presents, as a percentage of net sales, certain categories included in our unaudited consolidated statements of income for the periods indicated:

	Three Months Ended March 31, 2001	Three Months Ended March 31, 2002
	(unaudited)	(unaudited)
Net sales	100.0%	100.0%
Cost of sales	46.9	47.8
Gross margin	53.1	52.2
Selling and administrative expense	32.9	30.4
Research and development expense	3.5	3.4
Income from operations	16.7	18.4
Interest expense, net	7.8	5.9
Income before income taxes	8.9	12.5
Provision for income taxes	3.2	4.5
Net income	5.7%	8.0%

Sales for the quarter ended March 31, 2002 were $113.2 million, an increase of 6.9% compared to sales of $105.9 million in the same quarter a year ago. Excluding the effects of the second Imagyn acquisition, sales would have grown by approximately 1.0%. Fluctuations in foreign currency exchange rates in the first quarter of 2002 as compared to the same period a year ago did not have a significant effect on sales.

- Sales in our orthopedic businesses decreased 1.6% to $69.7 million from $70.8 million in the comparable quarter last year.

- Arthroscopy sales, which represented approximately 59.3% of total first quarter 2002 orthopedic revenues, grew 2.7% to $41.3 million from $40.2 million in the same period a year ago on strength in sales of disposable products and video equipment.

- Powered surgical instrument sales, which represented approximately 40.7% of orthopedic revenues, decreased 7.2% to $28.4 million from $30.6 million in the same quarter last year, which was a record quarter for powered surgical instrument sales. In the last three quarters of 2001, powered surgical instrument sales averaged $27.9 million per quarter. We introduced our PowerPro(R) battery powered product line in February 2002, replacing older versions of battery powered instruments. First shipments of this new product line occurred in March 31, 2002.

- Patient care sales for the three months ended March 31, 2002 were $17.3 million, a 1.7% decline from $17.6 million in the same period a year ago, driven primarily by declines in sales of our surgical suction product lines as a result of significant competition and pricing pressures. Sales of ECG and other patient care products were largely stable in the first quarter of 2002 as compared with the same period a year ago.

- Electrosurgery sales for the three months ended March 31, 2002 were $16.8 million, an increase of 12.0% from $15.0 million in the first quarter of last year, driven by strong increases in disposable electrosurgical pencil and ground pad sales.

- Sales of endoscopy products increased to $9.4 million in the three months ended March 31, 2002 from $2.5 million in the same period a year ago, primarily as a result of the second Imagyn acquisition. Sales of the Imagyn product lines, acquired as a result of the second Imagyn acquisition, contributed approximately $6.5 million in sales in the quarter ended March 31, 2002. Excluding the impact of the second Imagyn acquisition, endoscopy sales increased approximately 16.0%. In July 2001, concurrent with the second Imagyn acquisition, we created a separate sales force focused on selling endoscopy products. Previously, endoscopy products were sold through the electrosurgery sales force. We believe the continued strong sales growth we have experienced in the endoscopy product lines was enhanced by the focus provided by a separate, dedicated sales force.

Cost of sales increased to $54.1 million in the first quarter of 2002 as compared to $49.7 million in the same quarter a year ago as a result of the increased sales volumes described above, while gross margin percentage declined slightly to 52.2% in the first quarter of 2002 compared to 53.1% in the first quarter of 2001, primarily as a result of decreased sales of powered surgical instruments which carry higher gross margins than certain of our other product lines.

Selling and administrative expense decreased to $34.5 million in the first quarter of 2002 as compared to $34.8 million in the first quarter of 2001. As a percentage of sales, selling and administrative expense totaled 30.4% in the first quarter of 2002 compared to 32.9% in the first quarter of 2001. During the quarter ended March 31, 2002, selling and administrative expense decreased by approximately $2.2 million, before income taxes, as a result of the adoption of SFAS 142. Excluding the impact of the adoption of SFAS 142, selling and administrative expense in the first quarter of 2002 would have been approximately $36.7 million or 32.4% as a percentage of sales, declining slightly when compared with the same period a year ago, as a result of the increase in sales.

Research and development expense increased to $3.8 million in the first quarter of 2002 as compared to $3.7 million in the first quarter of 2001. This increase represents continued research and development efforts primarily focused on new product development in the orthopedic product lines. As a percentage of sales, research and development expense decreased to 3.4% in the current quarter compared to 3.5% in the same quarter a year ago as a result of higher sales levels.

Interest expense in the first quarter of 2002 was $6.6 million compared to $8.3 million in the first quarter of 2001. The decrease in interest expense is a result of lower total borrowings during the current quarter as compared to the same period a year ago,

as well as lower weighted average interest rates on the term loans and revolving credit facility under our credit agreement, which have declined to 4.20% and 3.70%, respectively, at March 31, 2002 as compared to 7.94% and 8.14%, respectively at March 31, 2001.

Liquidity and Capital Resources

Cash generated from our operations and borrowings under our revolving credit facility have traditionally provided the working capital for our operations, debt service under our credit facility and the funding of our capital expenditures. In addition, we have used term borrowings,including (1) borrowings under our credit facility, (2) Senior Subordinated Notes issued to refinance borrowings under our credit facility, in the case of the Linvatec acquisition in 1997, and (3) borrowings under separate loan facilities, in the case of real property acquisitions, to finance our acquisitions. Following the use of the proceeds of the offering to repay term loan borrowings under our credit facility, we expect to continue to use cash flow from our operations and borrowings under our revolving credit facility to finance our operations, our debt service under our credit facility and the funding of our capital expenditures.

Our term loans under our credit facility at March 31, 2002 aggregate $115.9 million. Our term loans are repayable quarterly over remaining terms of approximately three years. Our credit facility also includes a $100.0 million revolving credit facility which expires December 31, 2002, of which $43.0 million was available at March 31, 2002. The borrowings under the credit facility carry interest rates based on a spread over LIBOR or an alternative base interest rate. The weighted average interest rates at March 31, 2002 under the term loans and the revolving credit facility were 4.20% and 3.70%, respectively.

The Senior Subordinated Notes are in aggregate principal amount of $130.0 million, have a maturity date of March 15, 2008 and bear interest at 9.0% per annum which is payable semi-annually.

We used term loans to purchase the property in Largo, Florida utilized by our Linvatec subsidiary. The term loans consist of a Class A note bearing interest at 7.50% per annum with semiannual payments of principal and interest through June 2009, a Class C note bearing interest at 8.25% per annum compounded semiannually through June 2009, after which semiannual payments of principal and interest will commence, continuing through June 2019 and a seller-financed note bearing interest at 6.50% per annum with monthly payments of principal and interest through July 2013. The principal balances outstanding on the Class A note, Class C note and seller-financed note aggregate $11.7 million, $6.5 million and $4.1 million, respectively, at March 31, 2002.

Our net working capital position was $47.4 million at March 31, 2002 as compared to $44.7 million at December 31, 2001. Included in net working capital is $57.0 million owed on our revolving credit facility which terminates on December 31, 2002. We have begun discussions with our bank group regarding extending the revolving credit facility or, as an alternative, renegotiating the entire senior credit agreement. Based on our current discussions, we believe that we will be able to successfully complete a senior credit arrangement which will provide sufficient capital for our business. However, because of changed economic conditions compared to market conditions in 1997 when our present credit agreement was completed, we expect, based on discussions with our bank group, that any new facility will carry interest costs 75 to 100 basis points higher than our present credit agreement. Based on the amounts outstanding at March 31, 2002 under the credit agreement, an increase of 75 to 100 basis points would result in an increase in annual interest expense of approximately $1.3 million to $1.7 million.

On November 1, 2001, we entered into a five-year accounts receivable sales agreement pursuant to which we and certain of our subsidiaries sell on an ongoing basis certain

accounts receivable to CONMED Receivables Corporation, a wholly-owned special-purpose subsidiary. CRC may in turn sell up to an aggregate $50.0 million undivided percentage ownership interest in those receivables to a commercial paper conduit. As of December 31, 2001 and March 31, 2002, the undivided percentage ownership interest in receivables sold by CRC to a commercial paper conduit aggregated $40.0 million, which has been accounted for as a sale and reflected in the balance sheet as a reduction in accounts receivable. We used the $40.0 million in proceeds from the sale of accounts receivable in November 2001 to repay a portion of our term loans under our credit agreement. The sale of accounts receivable is expected to enable us to lower our cost of capital by approximately $0.5 million annually by effectively accessing the commercial paper market. There are certain statistical ratios primarily related to sales dilution and losses on accounts receivable which must be calculated and maintained on the pool of receivables in order to continue selling to the conduit purchaser. Management believes that additional accounts receivable arising in the normal course of business will be of sufficient quality and quantity to qualify for sale under the accounts receivable sales agreement. In the event that new accounts receivable arising in the normal course of business do not qualify for sale, then collections on sold receivables will flow to the conduit purchaser rather than being used to fund new receivable purchases. If this were to occur, we would need to access an alternate source of working capital.

Net cash provided by operations, which we also refer to as "operating cash flow," increased to $12.4 million for the first three months of 2002 compared to $11.1 million for the same period a year ago, primarily as a result of higher net income. In reconciling net income to operating cash flow, operating cash flow in the first quarter of 2002 was positively impacted by depreciation, amortization and increases in accounts payable and deferred income taxes and negatively impacted primarily by an increase in inventory and decreases in accrued compensation and accrued interest. The increase in inventory is primarily related to expected increases in sales. The increases in accounts payable and deferred income taxes and decreases in accrued compensation and interest are primarily related to the timing of the payment of these liabilities.

Capital expenditures in the three months ended March 31, 2002 were $3.2 million compared to $3.9 million in the same period a year ago. These capital expenditures represent the ongoing capital investment requirements of our business and are expected to continue at the rate of approximately $12.0 to $14.0 million annually.

Financing activities in the three months ended March 31, 2002 consisted primarily of scheduled payments of $8.9 million on our term loans and $1.0 million in repayments under our revolving credit facility. Financing activities in the three months ended March 31, 2001 consisted primarily of scheduled payments of $9.0 million on our term loans and $3.0 million in borrowings under our revolving credit facility. Proceeds from the issuance of common stock related to our employee incentive stock option plans totaled $2.0 million in the three months ended March 31, 2002 as compared to $.5 million in the three months ended March 31, 2001.

Assuming the successful renegotiation of the revolving credit facility discussed above, management believes that cash generated from operations, our current cash resources and funds available under our revolving credit facility will provide sufficient liquidity to ensure continued working capital for operations, debt service and funding of capital expenditures in the foreseeable future.

Contractual Obligations

There were no capital lease obligations or unconditional purchase obligations as of March 31, 2002. The following table summarizes our contractual obligations related to operating leases and long-term debt as of March 31, 2002:

	(Amount in thousands)					
	2002	2003	2004	2005	2006	Thereafter
Long-term debt	$63,368	$43,364	$36,749	$35,181	$1,943	$145,386
Operating lease obligations	1,300	1,255	1,036	962	933	1,950
Total contractual cash obligations	$64,668	$44,619	$37,785	$36,143	$2,876	$147,336

Included in long-term debt obligations in 2002 is $57.0 million due under our revolving credit facility.

As indicated under "Liquidity and Capital Resources," we have begun discussions with our bank group regarding extending our revolving credit facility or, as an alternative, renegotiating our entire senior credit agreement. If those negotiations are successful, payments on a substantial portion of our long-term debt due in 2002 through 2005, including the current portion of that long-term debt represented by our revolving credit facility, would be due at later dates.

As discussed in Note 7 to the consolidated condensed financial statements, on April 30, 2002, we filed a registration statement to sell up to 3,450,000 shares of our common stock. The registration statement is not yet effective. We plan to use the net proceeds from this offering to repay outstanding debt under our credit agreement.

Item 6. Exhibits and Reports on Form 8-K

List of Exhibits

None

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: May 13, 2002

/s/ Robert D. Shallish, Jr.

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