ANNUAL REPORT 2008

CONMED® CORPORATION

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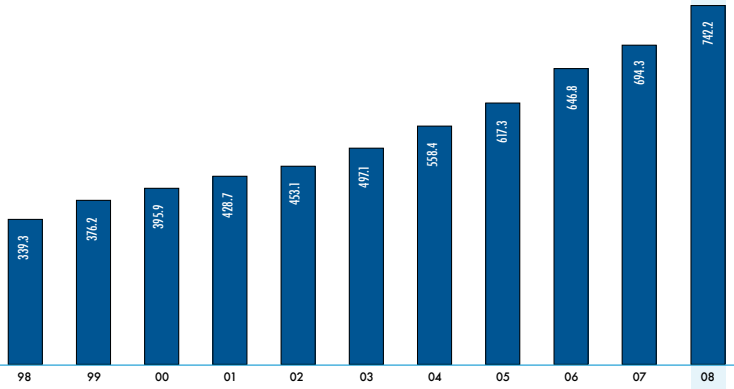
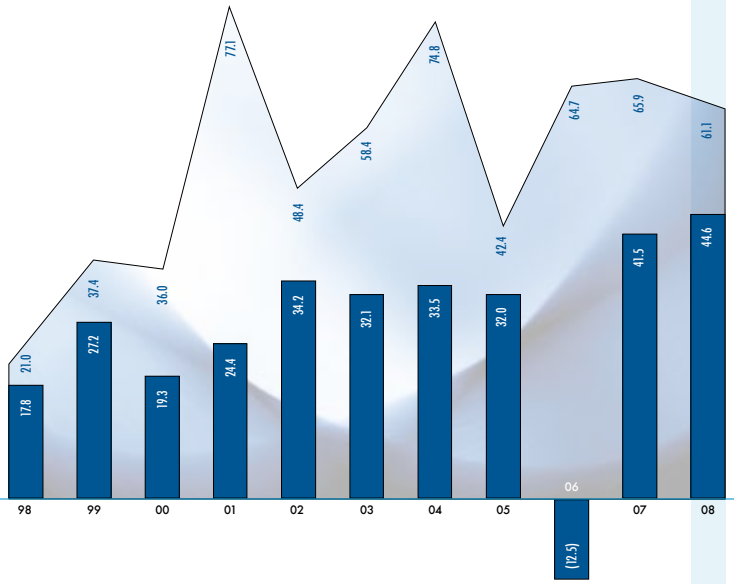
NET SALES (IN $ MILLIONS)

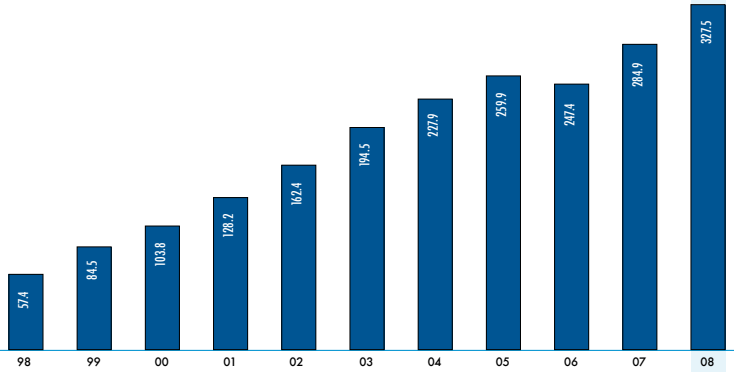


CASH FROM OPERATIONS (IN $ MILLIONS)
(LINE GRAPH)

NET INCOME (IN $ MILLIONS)
(BAR GRAPH)



RETAINED EARNINGS (IN $ MILLIONS)



March 2009

To My Fellow Shareholders:

The first three quarters of 2008 were very good for CONMED Corporation. In the fourth quarter of 2008, we watched the global economic crisis dramatically impact businesses in all sectors. Although the medical device business enjoys a greater degree of insulation from the volatility of economic trends than other industry sectors, the fourth quarter of 2008 proved to be challenging for us as well. Nevertheless, I am pleased to report that CONMED remains strong and well-positioned in the medical device industry. Our products are used around the world in surgical suites and healthcare facilities, providing clinicians with the tools they require for superior patient outcomes. CONMED's success is not dependent on any single medical procedure; rather, our medical devices are used in a wide variety of surgical and other interventions.

Joseph J. Corasanti

President, Chief Executive Officer

Financially, CONMED's balance sheet continues to improve and our financial statements reflect management's conservative approach to managing the Company's resources. For example, as seen in the chart on the preceding page, cash provided by operating activities exceeded the Company's net income by a wide margin. This permitted a reduction in debt balances, which reached their lowest levels in 11 years.

For 2008, our results closely mirrored our original projections that were provided over a year ago, though, as you know, the economic environment did slow our growth toward the end of the year. During the first nine months of 2008, CONMED gradually increased its earnings guidance as a result of better than anticipated financial results, partly due to the weakening of the U.S. dollar and its positive effect on the Company's operations. In the fourth quarter of 2008, however, the strengthening of the U.S. dollar reversed the currency benefits we had experienced earlier in the year.

In spite of the global economic downturn, CONMED did achieve a number of significant financial highlights in 2008:

- Sales grew 6.9% over 2007. In constant currency, the growth was 6.6%.
- GAAP diluted earnings per share for 2008 were $1.52 compared to $1.43 in 2007, an increase of 6.3%.
- Non-GAAP diluted earnings per share for 2008 were $1.54 compared to the 2007 non-GAAP EPS of $1.37, an increase of 12.4%.
- Cash from operations continued to be strong. For the year, cash provided by operating activities was $61.1 million, 37% higher than the Company's net income for the year, demonstrating CONMED's significant ability to generate cash.

CONMED Corporation

Corporate Headquarters: French Road, Utica, NY

Over the course of the year, we continued to improve our manufacturing efficiencies through the implementation of lean manufacturing techniques. Furthermore, long before the current economic crisis unfolded, we planned and began to implement an operational restructuring plan that will be completed in 2009 and will include:

- Start-up and operation of a 208,000 square foot manufacturing facility in the city of Chihuahua, Mexico.
- Closure of two of the Company's manufacturing facilities in the Utica, New York area, as well as the current El Paso and Juarez facilities, with related operations being transferred to either our headquarters location in Utica or to the new facility in Chihuahua.
- Centralization of certain of CONMED's distribution activities in a new North American distribution center located in Atlanta, Georgia.

These improvements in operations, together with new product introductions, are intended to enhance service to our customers, as well as to improve the Company's profitability. We expect that the financial impact of these initiatives will start in 2009 and be fully realized in 2010. We expect these improvements in our operations, together with new product launches such as the roll-out of our ECOM device and the expected release of our new tissue sealing device, to result in a $10.0 million increase in pre-tax profitability in 2010, above and beyond the normal expected growth of our business.

Outlook

The change in the economic climate during the last few months has been remarkably swift, with extreme volatility in foreign currency exchange rates and reduced capital spending and cash conservation throughout the healthcare provider industry. However, we are well-positioned for long-term growth with a product offering that meets the needs of our hospital customers and with an experienced team of managers and staff.

CONMED, like many other medical companies, has seen how the economic downturn is affecting hospital purchasing patterns. Some hospitals in the United States have slowed their capital purchasing cycles in an effort to conserve cash. Now, the market's focus has moved on to possible shifts in the number of surgical procedures being performed; more specifically, to whether non-critical surgeries are showing signs of decline. In the fourth quarter of 2008, single-use product sales, a bellwether for surgical procedures and 75 percent of our revenue, were at normal or increased levels.

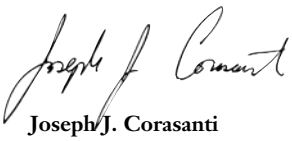
Injuries and illnesses requiring surgery are not impacted by the economy, so demographics continue to be in our favor. The only uncertainty is whether some patients may elect to postpone non-critical surgeries. And, while that may occur to a certain degree, injuries and illnesses requiring surgery continue to occur, and will need to be addressed before too long. So, even if there is a delay in procedures due to economic concerns, surgical procedures should return to historical rates of growth in a fairly short period of time. We have seen this be the case in other periods of economic uncertainty.

Our capital equipment sales may also be somewhat reduced in 2009 compared to 2008, but the types of capital equipment that we sell are not "big ticket" items and we know that purchasing decisions are largely a product of the normal replacement cycles of hospitals. Such replacement is not susceptible to prolonged deferral.

Although the healthcare industry, including CONMED, is facing headwinds that will impede financial performance in 2009, we expect that the Company will be profitable, that our balance sheet will continue to strengthen and that cash flow will remain positive. We are also optimistic about CONMED's long-term prospects as a result of our continued development and release of new products, and our manufacturing restructuring.

Be assured that we at CONMED are committed to achieving our goals of improved service to our customers and greater profitability for the Company. As always, we thank you for your continued trust and support.

Sincerely,



Joseph J. Corasanti
President, Chief Executive Officer

Reconciliation of Reported Net Income to Net Income Before Unusual Items[1]
(In thousands except per share amounts)
(Unaudited)

Twelve months ended December 31,	2007	2008
Reported net income	$ 41,456	$ 44,561
Fair value inventory purchase accounting adjustment included in cost of sales	—	1,011
New plant/facility consolidation costs included in cost of sales	—	2,470
Total cost of sales, other	—	3,481
Termination of product offering	148	—
Facility consolidation costs included in other expense (income)	1,822	1,577
Gain on legal settlement	(6,072)	—
Settlement of product liability claim	1,295	—
Total other expense (income)	(2,807)	1,577
Gain on early extinguishment of debt	—	(4,376)
Total unusual expense (income) before income taxes	(2,807)	682
Provision (benefit) for income taxes on unusual expense	1,011	(245)
Net income before unusual items	$ 39,660	$ 44,998
Per share data:		
Reported net income		
Basic	$ 1.46	$ 1.55
Diluted	1.43	1.52
Net income before unusual items		
Basic	$ 1.40	$ 1.56
Diluted	1.37	1.54

[1]This table is provided to reconcile certain financial disclosures referenced in the Letter to the Shareholders. Management has provided this reconciliation of net income before unusual items as an additional measure that investors can use to compare operating performance between reporting periods. Management believes this reconciliation provides a useful presentation of operating performance.

Creating Efficiencies

CONMED is a medical technology company with an emphasis on surgical devices and equipment for minimally invasive procedures and patient monitoring. Surgeons and physicians use our products in specialties that include orthopedics, general surgery, gynecology, neurosurgery and gastroenterology. We employ 3,200 people in manufacturing and distribution facilities in the U.S. and abroad.

At CONMED, we believe that in order to thrive, we must never rest. We strive to increase revenue through new products, new markets and new acquisitions, and decrease costs by improving quality and efficiency. Improved efficiencies have an enormous impact on our bottom line, and ensure all of our stakeholders—our surgeon customers, the patients on whom our products are used, our employees, and our shareholders—that we will continue to be of service in the future just as we are today.

CONMED's vertical integration has been essential in our strategic plan by allowing us to develop core competencies in each of our manufacturing facilities. For example, our French Road facility has become our assembly, extrusion and molding center. In addition to being our worldwide Corporate headquarters, it has 400,000 square feet of prime manufacturing space. The result: this location manufactures products for all of CONMED's five separate business units. Improvements here affect almost every downstream cost. Since it has such a powerful influence on the entire corporation, it was the logical location for initiating our efficiency program. We chose the Kaizen method, which promotes a culture of continuous incremental improvement. Key elements of Kaizen are an emphasis on quality, elimination of waste and inefficiency, willingness to change, teamwork, personal discipline, improved morale, quality circles and suggestions for improvement. This process never stops; it is an on-going working philosophy.

In 2007 we created the Continuous Improvement Office and launched our first Kaizen event. Throughout that year, we conducted 19 events that, while primarily centered on processes within our French Road facility, spread the culture of Kaizen throughout the entire Corporation. Our success in 2007 carried over into 2008 and beyond; we have scheduled 33 Kaizen events for this calendar year alone.

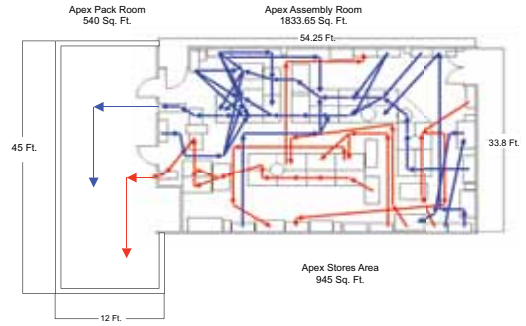
Kaizen Breakthrough

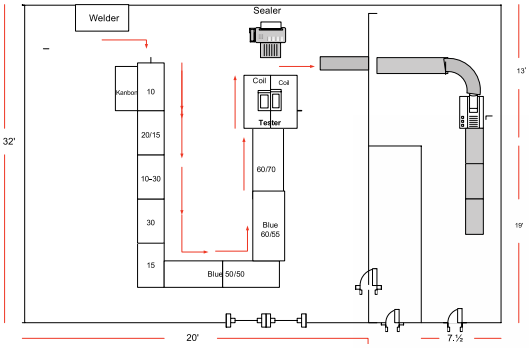
Cross functional teams with a bias for action focus on results using creativity before capital and instill a culture of positive change.

We have already experienced improvements in productivity, reductions in inventory and the footprint required for manufacturing individual product lines, increased safety and ergonomics, and enhanced responsiveness to our customers. Throughout the process, employees from all of our production facilities have been included as team members, and event results presentations have been broadcast to all of CONMED's facilities. In 2008, a consulting firm named CONMED its fifth annual "Perfect Engine Site," in recognition of outstanding productivity results that create business agility, growth and profitability.

From its single-product roots in 1973, CONMED has grown to manufacture over 13,000 individual products that provide solutions across the spectrum of the global healthcare marketplace. Our five business units are as close as possible to the individual markets they serve. Our distribution network includes direct sales representatives and direct exclusive and non-exclusive distributors to reach customers in every corner of the world. Our Quality Assurance and Regulatory Affairs functions have become a more centralized, shared resource. We have also recently centralized our Operations and Supply Chain functions to take advantage of every opportunity to leverage our resources.

As we look to the future, we anticipate further expansion of the efficiency initiative throughout CONMED.





Drawings illustrate the dramatic space and time savings yielded from a recent Kaizen event. Prior to the event, the production of the APEX tubing line required 3,300 square feet of space as well as a maze of poorly coordinated movements (top photo). Since the event, the product line is run within a 695 square-foot footprint with a one-piece flow methodology, efficiently using space and movements (bottom photo).

Global Reach

Approximately 45% of our business is now international.

Key

Sales

Direct Dealer

Locations
(Sales, Marketing, etc.)

Manufacturing & Distribution

French Road Facility, Utica, NY

- 400,000 square feet for manufacturing & 100,000 square feet for office space
- Worldwide Corporate Headquarters and home to the EndoSurgery and Patient Care business units.
- Recipient of the "Perfect Engine Site Award."

Atlanta, GA

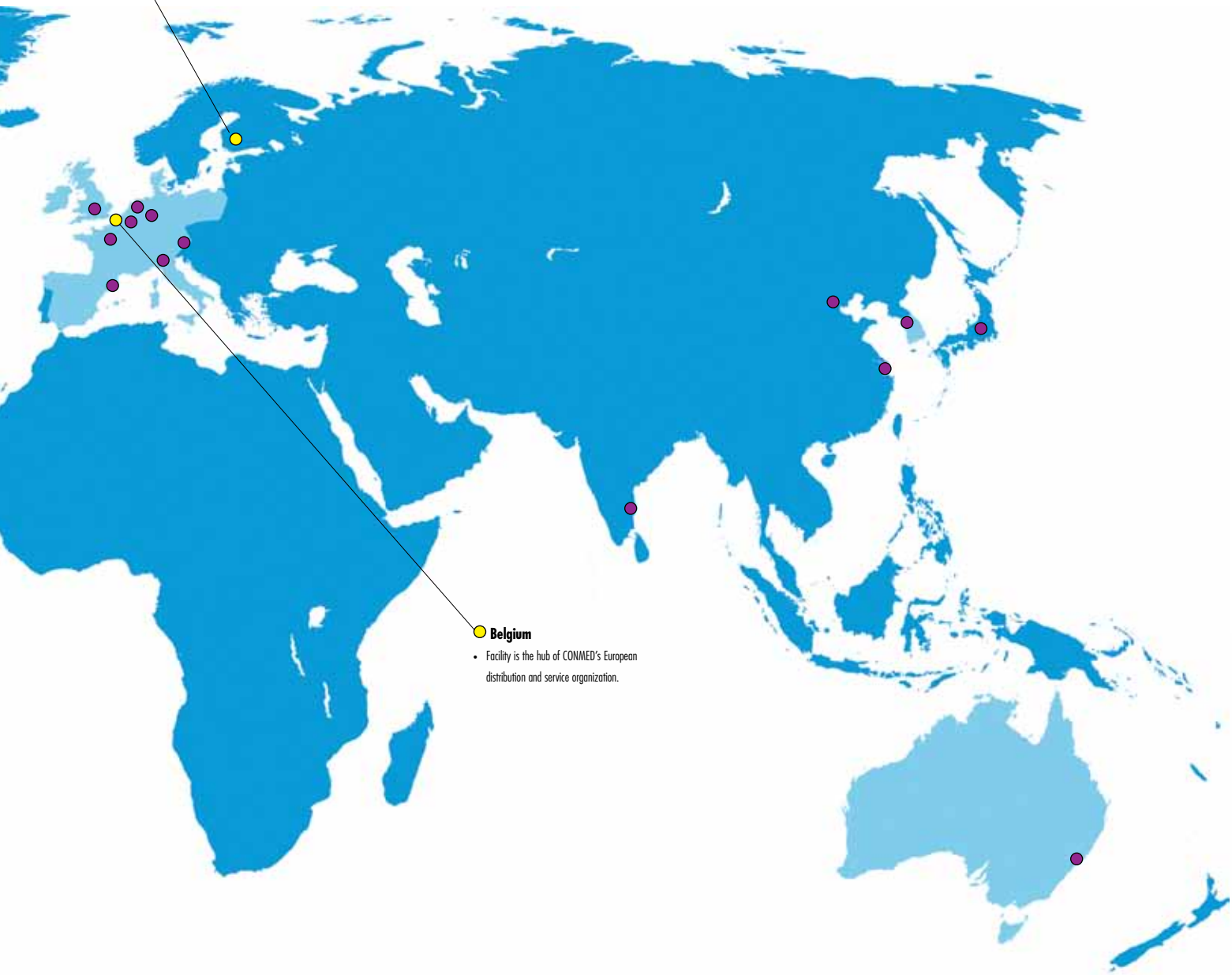
- 160,000-square-foot facility will serve as a primary, consolidated product distribution center going forward.

Chihuahua, MX

- 208,000-square-foot manufacturing facility designed and built to fabricate & assemble a variety of CONMED's products for worldwide distribution.

Tampere, Finland

- Manufacturing and R&D facility producing CONMED's arthroscopic, procedure specific, and sports medicine products featuring state-of-the-art bioabsorbable materials.



Belgium

- Facility is the hub of CONMED's European distribution and service organization.

Market for CONMED's Common Stock and Related Stockholder Matters

Our common stock, par value $.01 per share, is traded on the NASDAQ Stock Market under the symbol "CNMD". At January 30, 2009, there were 975 registered holders of our common stock and approximately 14,739 accounts held in "street name".

The following table sets forth quarterly high and low sales prices for the years ended December 31, 2007 and 2008, as reported by the NASDAQ Stock Market.

	2007		2008	
Period	**High**	**Low**	**High**	**Low**
First Quarter	$ 29.23	$ 22.84	$ 28.22	$ 21.59
Second Quarter	31.85	28.73	27.22	23.90
Third Quarter	30.00	26.61	32.99	25.02
Fourth Quarter	29.68	22.89	31.74	21.13

We did not pay cash dividends on our common stock during 2007 or 2008 and do not currently intend to pay dividends for the foreseeable future. Future decisions as to the payment of dividends will be at the discretion of the Board of Directors, subject to conditions then existing, including our financial requirements and condition and the limitation and payment of cash dividends contained in debt agreements.

Our Board of Directors has authorized a share repurchase program; see Note 7 to the Consolidated Financial Statements.

Information relating to compensation plans under which equity securities of CONMED Corporation are authorized for issuance is set forth in the section captioned "Equity Compensation Plans" in CONMED Corporation's definitive Proxy Statement or other informational filing for our 2009 Annual Meeting of Stockholders and all such information is incorporated herein by reference.

Five Year Summary of Selected Financial Data

(In thousands, except per share data)

Years Ended December 31,	**2004**	**2005**	**2006**	**2007**	**2008**
Statements of Operations Data[1]:					
Net sales	$ 558,388	$ 617,305	$ 646,812	$ 694,288	$ 742,183
Income (loss) from operations	63,161	63,748	(4,603)	80,991	75,259
Net income (loss)	33,465	31,994	(12,507)	41,456	44,561
Earnings (loss) per share:					
Basic	$ 1.13	$ 1.09	$ (.45)	$ 1.46	$ 1.55
Diluted	1.11	1.08	(.45)	1.43	1.52
Weighted average number of common shares in calculating:					
Basic earnings (loss) per share	29,523	29,300	27,966	28,416	28,796
Diluted earnings (loss) per share	30,105	29,736	27,966	28,965	29,227
Other Financial Data:					
Depreciation and amortization	$ 26,868	$ 30,786	$ 29,851	$ 31,534	$ 32,336
Capital expenditures	12,419	16,242	21,895	20,910	35,879
Balance Sheet Data (at period end):					
Cash and cash equivalents	$ 4,189	$ 3,454	$ 3,831	$ 11,695	$ 11,811
Total assets	872,825	903,783	861,571	893,951	931,661
Long-term obligations	361,781	388,645	346,012	311,665	325,013
Total shareholders' equity	447,983	453,006	440,354	505,002	531,734

(1) Results of operations of acquired businesses have been recorded in the financial statements since the date of acquisition.

Management's Discussion and Analysis of Financial Condition and Results of Operations

The following discussion should be read in conjunction with the Five Year Summary of Selected Financial Data, and our Consolidated Financial Statements and related notes contained elsewhere in this report.

Overview of CONMED Corporation

CONMED Corporation ("CONMED", the "Company", "we" or "us") is a medical technology company with an emphasis on surgical devices and equipment for minimally invasive procedures and monitoring. The Company's products serve the clinical areas of arthroscopy, powered surgical instruments, electrosurgery, cardiac monitoring disposables, endosurgery and endoscopic technologies. They are used by surgeons and physicians in a variety of specialties including orthopedics, general surgery, gynecology, neurosurgery, and gastroenterology. These product lines and the percentage of consolidated revenues associated with each, are as follows:

	2006	2007	2008
Arthroscopy	35%	38%	38%
Powered Surgical Instruments	21	21	21
Electrosurgery	15	13	14
Patient Care	12	11	11
Endosurgery	8	9	9
Endoscopic Technologies	9	8	7
Consolidated Net Sales	100%	100%	100%

A significant amount of our products are used in surgical procedures with approximately 75% of our revenues derived from the sale of disposable products. Our capital equipment offerings also facilitate the ongoing sale of related disposable products and accessories, thus providing us with a recurring revenue stream. We manufacture substantially all of our products in facilities located in the United States, Mexico and Finland. We market our products both domestically and internationally directly to customers and through distributors. International sales approximated 39%, 42% and 44% in 2006, 2007 and 2008, respectively.

Business Environment and Opportunities

The aging of the worldwide population along with lifestyle changes, continued cost containment pressures on healthcare systems and the desire of clinicians and administrators to use less invasive (or noninvasive) procedures are important trends in our industry. We believe that with our broad product offering of high quality surgical and patient care products, we can capitalize on these trends for the benefit of the Company and our shareholders.

In order to further our growth prospects, we have historically used strategic business acquisitions and exclusive distribution relationships to continue to diversify our product offerings, increase our market share and realize economies of scale.

We have a variety of research and development initiatives focused in each of our principal product lines. Among the most significant of these efforts is the Endotracheal Cardiac Output Monitor ("ECOM"). Our ECOM product offering is expected to provide an innovative alternative to catheter monitoring of cardiac output with a specially designed endotracheal tube which utilizes proprietary bio-impedance technology. Also of significance are our research and development efforts in the area of tissue-sealing for electrosurgery.

Continued innovation and commercialization of new proprietary products and processes are essential elements of our long-term growth strategy. In February 2009, we expect to unveil several new products at the American Academy of Orthopaedic Surgeons Annual Meeting which we believe will further enhance our arthroscopy and powered surgical instrument product offerings. Our reputation as an innovator is exemplified by these expected product introductions, which include the following: the Zen™ Wireless Footswitch and Adaptor, incorporating the power of Zigbee® communications technology to provide three pedal control of CONMED Linvatec control consoles and hand pieces; the Paladin™ suture anchor, the latest addition to our arsenal for rotator cuff repair; the ReAct™ Arthroscopic Shaver Blades which have the ability to reciprocate while rotating; MPower® 2, the latest in our next generation of battery power systems for large bone and small bone orthopedic surgery; and the VP1600 Digital Documentation System, a 1080p digital still capture unit which enables users to save and print the highest quality medical images.

Business Challenges

Despite an increasingly difficult economic environment in 2008, total revenues increased 6.9% as compared with 2007. However, given extreme volatility in the financial markets and foreign currency exchange rates and depressed economic conditions in both domestic and international markets, we believe 2009 will present significant business challenges. We expect 2009 total revenues to approximate 2008 levels, reflecting lower revenue growth and a significant unfavorable impact from foreign currency translation due to strengthening of the United States dollar as compared with currencies such as the Euro. We will continue to monitor and manage the impact of the deteriorating economic environment on the Company.

Our Endoscopic Technologies operating segment has suffered from sales declines and operating losses since its acquisition from C.R. Bard in September 2004. We have corrected the operational issues associated with product shortages that resulted following the acquisition of the Endoscopic Technologies business and continue to reduce costs while also investing in new product development in an effort to increase sales and achieve a return to profitability.

Our facilities are subject to periodic inspection by the United States Food and Drug Administration ("FDA") for, among other things, conformance to Quality System Regulation and Current Good Manufacturing Practice ("CGMP") requirements. We are committed to the principles and strategies of systems-based quality management for improved CGMP compliance, operational performance and efficiencies through our Company-wide quality systems initiative. However, there can be no assurance that our actions will ensure that we will not receive a warning letter or other regulatory action which may include consent decrees or fines.

Critical Accounting Policies

Preparation of our financial statements requires us to make estimates and assumptions which affect the reported amounts of assets, liabilities, revenues and expenses. Note 1 to the Consolidated Financial Statements describes the significant accounting policies used in preparation of the Consolidated Financial Statements. The most significant areas involving management judgments and estimates are described below and are considered by management to be critical to understanding the financial condition and results of operations of CONMED Corporation.

Revenue Recognition

Revenue is recognized when title has been transferred to the customer which is at the time of shipment. The following policies apply to our major categories of revenue transactions:

- Sales to customers are evidenced by firm purchase orders. Title and the risks and rewards of ownership are transferred to the customer when product is shipped under our stated shipping terms. Payment by the customer is due under fixed payment terms.
- We place certain of our capital equipment with customers in return for commitments to purchase disposable products over time periods generally ranging from one to three years. In these circumstances, no revenue is recognized upon capital equipment shipment and we recognize revenue upon the disposable product shipment. The cost of the equipment is amortized over the term of individual commitment agreements.
- Product returns are only accepted at the discretion of the Company and in accordance with our "Returned Goods Policy". Historically the level of product returns has not been significant. We accrue for sales returns, rebates and allowances based upon an analysis of historical customer returns and credits, rebates, discounts and current market conditions.

- Our terms of sale to customers generally do not include any obligations to perform future services. Limited warranties are provided for capital equipment sales and provisions for warranty are provided at the time of product sale based upon an analysis of historical data.
- Amounts billed to customers related to shipping and handling have been included in net sales. Shipping and handling costs included in selling and administrative expense were $14.3 million, $14.1 million and $13.4 million for 2006, 2007 and 2008, respectively.
- We sell to a diversified base of customers around the world and, therefore, believe there is no material concentration of credit risk.
- 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. Management believes that the allowance for doubtful accounts of $1.4 million at December 31, 2008 is adequate to provide for probable losses resulting from accounts receivable.

Inventory Reserves

We maintain reserves for excess and obsolete inventory resulting from the inability to sell our products at prices in excess of current carrying costs. The markets in which we operate are highly competitive, with new products and surgical procedures introduced on an on-going basis. Such marketplace changes may result in our products becoming obsolete. We make estimates regarding the future recoverability of the costs of our products and record a provision for excess and obsolete inventories based on historical experience, expiration of sterilization dates and expected future trends. If actual product life cycles, product demand or acceptance of new product introductions are less favorable than projected by management, additional inventory write-downs may be required. We believe that our current inventory reserves are adequate.

Goodwill and Intangible Assets

We have a history of growth through acquisitions. Assets and liabilities of acquired businesses are recorded at their estimated fair values as of the date of acquisition. Goodwill represents costs in excess of fair values assigned to the underlying net assets of acquired businesses. Other intangible assets primarily represent allocations of purchase price to identifiable intangible assets of acquired businesses. We have accumulated goodwill of $290.2 million and other intangible assets of $195.9 million as of December 31, 2008.

In accordance with Statement of Financial Accounting Standards No. 142, "Goodwill and Other Intangible Assets" ("SFAS 142"), goodwill and intangible assets deemed to have indefinite lives are not amortized, but are subject to at least annual impairment testing. It is our policy to perform our annual impairment testing in the fourth quarter. The identification and measurement of goodwill impairment involves the estimation of the fair value of our reporting units. Estimates of fair value are based on the best information available as of the date of the assessment, which primarily incorporate management assumptions about expected future cash flows and other valuation techniques. Future cash flows may be affected by changes in industry or market conditions or the rate and extent to which anticipated synergies or cost savings are realized with newly acquired entities. We completed our assessment of goodwill as of October 1, 2008 and determined that no impairment existed at that date.

During the fourth quarter of 2006, after completing our annual goodwill impairment analysis, we determined that the goodwill of our CONMED Endoscopic Technologies reporting unit was impaired and consequently we recorded a goodwill impairment charge of $46.7 million. Although no further goodwill impairment charges have been recorded to date, there can be no assurances that future goodwill impairments will not occur. While CONMED Patient Care has the least excess of fair value over invested capital of our reporting units, a 10% decrease in the estimated fair value of any of our reporting units at the date of our 2008 assessment would not have resulted in a goodwill impairment charge. Patient Care goodwill was $59.7 million at December 31, 2008.

Intangible assets with a finite life are amortized over the estimated useful life of the asset. SFAS 142 requires that intangible assets which continue to be subject to amortization be evaluated each reporting period to determine whether events and circumstances warrant a revision to the remaining period of amortization. SFAS 142 also requires that intangible assets subject to amortization be reviewed for impairment in accordance with Statement of Financial Accounting Standards No. 144, "Accounting for the Impairment or Disposal of Long-Lived Assets," ("SFAS 144"). SFAS 144 requires that intangible assets subject to amortization be tested for recoverability whenever events or changes in circumstances indicate that its carrying amount may not be recoverable. The carrying amount of an intangible asset subject to amortization is not recoverable if it exceeds the sum of the undiscounted cash flows expected to result from the use of the asset. An impairment loss is recognized by reducing the carrying amount of the intangible asset to its current fair value.

Customer relationship assets arose principally as a result of the 1997 acquisition of Linvatec Corporation. These assets represent the acquisition date fair value of existing customer relationships based on the after-tax income expected to be derived during their estimated remaining useful life. The useful lives of these customer relationships were not and are not limited by contract or any economic, regulatory or other known factors. The estimated useful life of the Linvatec customer relationship assets was determined as of the date of acquisition as a result of a study of the observed pattern of historical revenue attrition during the 5 years immediately preceding the acquisition of Linvatec Corporation. This observed attrition pattern was then applied to the existing customer relationships to derive the future expected retirement of the customer relationships. This analysis indicated an annual attrition rate of 2.6%. Assuming an exponential attrition pattern, this equated to an average remaining useful life of approximately 38 years for the Linvatec customer relationship assets. Customer relationship intangible assets arising as a result of other business acquisitions are being amortized over a weighted average life of 18 years. The weighted average life for customer relationship assets in aggregate is 35 years.

In accordance with SFAS 142, we evaluate the remaining useful life of our customer relationship intangible assets each reporting period in order to determine whether events and circumstances warrant a revision to the remaining period of amortization. In order to further evaluate the remaining useful life of our customer relationship intangible assets, we perform an annual analysis and assessment of actual customer attrition and activity. This assessment includes a comparison of customer activity since the acquisition date and review of customer attrition rates. In the event that our analysis of actual customer attrition rates indicates a level of attrition that is in excess of that which was originally contemplated, we would change the estimated useful life of the related customer relationship asset with the remaining carrying amount amortized prospectively over the revised remaining useful life.

SFAS 144 requires that we test our customer relationship assets for recoverability whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. Factors specific to our customer relationship assets which might lead to an impairment charge include a significant increase in the annual customer attrition rate or otherwise significant loss of customers, significant decreases in sales or current-period operating or cash flow losses or a projection or forecast of losses. We do not believe that there have been events or changes in circumstances which would indicate the carrying amount of our customer relationship assets might not be recoverable.

See Note 4 to the Consolidated Financial Statements for further discussion of goodwill and other intangible assets.

Pension Plan

We sponsor a defined benefit pension plan covering substantially all our employees. Major assumptions used in accounting for the plan include the discount rate, expected return on plan assets, rate of increase in employee compensation levels and expected mortality. Assumptions are determined based on Company data and appropriate market indicators, and are evaluated annually as of the plan's measurement date. A change in any of these assumptions would have an effect on net periodic pension costs reported in the consolidated financial statements.

The weighted-average discount rate used to measure pension liabilities and costs is set by reference to the Citigroup Pension Liability Index.

However, this index gives only an indication of the appropriate discount rate because the cash flows of the bonds comprising the index do not match the projected benefit payment stream of the plan precisely. For this reason, we also consider the individual characteristics of the plan, such as projected cash flow patterns and payment durations, when setting the discount rate. This rate, which decreased from 6.48% in 2008 to 5.97% in 2009, is used in determining pension expense. This change in assumption will result in higher pension expense during 2009 and is also the primary cause of the increase in the projected benefit obligation at December 31, 2008 as compared to December 31, 2007.

We have used an expected rate of return on pension plan assets of 8.0% for purposes of determining the net periodic pension benefit cost. In determining the expected return on pension plan assets, we consider the relative weighting of plan assets, the historical performance of total plan assets and individual asset classes and economic and other indicators of future performance. In addition, we consult with financial and investment management professionals in developing appropriate targeted rates of return. For the year ended December 31, 2008, we experienced a decline in the fair market value of our plan assets of $10.1 million. This decline is a result of the downturn in global financial markets.

We have estimated our rate of increase in employee compensation levels at 3.0% for 2006 and 2007 and at 3.5% for 2008, consistent with our internal budgeting.

Pension expense in 2009 is expected to increase to $9.7 million from $6.6 million in 2008 as a result of a negative return on plan assets during 2008 as well as a decrease in the discount rate as discussed above. In addition, we will be required to contribute approximately $8.1 million to the pension plan for the 2009 plan year.

See Note 9 to the Consolidated Financial Statements for further discussion.

Stock-Based Compensation

In accordance with Statement of Financial Accounting Standards No. 123 (revised 2004), "Shared-Based Payment" ("SFAS 123(R)") all share-base payments to employees, including grants of employee stock options, restricted stock units, and stock appreciation rights are recognized in the financial statements based at their fair values. Compensation expense is recognized using a straight-line method over the vesting period.

Income Taxes

The recorded future tax benefit arising from net deductible temporary differences and tax carryforwards is approximately $32.3 million at December 31, 2008. Management believes that our earnings during the periods when the temporary differences become deductible will be sufficient to realize the related future income tax benefits.

We operate in multiple taxing jurisdictions, both within and outside the United States. We face audits from these various tax authorities regarding the amount of taxes due. Such audits can involve complex issues and may require an extended period of time to resolve. Our Federal income tax returns have been examined by the Internal Revenue Service ("IRS") for calendar years ending through 2006. Tax years subsequent to 2006 are subject to future examination.

We have established a valuation allowance to reflect the uncertainty of realizing the benefits of certain net operating loss carryforwards recognized in connection with an acquisition. Any subsequently recognized tax benefits associated with the valuation allowance would be allocated to reduce goodwill. However, upon adoption of Statement of Financial Accounting Standards No. 141 (revised 2007), "Business Combinations" ("SFAS 141R") on January 1, 2009, changes in deferred tax valuation allowances and income tax uncertainties after the acquisition date, including those associated with acquisitions that closed prior to the effective date of SFAS 141R, will affect income tax expense. In assessing the need for a valuation allowance, we estimate future taxable income, considering the feasibility of ongoing tax planning strategies and the realizability of tax loss carryforwards. Valuation allowances related to deferred tax assets may be impacted by changes to tax laws, changes to statutory tax rates and future taxable income levels.

Consolidated Results of Operations

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

Years Ended December 31,	2006	2007	2008
Net sales	100.0%	100.0%	100.0%
Cost of sales	51.6	49.7	48.5
Gross margin	48.4	50.3	51.5
Selling and administrative expense	36.3	34.6	36.7
Research and development expense	4.7	4.4	4.5
Goodwill impairment	7.2	—	—
Other expense (income), net	0.8	(0.4)	0.2
Income (loss) from operations	(0.6)	11.7	10.1
Gain (loss) on early extinguishment of debt	(0.1)	—	0.6
Interest expense	3.0	2.3	1.4
Income (loss) before income taxes	(3.7)	9.4	9.3
Provision (benefit) for income taxes	(1.8)	3.4	3.3
Net income (loss)	(1.9)%	6.0%	6.0%

2008 Compared to 2007

Sales for 2008 were $742.2 million, an increase of $47.9 million (6.9%) compared to sales of $694.3 million in 2007 with the increase occurring in all product lines except Endoscopic Technologies. Favorable foreign currency exchange rates in 2008 compared to 2007 accounted for $1.9 million of the increase while the purchase of our Italian distributor accounted for an increase in sales of approximately $18.3 million (see Note 15 to the Consolidated Financial Statements).

Cost of sales increased to $359.8 million in 2008 compared to $345.2 million in 2007, primarily as a result of the increased sales volumes discussed above. Gross profit margins increased 1.2 percentage points from 50.3% in 2007 to 51.5% in 2008. The increase of 1.2 percentage points is comprised of improved gross margins from the newly acquired direct sales operation in Italy (1.2 percentage points) and increases in Patient Care and Linvatec gross margins (0.3 and 0.7 percentage points, respectively) as a result of higher selling prices and improved manufacturing efficiencies. These increases were offset by lower gross margins in our Endoscopic Technologies business (0.4 percentage points) due to pricing pressures and lower production volumes, additional costs incurred associated with our restructuring and relocation of certain of the Company's facilities (0.3 percentage points) and product mix (0.3 percentage points).

Selling and administrative expense increased to $272.4 million in 2008 compared to $240.5 million in 2007. Selling and administrative expense as a percentage of net sales increased to 36.7% in 2008 from 34.6% in 2007. This increase of 2.1 percentage points is primarily attributable to higher selling and administrative expense associated with our newly acquired direct sales operation in Italy (1.5 percentage points), higher benefit costs (0.3 percentage points), and other selling and administrative costs (0.3 percentage points).

Research and development expense was $33.1 million in 2008 compared to $30.4 million in 2007. As a percentage of net sales, research and development expense remained flat at 4.5% in 2008 from 4.4% in 2007.

As discussed in Note 11 to the Consolidated Financial Statements, other expense in 2008 consisted of the following: $1.6 million charge related to the restructuring and relocation of certain of the Company's facilities. Other expense in 2007 consisted of the following: $1.8 million charge related to the closing of our manufacturing facility in Montreal, Canada and a sales office in France, a $0.1 million charge related to the termination of our surgical lights product offering, $6.1 million in income related to the settlement of the antitrust case with Johnson & Johnson, and a $1.3 million charge related to the settlement of a product liability claim and defense related costs.

During the fourth quarter of 2008, we repurchased and retired $25.0 million of our 2.50% convertible senior subordinated notes (the "Notes") for $20.2 million and recorded a gain on the early

extinguishment of debt of $4.4 million net of the write-off of $0.4 million in unamortized deferred financing costs. See additional discussion under Management's Discussion and Analysis of Financial Condition and Results of Operations—Liquidity and Capital Resources and Note 5 to the Consolidated Financial Statements.

Interest expense in 2008 was $10.4 million compared to $16.2 million in 2007. The decrease in interest expense is due to lower weighted average interest rates combined with lower weighted average borrowings outstanding in 2008 as compared to 2007. The weighted average interest rates on our borrowings (inclusive of the finance charge on our accounts receivable sale facility) decreased to 3.78% in 2008 as compared to 5.51% in 2007.

A provision for income taxes was recorded at an effective rate of 35.7% in 2008 and 36.0% in 2007 as compared to the Federal statutory rate of 35.0%. The effective tax rate was lower in 2008 than in 2007 largely as a result of decreased apportionment factors to state taxing jurisdictions and a decreased level of stock-based compensation that is not expected to create a future tax deduction. A reconciliation of the United States statutory income tax rate to our effective tax rate is included in Note 6 to the Consolidated Financial Statements.

2007 Compared to 2006

Sales for 2007 were $694.3 million, an increase of $47.5 million (7.3%) compared to sales of $646.8 million in 2006 with the increase occurring in all product lines except Electrosurgery and Endoscopic Technologies. Favorable foreign currency exchange rates in 2007 compared to 2006 accounted for $15.2 million of the increase.

Cost of sales increased to $345.2 million in 2007 compared to $334.0 million in 2006, primarily as a result of the increased sales volumes discussed above. Gross profit margins increased 1.9 percentage points from 48.4% in 2006 to 50.3% in 2007. The increase of 1.9 percentage points is comprised of improved gross margins in our Endoscopic Technologies product lines (0.9 percentage points) as a result of the completion of the transfer of production lines from C.R. Bard to CONMED during 2006 and improved gross margins in our Patient Care, Electrosurgery and Endosurgery product lines as a result of higher selling prices (0.9 percentage points) offsetting a decline in our Arthroscopy and Powered Instrument product lines (0.2 percentage points) caused by higher production variances. Improved product mix also contributed to the increase in gross profit margins (0.3 percentage points).

Selling and administrative expense increased to $240.5 million in 2007 compared to $234.8 million in 2006. Selling and administrative expense as a percentage of net sales decreased to 34.6% in 2007 from 36.3% in 2006. This decrease of 1.7 percentage points is primarily attributable to greater leveraging of our cost structure as benefit costs (0.5 percentage points), selling expense related to our Endoscopic Technologies division (0.5 percentage points), distribution expense (0.1 percentage points) and other administrative costs (0.6 percentage points) declined as a percentage of net sales.

Research and development expense was $30.4 million in 2007 compared to $30.7 million in 2006. As a percentage of net sales, research and development expense decreased to 4.4% in 2007 from 4.7% in 2006. The decrease of 0.3 percentage points results from lower spending in our Endoscopic Technologies division as certain biliary and other projects near completion (0.3 percentage points).

During our fourth quarter 2006 goodwill impairment testing, we determined that the goodwill of our Endoscopic Technologies business was impaired and consequently we recorded an impairment charge of $46.7 million to reduce the carrying amount of this business to its fair value (see Note 4 to the Consolidated Financial Statements).

As discussed in Note 11 to the Consolidated Financial Statements, other expense in 2007 consisted of the following: $1.8 million charge related to the closing of our manufacturing facility in Montreal, Canada and a sales office in France, a $0.1 million charge related to the termination of our surgical lights product offering, $6.1 million in income related to the settlement of the antitrust case with Johnson & Johnson, and a $1.3 million charge related to the settlement of a product liability claim and defense related costs. Other expense in 2006 consisted of the following: $0.6 million in costs related to the closing of our manufacturing facility in Montreal, Canada; $0.6 million in costs related to the write-off of inventory in settlement of a patent dispute; a $1.4 million charge related to the termination of our surgical lights product offering; and $2.6 million in Endoscopic Technologies acquisition and transition-integration related charges.

During 2006, we recorded $0.7 million in losses on the early extinguishment of debt in connection with the refinancing of our senior credit agreement. See additional discussion under Management's Discussion and Analysis of Financial Condition and Results of Operations—Liquidity and Capital Resources and Note 5 to the Consolidated Financial Statements.

Interest expense in 2007 was $16.2 million compared to $19.1 million in 2006. The decrease in interest expense is primarily a result of lower weighted average borrowings outstanding in 2007 as compared to 2006. The weighted average interest rates on our borrowings (inclusive of the finance charge on our accounts receivable sale facility) decreased to 5.51% in 2007 as compared to 5.53% in 2006.

A provision for income taxes was recorded at an effective rate of 36.0% in 2007 and (48.7)% in 2006 as compared to the Federal statutory rate of 35.0%. The effective tax rate was lower in 2006 than in 2007 as a result of certain adjustments to income tax expense. In 2006, we settled our 2001 through 2004 income taxes as a result of IRS examinations. We adjusted our reserves to consider positions taken in our income tax returns for periods subsequent to 2004. The settlement and adjustment to our reserves resulted in a $1.5 million reduction in income tax expense in 2006. During the third quarter of 2006, we filed our United States federal income tax return for 2005. As a result of the filing, we identified a greater benefit than was originally anticipated associated with the extraterritorial income exclusion rules and research and development tax credit resulting in a $0.7 million reduction in income tax expense in 2006. The net effect of these adjustments was a $2.2 million reduction in income tax expense in 2006. A reconciliation of the United States statutory income tax rate to our effective tax rate is included in Note 6 to the Consolidated Financial Statements.

Operating Segment Results

Segment information is prepared on the same basis that we review financial information for operational decision-making purposes. We conduct our business through five principal operating segments: CONMED Endoscopic Technologies, CONMED Endosurgery, CONMED Electrosurgery, CONMED Linvatec and CONMED Patient Care. Based upon the aggregation criteria for segment reporting under Statement of Financial Accounting Standards No. 131 "Disclosures about Segments of an Enterprise and Related Information" ("SFAS 131"), we have grouped our CONMED Endosurgery, CONMED Electrosurgery and CONMED Linvatec operating segments into a single reporting segment. The economic characteristics of CONMED Patient Care and CONMED Endoscopic Technologies do not meet the criteria for aggregation due to the lower overall operating income (loss) of these segments.

The following tables summarize the Company's results of operations by segment for 2006, 2007 and 2008:

CONMED Endosurgery, CONMED Electrosurgery and CONMED Linvatec

	2006	2007	2008
Net sales	$ 515,937	$ 564,834	$ 612,521
Income from operations	70,193	87,569	98,101
Operating margin	13.6%	15.5%	16.0%

Product offerings include a complete line of endo-mechanical instrumentation for minimally invasive laparoscopic procedures, electrosurgical generators and related surgical instruments, arthroscopic instrumentation for use in orthopedic surgery and small bone, large bone and specialty powered surgical instruments.

- Arthroscopy sales increased $27.3 million (10.3%) in 2008 to $291.9 million from $264.5 million in 2007. Arthroscopy sales increased $36.3 million (15.9%) in 2007 to $264.5 million from $228.2 million in 2006. These increases are principally a result of increased sales of our procedure specific, resection and video imaging products for arthroscopy and general surgery.
- Powered Surgical Instrument sales increased $6.4 million (4.3%) in 2008 to $155.7 million from $149.3 million in 2007, on increased sales of large bone handpieces and large bone, small bone, and specialty burs and blades; Powered Surgical Instrument sales increased $12.1 million (8.8%) in 2007 to $149.3 million from $137.2 million in 2006, on increased sales of small bone and large bone powered instrument products.
- Electrosurgery sales increased $8.4 million (9.1%) in 2008 to $100.5 million from $92.1 million in 2007 principally as a result of increased sales of our System 5000™ electrosurgical generators, ABC® handpieces, pencils and electrodes; Electrosurgery sales decreased $5.7 million (5.8%) in 2007 to $92.1 million from $97.8 million in 2006 principally as a result of decreased sales of our System 5000™ electrosurgical generators and pencils offset by increased sales of our ABC® handpieces.
- Endosurgery sales increased $5.6 million (9.6%) in 2008 to $64.4 million from $58.9 million in 2007, as a result of increased sales of our V-CARE, ligation, hand held instruments and suction irrigation products; Endosurgery sales increased $6.1 million (11.6%) in 2007 to $58.9 million from $52.8 million in 2006, as a result of increased sales of our hand held instruments and suction/irrigation products.
- Operating margins as a percentage of net sales increased 0.5 percentage points to 16.0% in 2008 compared to 15.5% in 2007. The increase in operating margins are due to higher gross margins (2.0 percentage points) in 2008 compared to 2007 as result of the newly acquired direct operations in Italy and improved manufacturing efficiencies and other decreases in selling and administrative expense (0.2 percentage points) offset by higher selling and administrative expenses associated with the newly acquired direct sales operation in Italy (1.7 percentage points).
- Operating margins as a percentage of net sales increased 1.9 percentage points to 15.5% in 2007 compared to 13.6% in 2006. The increase in operating margins are due to higher gross margins (0.3 percentage points) as result of higher selling prices, lower costs in 2007 associated with the termination of our surgical lights product offering and closing of a manufacturing facility in Montreal, Canada as discussed in Note 11 to the Consolidated Financial Statements (0.3 percentage points), lower benefit costs (0.4 percentage points), lower selling costs in our Electrosurgery division (0.5 percentage points) and lower administrative expenses (0.4 percentage points).

CONMED Patient Care

	2006	2007	2008
Net sales	$ 75,883	$ 76,711	$ 78,384
Income (loss) from operations	(759)	2,003	2,259
Operating margin	(1.0)%	2.6%	2.9%

Product offerings include a line of vital signs and cardiac monitoring products including pulse oximetry equipment & sensors, ECG electrodes and cables, cardiac defibrillation & pacing pads and blood pressure cuffs. We also offer a complete line of reusable surgical patient positioners and suction instruments & tubing for use in the operating room, as well as a line of IV products.

- Patient Care sales increased $1.7 million (2.2%) in 2008 to $78.4 million compared to $76.7 million in 2007 on increased sales of defibrillator pads and ECG electrodes. Patient Care sales increased $0.9 million (1.2%) in 2007 to $76.7 million compared to $75.9 million in 2006 on increased sales of defibrillator pads.
- Operating margins as a percentage of net sales increased 0.3% percentage points to 2.9% in 2008 compared to 2.6% in 2007. The increases in operating margins are primarily due to increases in gross margins of 3.1 percentage points in 2008 compared to 2007 as a result of higher selling prices and lower production variances offset by increased research and development costs (2.1 percentage points) mainly due to our Endotracheal Cardiac Output Monitor ("ECOM") project and higher selling and administrative costs (0.7 percentage points).
- Operating margins as a percentage of net sales increased 3.6% percentage points to 2.6% in 2007 compared to (1.0%) in 2006. The increases in operating margins are primarily due to increases in gross margins of 4.0 percentage points in 2007 compared to 2006 as a result of higher selling prices. In addition, lower costs in 2007 are associated with the write-off of inventory in settlement of a patent dispute (0.8 percentage points) in 2006, offset by higher distribution costs (0.2 percentage points) and higher selling and administrative expenses (1.0 percentage points).

CONMED Endoscopic Technologies

	2006	2007	2008
Net sales	$ 54,992	$ 52,743	$ 51,278
Income (loss) from operations	(63,399)	(6,250)	(7,411)
Operating margin	(115.3%)	(11.8%)	(14.5%)

Product offerings include a comprehensive line of minimally invasive endoscopic diagnostic and therapeutic instruments used in procedures which require examination of the digestive tract.

- Endoscopic Technologies net sales declined $1.5 million (2.8%) in 2008 to $51.3 million from $52.7 million in 2007, principally due to decreased sales of forceps and pulmonary products as a result of strong competition and pricing pressures. Endoscopic Technologies net sales declined $2.2 million (4.0%) in 2007 to $52.7 million from $54.9 million in 2006, as a result of production and operational issues which resulted in product shortages and backorders during the first half of 2007.
- Operating margins as a percentage of net sales decreased 2.7 percentage points to (14.5%) in 2008 from (11.8%) in 2007. The decrease in operating margins of 2.7 percentage points in 2008 is primarily due to decreases in gross margins of 5.4 percentage points as a result of increased production costs and pricing pressures as well as higher selling and administrative expenses as a percentage of sales (0.9 percentage points) offset by decreased research and development spending as a percentage of sales (0.7 percentage points) and the charge in 2007 associated with the closure of a sales office in France (2.9 percentage points).
- Operating margins as a percentage of net sales increased to (11.8%) in 2007 from (115.3%) in 2006. The increase in operating margins of 103.5 percentage points in 2007 is primarily a result of the $46.7 million goodwill impairment charge (85.0 percentage points) in 2006. In addition, gross margins increased 12.2 percentage points as a result of the completion of the transfer of production lines from C.R. Bard to CONMED during 2006. The remaining increases in operating margins of 6.3 percentage points are attributable to lower costs in 2007 associated with acquisition-related costs (4.6 percentage points), lower research and development expenses as certain biliary and other projects near completion (2.0 percentage points) and other selling and administrative expenses (2.6 percentage points) offset by charges related to closure of a sales office in France (2.9 percentage points).

Liquidity and Capital Resources

Our liquidity needs arise primarily from capital investments, working capital requirements and payments on indebtedness under our senior credit agreement. We have historically met these liquidity requirements with funds generated from operations, including sales of accounts receivable and borrowings under our revolving credit facility. In addition, we use term borrowings, including borrowings under our senior credit agreement and borrowings under separate loan facilities, in the case of real property purchases, to finance our acquisitions. We also have the ability to raise funds through the sale of stock or we may issue debt through a private placement or public offering. We generally attempt to minimize our cash balances on-hand and use available cash to pay down debt or repurchase our common stock.

Operating Cash Flows

Our net working capital position was $219.3 million at December 31, 2008. Net cash provided by operating activities

was $64.7 million in 2006, $65.9 million in 2007 and $61.1 million in 2008, generated on net income of -$12.5 million in 2006, $41.5 million in 2007 and $44.6 million in 2008.

The net cash provided by operating activities in 2006, 2007 and 2008 reflects the relative stability of our cash flows and the non-cash nature of both the goodwill impairment charge in 2006 and the gain on the early extinguishment of debt in 2008.

Investing Cash Flows

Capital expenditures were $21.9 million, $20.9 million and $35.9 million in 2006, 2007 and 2008, respectively. The increase in capital expenditures in 2008 as compared to 2006 and 2007 is primarily due to the ongoing implementation of an enterprise business software application as well as various other infrastructure improvements related to our restructuring efforts (see "Restructuring" below and Note 16 to the Consolidated Financial Statements). Capital expenditures are expected to approximate $20.0 million in 2009.

During 2008, we purchased our Italian distributor (the "Italy acquisition") for $21.8 million. See Note 15 to the Consolidated Financial Statements for further discussion of the Italy acquisition. The purchase of a business and a purchase price adjustment resulted in payments totaling $5.9 million in 2007. In 2006, the sale of an equity investment resulted in proceeds of $1.2 million while the purchase of a distributor's business resulted in a $2.5 million payment.

Financing Cash Flows

Net cash provided by (used in) financing activities during 2008 consisted of the following: $7.3 million in proceeds from the issuance of common stock under our equity compensation plans and employee stock purchase plan (See Note 7 to the Consolidated Financial Statements), $4.0 million in borrowings on our revolver under our senior credit agreement, $1.4 million in repayments of term borrowings under our senior credit agreement, a $4.3 million net change in cash overdrafts, $1.1 million in payments on mortgage notes, and a $20.2 million repurchase of our 2.50% convertible senior subordinated notes. See Note 5 to the Consolidated Financial Statements for further discussion of the repurchase of the Notes.

During 2006, we entered into an amended and restated $235.0 million senior credit agreement (the "amended and restated senior credit agreement"). The amended and restated senior credit agreement consists of a $100.0 million revolving credit facility and a $135.0 million term loan. There were $4.0 million in borrowings outstanding on the revolving credit facility as of December 31, 2008. Our available borrowings on the revolving credit facility at December 31, 2008 were $89.0 million with approximately $7.0 million of the facility set aside for outstanding letters of credit. There were $57.6 million in borrowings outstanding on the term loan at December 31, 2008. The proceeds of the term loan portion of the amended and restated senior credit agreement were used to repay borrowings outstanding on the term loan and revolving credit facility of $142.5 million under the previously existing senior credit agreement. In connection with the refinancing, we recorded a $0.7 million loss on early extinguishment of debt of which $0.2 million related to the write-off of unamortized deferred financing costs under the previously existing senior credit agreement and $0.5 million related to financing costs associated with the amended and restated senior credit agreement.

The scheduled principal payments on the term loan portion of the senior credit agreement are $1.4 million annually through December 2011, increasing to $53.6 million in 2012 with the remaining balance outstanding due and payable on April 12, 2013. We may also be required, under certain circumstances, to make additional principal payments based on excess cash flow as defined in the senior credit agreement. Interest rates on the term loan portion of the senior credit agreement are at LIBOR plus 1.50% (1.96% at December 31, 2008) or an alternative base rate; interest rates on the revolving credit facility portion of the senior credit agreement are at LIBOR plus 1.25% or an alternative base rate. For those borrowings where the Company elects to use the alternative base rate, the base rate will be the greater of the Prime Rate or the Federal Funds Rate in effect on such date plus 0.50%, plus a margin of 0.50% for term loan borrowings or 0.25% for borrowings under the revolving credit facility.

The senior credit agreement is collateralized by substantially all of our personal property and assets, except for our accounts receivable and related rights which are pledged in connection with our accounts receivable sales agreement. The senior credit agreement contains covenants and restrictions which, among other things, require the maintenance of certain financial ratios, and restrict dividend payments and the incurrence of certain indebtedness and other activities, including acquisitions and dispositions. We were in compliance with these covenants and restrictions as of December 31, 2008. We are also required, under certain circumstances, to make mandatory prepayments from net cash proceeds from any issue of equity and asset sales.

Mortgage notes outstanding in connection with the property and facilities utilized by our CONMED Linvatec subsidiary consist of a note bearing interest at 7.50% per annum with semiannual payments of principal and interest through June 2009 (the "Class A note"); and a 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 (the "Class C note"). The principal balances outstanding on the Class A note and Class C note aggregated $1.4 million and $11.3 million, respectively, at December 31, 2008. These mortgage notes are secured by the CONMED Linvatec property and facilities.

We have outstanding $125.0 million in 2.50% convertible senior subordinated notes due 2024. During the fourth quarter of 2008, we repurchased and retired $25.0 million of the Notes for $20.2 million and recorded a gain on the early extinguishment of debt of $4.4 million net of the write-off of $0.4 million in unamortized deferred financing costs. The Notes represent subordinated unsecured obligations and are convertible under certain circumstances, as defined in the bond indenture, into a combination of cash and CONMED common stock. Upon conversion, the holder of each Note will receive the conversion value of the Note payable in cash up to the principal amount of the Note and CONMED common stock for the Note's conversion value in excess of such principal amount. Amounts in excess of the principal amount are at an initial conversion rate, subject to adjustment, of 26.1849 shares per $1,000 principal amount of the Note (which represents an initial conversion price of $38.19 per share). As of December 31, 2008, there was no value assigned to the conversion feature because the Company's share price was below the conversion price. The Notes mature on November 15, 2024 and are not redeemable by us prior to November 15, 2011. Holders of the Notes will be able to require that we repurchase some or all of the Notes on November 15, 2011, 2014 and 2019.

The Notes contain two embedded derivatives. The embedded derivatives are recorded at fair value in other long-term liabilities and changes in their value are recorded through the consolidated statements of operations. The embedded derivatives have a nominal value, and it is our belief that any change in their fair value would not have a material adverse effect on our business, financial condition, results of operations, or cash flows.

Our Board of Directors has authorized a share repurchase program under which we may repurchase up to $50.0 million of our common stock in any calendar year. We did not repurchase any shares during 2008. In the past, we have financed the repurchases and may finance additional repurchases through the proceeds from the issuance of common stock under our stock option plans, from operating cash flow and from available borrowings under our revolving credit facility.

Management believes that cash flow from operations, including accounts receivable sales, cash and cash equivalents on hand and available borrowing capacity under our senior credit agreement will be adequate to meet our anticipated operating working capital requirements, debt service, funding of capital expenditures and common stock repurchases in the foreseeable future. See Business Forward-Looking Statements.

Off-Balance Sheet Arrangements

We have an 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"), a wholly-owned, bankruptcy-remote, special-purpose subsidiary of CONMED Corporation. CRC may in turn sell up to an aggregate $50.0 million undivided percentage ownership interest in such receivables (the "asset interest") to a bank

(the "purchaser"). The purchaser's share of collections on accounts receivable are calculated as defined in the accounts receivable sales agreement, as amended. Effectively, collections on the pool of receivables flow first to the purchaser and then to CRC, but to the extent that the purchaser's share of collections may be less than the amount of the purchaser's asset interest, there is no recourse to CONMED or CRC for such shortfall. For receivables which have been sold, CONMED Corporation and its subsidiaries retain collection and administrative responsibilities as agent for the purchaser. As of December 31, 2007 and 2008, the undivided percentage ownership interest in receivables sold by CRC to the purchaser aggregated $45.0 million and $42.0 million, respectively, which has been accounted for as a sale and reflected in the balance sheet as a reduction in accounts receivable. Expenses associated with the sale of accounts receivable, including the purchaser's financing costs to purchase the accounts receivable, were $2.3 million, $2.9 million and $1.7 million, in 2006, 2007 and 2008, respectively, and are included in interest expense.

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 purchaser. The pool of receivables is in compliance with these ratios. Management believes that additional accounts receivable arising in the normal course of business will be of sufficient quality and quantity to meet the requirements for sale under the accounts receivables 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 purchaser rather than being used to fund new receivable purchases. To the extent that such collections would not be available to CONMED in the form of new receivables purchases, we would need to access an alternate source of working capital, such as our $100 million revolving credit facility. Our accounts receivable sales agreement, as amended, also requires us to obtain a commitment (the "purchaser commitment") from the purchaser to fund the purchase of our accounts receivable. The purchaser commitment was amended effective December 28, 2007 whereby it was extended through October 31, 2009 under substantially the same terms and conditions.

Restructuring

During the second quarter of 2008, we announced a plan to restructure certain of our operations. The restructuring plan includes the closure of two manufacturing facilities located in the Utica, New York area totaling approximately 200,000 square feet with manufacturing to be transferred into either our Corporate headquarters location in Utica, New York or into a newly constructed leased manufacturing facility in Chihuahua, Mexico. In addition, manufacturing presently done by a contract manufacturing facility in Juarez, Mexico will be transferred in-house to the Chihuahua facility. Finally, certain domestic distribution activities will be centralized in a new leased consolidated distribution center in Atlanta, Georgia. We believe our restructuring plan will reduce our cost base by consolidating our Utica, New York operations into a single facility and expanding our lower cost Mexican operations, as well as improve service to our customers by shipping orders from more centralized distribution centers. The transition of manufacturing operations and consolidation of distribution activities began in the third quarter of 2008 and is expected to be largely completed by the fourth quarter of 2009.

In conjunction with our restructuring plan, we considered Statement of Financial Accounting Standards No. 144 "Accounting for the Impairment or Disposal of Long-Lived Assets" ("SFAS 144"). SFAS 144 requires that long-lived assets be tested for recoverability whenever events or changes in circumstances indicate that their carrying amount may not be recoverable. Based on the announced restructuring plan, our current expectation is that it is more likely than not, that the two manufacturing facilities located in the Utica, New York area scheduled to be closed as a result of the restructuring plan, will be sold prior to the end of their previously estimated useful lives. Even though we expect to sell these facilities prior to the end of their useful lives, we do not believe that at present we meet the criteria contained within SFAS 144 to designate these assets as held for sale and accordingly we have tested them for impairment under the guidance for long-lived assets to be held and used. We performed our impairment testing on the two manufacturing facilities scheduled to close under the restructuring plan by comparing future cash flows expected to be generated by these facilities (undiscounted and without interest charges) against their carrying amounts ($2.2 million and $2.1 million, respectively, as of December 31, 2008). Since future cash flows expected to be generated by these facilities exceeds their carrying amounts, we do not believe any impairment exists at this time. However, we cannot be certain an impairment charge will not be taken in the future when the facilities are no longer in use.

During the year ended December 31, 2008, we incurred $4.1 million in costs associated with the restructuring. Approximately $2.5 million of the total $4.1 million in restructuring costs have been charged to cost of goods sold and represent startup activities associated with the new manufacturing facility in Chihuahua, Mexico. The remaining $1.6 million in restructuring costs have been recorded in other expense and include charges directly related to the consolidation of our distribution centers, including severance charges. As our restructuring plan progresses, we will incur additional charges, including employee termination and other exit costs. However, based on the criteria contained within Statement of Financial Accounting Standards No. 146 "Accounting for Costs Associated with Exit or Disposal Activities", no accrual for such costs has been made at this time.

We estimate the total costs of the restructuring plan will approximate $9.4 million during 2009, including $2.1 million related to employee termination costs, $3.7 million in expense related to abnormally low production levels at certain of our plants (as we transfer production to alternate sites), $1.4 million in accelerated depreciation at one of the two Utica, New York area facilities which are expected to close and $2.2 million in other restructuring related activities. We estimate approximately $2.0 million of the total anticipated $9.4 million in restructuring costs will be reported in other expense with the remaining $7.4 million charged to cost of goods sold. The restructuring plan impacts Corporate manufacturing and distribution facilities which support multiple reporting segments. As a result, costs associated with the restructuring plan will be reflected in the Corporate line within our business segment reporting.

Contractual Obligations

The following table summarizes our contractual obligations for the next five years and thereafter (amounts in thousands). Purchase obligations represent purchase orders for goods and services placed in the ordinary course of business. There were no capital lease obligations as of December 31, 2008.

		Payments Due by Period			
	Total	Less than 1 Year	1-3 Years	3-5 Years	More than 5 Years
Long-term debt	$ 199,375	$ 3,185	$ 8,418	$ 55,607	$ 132,165
Purchase obligations	55,410	54,000	1,410	—	—
Operating lease obligations	21,631	3,764	6,690	5,020	6,157
Total contractual obligations	$ 276,416	$ 60,949	$ 16,518	$ 60,627	$ 138,322

In addition to the above contractual obligations, we are required to make periodic interest payments on our long-term debt obligations; (see additional discussion under. "Quantitative and Qualitative Disclosures About Market Risk—Interest Rate Risk" and Note 5 to the Consolidated Financial Statements). The above table does not include required contributions to our pension plan in 2009, which are expected to be approximately $8.1 million. (See Note 9 to the Consolidated Financial Statements). The above table also does not include unrecognized tax benefits of approximately $0.7 million, the timing and certainty of recognition for which is uncertain. (See Note 6 to the Consolidated Financial Statements).

Stock-Based Compensation

We have reserved shares of common stock for issuance to employees and directors under three shareholder-approved share-based compensation plans (the "Plans"). The Plans provide for grants of options, stock appreciation rights ("SARs"), dividend equivalent

rights, restricted stock, restricted stock units ("RSUs"), and other equity-based and equity-related awards. The exercise price on all outstanding options and SARs is equal to the quoted fair market value of the stock at the date of grant. RSUs are valued at the market value of the underlying stock on the date of grant. Stock options, SARs and RSUs are non-transferable other than on death and generally become exercisable over a five year period from date of grant. Stock options and SARs expire ten years from date of grant. SARs are only settled in shares of the Company's stock. (See Note 7 to the Consolidated Financial Statements).

New Accounting Pronouncements

See Note 14 to the Consolidated Financial Statements for a discussion of new accounting pronouncements.

Quantitative and Qualitative Disclosures About Market Risk

Market risk is the potential loss arising from adverse changes in market rates and prices such as commodity prices, foreign currency exchange rates and interest rates. In the normal course of business, we are exposed to various market risks, including changes in foreign currency exchange rates and interest rates. We manage our exposure to these and other market risks through regular operating and financing activities and as necessary through the use of derivative financial instruments.

Foreign Currency Risk

Approximately 44% of our total 2008 consolidated net sales were to customers outside the United States. We have sales subsidiaries in a significant number of countries in Europe as well as Australia, Canada and Korea. In those countries in which we have a direct presence, our sales are denominated in the local currency amounting to approximately 30% of our total net sales in 2008. The remaining 14% of sales to customers outside the United States was on an export basis and transacted in United States dollars.

Because a significant portion of our operations consist of sales activities in foreign jurisdictions, our financial results may be affected by factors such as changes in foreign currency exchange rates or weak economic conditions in the markets in which we distribute products. During 2008, changes in foreign currency exchange rates increased sales by approximately $1.9 million and income before income taxes by approximately $0.4 million. We do not presently hedge any portion of our foreign currency denominated revenues through the use of forward foreign currency exchange contracts or other derivative financial instruments, however we may consider such strategies in the future.

We do maintain a forward contract program to exchange foreign currencies for United States dollars in order to hedge our net investment in foreign subsidiaries. These forward contracts settle each month at month-end, at which time we enter into new forward contracts. The notional contract amounts for forward contracts outstanding at December 31, 2008 totaled $24.0 million. We have not designated these forward contracts as hedges. Net realized gains in connection with these forward contracts approximated $3.0 million for the year ended December 31, 2008, partially offsetting losses on our intercompany exposure of approximately $6.1 million. These gains and losses have been recorded in selling and administrative expense in the Consolidated Statements of Operations. We mark outstanding forward contracts to market. The market value for forward foreign exchange contracts outstanding at December 31, 2008 was not material.

Interest Rate Risk

At December 31, 2008, we had approximately $61.6 million of variable rate long-term debt outstanding under our senior credit agreement and an additional $42.0 million in accounts receivable sold under our accounts receivable sales agreement; we are not a party to any interest rate swap agreements as of December 31, 2008. Assuming no repayments other than our 2009 scheduled term loan payments, if market interest rates for similar borrowings and accounts receivable sales averaged 1.0% more in 2009 than they did in 2008, interest expense would increase, and income before income taxes would decrease by $1.0 million. Comparatively, if market interest rates for similar borrowings averaged 1.0% less in 2009 than they did in 2008, our interest expense would decrease, and income before income taxes would increase by $1.0 million.

Business Forward-Looking Statements

This Annual Report for the Fiscal Year Ended December 31, 2008 contains certain forward-looking statements (as such term is defined in the Private Securities Litigation Reform Act of 1995) and information relating to CONMED Corporation ("CONMED," the "Company," "we" or "us" — references to "CONMED," the "Company," "we" or "us" shall be deemed to include our direct and indirect subsidiaries unless the context otherwise requires) which are based on the beliefs of our management, as well as assumptions made by and information currently available to our management.

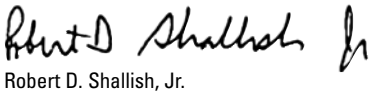
When used in this Annual Report, the words "estimate," "project," "believe," "anticipate," "intend," "expect" and similar expressions are intended to identify forward-looking statements. These statements involve known and unknown risks, uncertainties and other factors which may cause our actual results, 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, among others, the following:

- general economic and business conditions;
- changes in foreign exchange and interest rates;
- cyclical customer purchasing patterns due to budgetary and other constraints;
- changes in customer preferences;
- competition;
- changes in technology;
- the introduction and acceptance of new products;
- the ability to evaluate, finance and integrate acquired businesses, products and companies;
- changes in business strategy;
- the availability and cost of materials;
- the possibility that United States or foreign regulatory and/or administrative agencies may initiate enforcement actions against us or our distributors;
- future levels of indebtedness and capital spending;
- quality of our management and business abilities and the judgment of our personnel;
- the availability, terms and deployment of capital;
- the risk of litigation, especially patent litigation as well as the cost associated with patent and other litigation;
- changes in regulatory requirements.

Management's Report on Internal Control Over Financial Reporting

The management of CONMED Corporation is responsible for establishing and maintaining adequate internal control over financial reporting. Internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external reporting purposes in accordance with generally accepted accounting principles. Our internal control over financial reporting includes policies and procedures that pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect transactions and dispositions of assets; provide reasonable assurances that transactions are recorded as necessary to permit preparation of financial statements in accordance with accounting principles generally accepted in the United States of America, and that receipts and expenditures are being made only in accordance with authorizations of management and the directors of the Company; and provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use or disposition of our assets that could have a material effect on our financial statements. Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Management assessed the effectiveness of CONMED's internal control over financial reporting as of December 31, 2008. In making its assessment, management utilized the criteria set forth by the Committee of Sponsoring Organizations of the Treadway Commission ("COSO") in "Internal Control-Integrated Framework". Management has concluded that based on its assessment, CONMED's internal control over financial reporting was effective as of December 31, 2008. The effectiveness of the Company's internal control over financial reporting as of December 31, 2008 has been audited by PricewaterhouseCoopers LLP, an independent registered public accounting firm, as stated in their report which appears herein.

Joseph J. Corasanti
President and
Chief Executive Officer



Robert D. Shallish, Jr.
Vice President-Finance and
Chief Financial Officer

Report of Independent Registered Public Accounting Firm

To the Board of Directors and Shareholders of CONMED Corporation

In our opinion, the accompanying consolidated balance sheets and the related consolidated statements of operations, of shareholders' equity and of cash flows present fairly, in all material respects, the financial position of CONMED Corporation and its subsidiaries at December 31, 2008 and December 31, 2007, and the results of their operations and their cash flows for each of the three years in the period ended December 31, 2008 in conformity with accounting principles generally accepted in the United States of America. Also in our opinion, the Company maintained, in all material respects, effective internal control over financial reporting as of December 31, 2008, based on criteria established in *Internal Control - Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). The Company's management is responsible for these financial statements, for maintaining effective internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting, included in the accompanying "Management's Report On Internal Control Over Financial Reporting". Our responsibility is to express opinions on these financial statements, and on the Company's internal control over financial reporting based on our integrated audits. We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement and whether effective internal control over financial reporting was maintained in all material respects. Our audits of the financial statements included 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. Our audit of internal control over financial reporting included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, and testing and evaluating the design and operating effectiveness of internal control based on the assessed risk. Our audits also included performing such other procedures as we considered necessary in the circumstances. We believe that our audits provide a reasonable basis for our opinions.

As discussed in Note 7 to the consolidated financial statements, the Company changed the manner in which it accounts for share-based compensation in 2006. As discussed in Note 9 to the consolidated financial statements, the Company changed the way in which it accounts for its defined benefit pension plan in 2006.

A company's internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal control over financial reporting includes those policies and procedures that (i) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (ii) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (iii) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

PricewaterhouseCoopers LLP

PricewaterhouseCoopers LLP

Albany, New York
February 24, 2009

PRICEWATERHOUSECOOPERS

Consolidated Balance Sheets

December 31, 2007 and 2008
(In thousands except share and per share amounts)

	2007	2008
Assets		
Current assets:		
Cash and cash equivalents	$ 11,695	$ 11,811
Accounts receivable, less allowance for doubtful accounts of $787 in 2007 and $1,370 in 2008	80,642	96,515
Inventories	164,969	159,976
Income taxes receivable	1,425	—
Deferred income taxes	11,697	14,742
Prepaid expenses and other current assets	8,594	11,218
Total current assets	279,022	294,262
Property, plant and equipment, net	123,679	143,737
Goodwill, net	289,508	290,245
Other intangible assets, net	191,807	195,939
Other assets	9,935	7,478
Total assets	$ 893,951	$ 931,661
Liabilities and Shareholders' Equity		
Current liabilities:		
Current portion of long-term debt	$ 3,349	$ 3,185
Accounts payable	38,987	35,887
Accrued compensation and benefits	19,724	20,129
Income taxes payable	—	1,279
Other current liabilities	15,224	14,434
Total current liabilities	77,284	74,914
Long-term debt	219,485	196,190
Deferred income taxes	71,188	83,498
Other long-term liabilities	20,992	45,325
Total liabilities	388,949	399,927
Commitments and contingencies		
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 authorized; 31,299,203, issued in 2007 and 2008, respectively	313	313
Paid-in capital	287,926	292,251
Retained earnings	284,850	327,471
Accumulated other comprehensive income (loss)	(505)	(31,032)
Less: Treasury stock, at cost; 2,684,163 and 2,274,822 shares in 2007 and 2008, respectively	(67,582)	(57,269)
Total shareholders' equity	505,002	531,734
Total liabilities and shareholders' equity	$ 893,951	$ 931,661

See notes to consolidated financial statements.

Consolidated Statements of Operations

Years Ended December 31, 2006, 2007 and 2008
(In thousands except per share amounts)

	2006	2007	2008
Net sales	$ 646,812	$ 694,288	$ 742,183
Cost of sales	333,966	345,163	359,802
Gross profit	312,846	349,125	382,381
Selling and administrative expense	234,832	240,541	272,437
Research and development expense	30,715	30,400	33,108
Impairment of goodwill	46,689	—	—
Other expense (income)	5,213	(2,807)	1,577
	317,449	268,134	307,122
Income (loss) from operations	(4,603)	80,991	75,259
Gain (loss) on early extinguishment of debt	(678)	—	4,376
Interest expense	19,120	16,234	10,372
Income (loss) before income taxes	(24,401)	64,757	69,263
Provision (benefit) for income taxes	(11,894)	23,301	24,702
Net income (loss)	$ (12,507)	$ 41,456	44,561
Earnings (loss) per share			
Basic	$ (.45)	$ 1.46	$ 1.55
Diluted	(.45)	1.43	1.52

See notes to consolidated financial statements.

Consolidated Statements of Shareholders' Equity

Years Ended December 31, 2006, 2007 and 2008
(In thousands)

	Common Stock Shares	Common Stock Amount	Paid-in Capital	Retained Earnings	Accumulated Other Comprehensive Income (Loss)	Treasury Stock	Shareholders' Equity
Balance at December 31, 2005	31,137	$ 311	$ 278,281	$ 259,932	$ (9,736)	$ (75,782)	$ 453,006
Common stock issued under employee plans	167	2	2,729				2,731
Tax benefit arising from common stock issued under employee plans			139				139
Stock based compensation			3,709				3,709
Repurchase of common stock						(7,848)	(7,848)
Comprehensive income:							
Foreign currency translation adjustments					3,375		
Minimum pension liability (net of income tax expense of $1,330)					3,092		
Net income (loss)				(12,507)			
Total comprehensive income (loss)							(6,040)
Adjustment to initially apply SFAS No. 158 (net of income tax benefit of $3,132)					(5,343)		(5,343)
Balance at December 31, 2006	31,304	$ 313	$ 284,858	$ 247,425	$ (8,612)	$ (83,630)	$ 440,354
Common stock issued under employee plans	(5)		(662)	(4,031)		16,048	11,355
Tax benefit (expense) arising from common stock issued under employee plans			(41)				(41)
Stock-based compensation			3,771				3,771
Comprehensive income (loss):							
Foreign currency translation adjustments					5,284		
Pension liability (net of income tax expense of $1,654)					2,823		
Net income (loss)				41,456			
Total comprehensive income (loss)							49,563
Balance at December 31, 2007	31,299	$ 313	$ 287,926	$ 284,850	$ (505)	$ (67,582)	$ 505,002
Common stock issued under employee plans			(1,483)	(1,940)		10,313	6,890
Tax benefit arising from common stock issued under employee plans			1,630				1,630
Stock-based compensation			4,178				4,178
Comprehensive income:							
Foreign currency translation adjustments					(12,498)		
Pension liability (net of income tax expense of $10,566)					(18,029)		
Net income (loss)				44,561			
Total comprehensive income (loss)							14,034
Balance at December 31, 2008	31,299	$ 313	$ 292,251	$ 327,471	$ (31,032)	$ (57,269)	$ 531,734

See notes to consolidated financial statements.

Consolidated Statements of Cash Flows

Years Ended December 31, 2006, 2007 and 2008
(In thousands)

	2006	2007	2008
Cash flows from operating activities:			
Net income (loss)	$ (12,507)	$ 41,456	$ 44,561
Adjustments to reconcile net income (loss) to net cash provided by operating activities:			
Depreciation	11,738	13,101	14,641
Amortization	18,113	18,433	17,695
Stock-based compensation	3,709	3,771	4,178
Goodwill impairment	46,689	—	—
Deferred income taxes	(12,164)	16,714	18,984
Sale of accounts receivable	4,000	1,000	(3,000)
Income tax benefit of stock option exercises	139	—	1,630
Excess tax benefit from stock option exercises	—	—	(1,738)
Contributions to pension plans less than (in excess of) net pension cost	1,877	(5,112)	(5,425)
Loss (gain) on extinguishment of debt	203	—	(4,376)
Increase (decrease) in cash flows from changes in assets and liabilities, net of effects from acquisitions:			
Accounts receivable	(126)	(6,301)	(3,735)
Inventories	(9,380)	(22,621)	(8,110)
Accounts payable	7,016	(2,414)	(7,043)
Income taxes	(2,069)	3,118	2,627
Accrued compensation and benefits	5,251	2,012	(238)
Other assets	(1,582)	(83)	(4,469)
Other liabilities	3,804	2,820	(5,033)
	77,218	24,438	16,588
Net cash provided by operating activities	64,711	65,894	61,149
Cash flows from investing activities:			
Payments related to business acquisitions, net of cash acquired	(2,466)	(5,933)	(22,023)
Proceeds from sale of equity investment	1,205	—	—
Purchases of property, plant and equipment, net	(21,895)	(20,910)	(35,879)
Net cash used in investing activities	(23,156)	(26,843)	(57,902)
Cash flows from financing activities:			
Net proceeds from common stock issued under employee plans	2,731	11,355	7,347
Excess tax benefit from stock options exercises	—	—	1,738
Repurchase of common stock	(7,848)	—	—
Payments on senior credit agreement	(173,160)	(44,000)	(1,350)
Proceeds of senior credit agreement	135,000	—	4,000
Payments on mortgage notes	(867)	(990)	(1,109)
Payments on senior subordinated notes	—	—	(20,248)
Payments related to issuance of debt	(1,260)	—	—
Net change in cash overdrafts	1,166	(1,770)	4,270
Net cash used in financing activities	(44,238)	(35,405)	(5,352)
Effect of exchange rate changes on cash and cash equivalents	3,060	4,218	2,221
Net increase in cash and cash equivalents	377	7,864	116
Cash and cash equivalents at beginning of year	3,454	3,831	11,695
Cash and cash equivalents at end of year	$ 3,831	$ 11,695	$ 11,811
Supplemental disclosures of cash flow information:			
Cash paid during the year for:			
Interest	$ 18,247	$ 14,386	$ 9,381
Income taxes	2,168	4,172	7,397

See notes to consolidated financial statements.

Notes to Consolidated Financial Statements

Note 1 — Operations and Significant Accounting Policies

Organization and operations

CONMED Corporation ("CONMED", the "Company", "we" or "us") is a medical technology company with an emphasis on surgical devices and equipment for minimally invasive procedures and monitoring. The Company's products serve the clinical areas of arthroscopy, powered surgical instruments, electrosurgery, cardiac monitoring disposables, endosurgery and endoscopic technologies. They are used by surgeons and physicians in a variety of specialties including orthopedics, general surgery, gynecology, neurosurgery, and gastroenterology.

Principles of consolidation

The consolidated financial statements include the accounts of CONMED Corporation and its controlled subsidiaries. All significant intercompany accounts and transactions have been eliminated.

Use of estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and judgments which affect the reported amounts of assets, liabilities, related disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amount of revenues and expenses during the reporting period. Estimates are used in accounting for, among other things, allowances for doubtful accounts, rebates and sales allowances, inventory allowances, purchased in-process research and development, pension benefits, goodwill and intangible assets, contingencies and other accruals. We base our estimates on historical experience and on various other assumptions which are believed to be reasonable under the circumstances. Due to the inherent uncertainty involved in making estimates, actual results reported in future periods may differ from those estimates. Estimates and assumptions are reviewed periodically, and the effect of revisions are reflected in the consolidated financial statements in the period they are determined to be necessary.

Cash and cash equivalents

We consider all highly liquid investments with an original maturity of three months or less to be cash equivalents.

Accounts receivable sale

We have an 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"), a wholly-owned, bankruptcy-remote, special-purpose subsidiary of CONMED Corporation. CRC may in turn sell up to an aggregate $50.0 million undivided percentage ownership interest in such receivables (the "asset interest") to a bank (the "purchaser"). The purchaser's share of collections on accounts receivable are calculated as defined in the accounts receivable sales agreement, as amended. Effectively, collections on the pool of receivables flow first to the purchaser and then to CRC, but to the extent that the purchaser's share of collections may be less than the amount of the purchaser's asset interest, there is no recourse to CONMED or CRC for such shortfall. For receivables which have been sold, CONMED Corporation and its subsidiaries retain collection and administrative responsibilities as agent for the purchaser. As of December 31, 2007 and 2008, the undivided percentage ownership interest in receivables sold by CRC to the purchaser aggregated $45.0 million and $42.0 million, respectively, which has been accounted for as a sale and reflected in the balance sheet as a reduction in accounts receivable. Expenses associated with the sale of accounts receivable, including the purchaser's financing costs to purchase the accounts receivable, were $2.3 million, $2.9 million and $1.7 million, in 2006, 2007 and 2008, respectively, and are included in interest expense.

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 purchaser. Management believes that additional accounts receivable arising in the normal course of business will be of sufficient quality and quantity to meet the requirements 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 purchaser rather than being used to fund new receivable purchases. To the extent that such collections would not be available to CONMED in the form of new receivables purchases, we would need to access an alternate source of working capital, such as our $100 million revolving credit facility. Our accounts receivable sales agreement, as amended, also requires us to obtain a commitment (the "purchaser commitment") from the purchaser to fund the purchase of our accounts receivable. The purchaser commitment was amended effective December 28, 2007 whereby it was extended through October 31, 2009 under substantially the same terms and conditions.

Inventories

Inventories are valued at the lower of cost or market. Cost is determined on the FIFO (first-in, first-out) method of accounting.

Property, plant and equipment

Property, plant and equipment are stated at cost and depreciated using the straight-line method over the following estimated useful lives:

Building and improvements	40 years
Leasehold improvements	Shorter of life of asset or life of lease
Machinery and equipment	2 to 15 years

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. Because of our history of growth through acquisitions, goodwill and other intangible assets comprise a substantial portion (52.2% at December 31, 2008) of our total assets.

In accordance with Statement of Financial Accounting Standards No. 142, "Goodwill and Other Intangible Assets" ("SFAS 142"), goodwill and intangible assets deemed to have indefinite lives are not amortized, but are subject to at least annual impairment testing. It is our policy to perform our annual impairment testing in the fourth quarter. The identification and measurement of goodwill impairment involves the estimation of the fair value of our reporting units. Estimates of fair value are based on the best information available as of the date of the assessment, which primarily incorporate management assumptions about expected future cash flows and other valuation techniques. Future cash flows may be affected by changes in industry or market conditions or the rate and extent to which anticipated synergies or cost savings are realized with newly acquired entities. These tests resulted in an impairment charge of $46.7 million in the fourth quarter ending December 31, 2006. We completed our assessment of goodwill as of October 1, 2008 and determined that no impairment existed at that date. See Note 4 for additional discussion.

Intangible assets with a finite life are amortized over the estimated useful life of the asset. SFAS 142 requires that intangible assets which continue to be subject to amortization be evaluated each reporting period to determine whether events and circumstances warrant a revision to the remaining period of amortization. SFAS 142 also requires that intangible assets subject to amortization be reviewed for impairment in accordance with Statement of Financial Accounting Standards No. 144, "Accounting for the Impairment or Disposal of Long-Lived Assets," ("SFAS 144"). SFAS 144 requires that intangible assets subject to amortization be tested for recoverability whenever events or changes in circumstances indicate that its carrying amount may not be recoverable. The carrying amount of an intangible asset subject to amortization is not recoverable if it exceeds the sum of the undiscounted cash flows expected to result from the use of the asset. An impairment loss is recognized by reducing the carrying amount of the intangible asset to its current fair value.

Customer relationship assets arose principally as a result of the 1997 acquisition of Linvatec Corporation. These assets represent the acquisition date fair value of existing customer relationships based on the after-tax income expected to be derived during their estimated remaining useful life. The useful lives of these customer relationships were not and are not limited by contract or any economic, regulatory or other known factors. The estimated useful life of the Linvatec customer relationship assets was determined as of the date of acquisition as a result of a study of the observed pattern of historical revenue attrition during the 5 years immediately preceding the acquisition of Linvatec Corporation. This observed attrition pattern was then applied to the existing customer relationships to derive the future expected retirement of the customer relationships. This analysis indicated an annual attrition rate of 2.6%. Assuming an exponential attrition pattern, this equated to an average remaining useful life of approximately 38 years for the Linvatec customer relationship assets. Customer relationship intangible assets arising as a result of other business acquisitions are being amortized over a weighted average life of 18 years. The weighted average life for customer relationship assets in aggregate is 35 years.

In accordance with SFAS 142, we evaluate the remaining useful life of our customer relationship intangible assets each reporting period in order to determine whether events and circumstances warrant a revision to the remaining period of amortization. In order to further evaluate the remaining useful life of our customer relationship intangible assets, we perform an annual analysis and assessment of actual customer attrition and activity. This assessment includes a comparison of customer activity since the acquisition date and review of customer attrition rates. In the event that our analysis of actual customer attrition rates indicates a level of attrition that is in excess of that which was originally contemplated, we would change the estimated useful life of the related customer relationship asset with the remaining carrying amount amortized prospectively over the revised remaining useful life.

SFAS 144 requires that we test our customer relationship assets for recoverability whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. Factors specific to our customer relationship assets which might lead to an impairment charge include a significant increase in the annual customer attrition rate or otherwise significant loss of customers, significant decreases in sales or current-period operating or cash flow losses or a projection or forecast of losses. We do not believe that there have been events or changes in circumstances which would indicate the carrying amount of our customer relationship assets might not be recoverable.

Other long-lived assets

We review asset carrying amounts for impairment (consisting of intangible assets subject to amortization and property, plant and equipment) whenever events or circumstances indicate that such carrying amounts may not be recoverable. If the sum of the expected future undiscounted cash flows is less than the carrying amount of the asset, an impairment loss is recognized by reducing the recorded value to its current fair value.

Fair value of financial instruments

The carrying amounts reported in our balance sheets for cash and cash equivalents, accounts receivable, accounts payable and long-term debt excluding the 2.50% convertible senior subordinated notes (the "Notes") approximate fair value. The fair value of the Notes approximated $134.8 million and $97.2 million at December 31, 2007 and 2008, respectively, based on their quoted market price. We repurchased and retired $25.0 million of the Notes during 2008 for $20.2 million and recorded a net gain of $4.4 million on the early extinguishment of debt as further described in Note 5.

Translation of foreign currency financial statements

Assets and liabilities of foreign subsidiaries have been translated into United States dollars at the applicable rates of exchange in effect at the end of the period reported. Revenues and expenses have been translated at the applicable weighted average rates of exchange in effect during the period reported. Translation adjustments are reflected in accumulated other comprehensive income (loss). Transaction gains and losses are included in net income (loss).

Forward Foreign Exchange Contracts

We have a forward contract program to exchange foreign currencies for United States dollars in order to hedge our net investment in foreign subsidiaries. These forward contracts settle each month at month-end, at which time we enter into new forward contracts. The notional contract amounts for forward contracts outstanding at December 31, 2008 totaled $24.0 million. We have not designated these forward contracts as hedges. Net realized gains in connection with these forward contracts approximated $3.0 million for the year ended December 31, 2008, partially offsetting losses on our intercompany exposure of approximately $6.1 million. These gains and losses have been recorded in selling and administrative expense in the Consolidated Statements of Operations. We mark outstanding forward contracts to market. The market value for forward foreign exchange contracts outstanding at December 31, 2008 was not material.

Income taxes

We provide for income taxes in accordance with the provisions of Statement of Financial Accounting Standards No. 109, "Accounting for Income Taxes" ("SFAS 109"). Under the liability method specified by SFAS 109, deferred tax assets and liabilities are based on the difference between the financial statement and tax basis of assets and liabilities and operating loss and tax credit carryforwards as measured by the enacted tax rates that are anticipated to be in effect in the respective jurisdictions when these differences reverse. The deferred tax provision generally represents the net change in the assets and liabilities for deferred tax. A valuation allowance is established when it is necessary to reduce deferred tax assets to amounts for which realization is not likely.

Deferred taxes are not provided on the unremitted earnings of subsidiaries outside of the United States when it is expected that these earnings are permanently reinvested. Such earnings may become taxable upon the sale or liquidation of these subsidiaries or upon the remittance of dividends. Deferred taxes are provided when the Company no longer considers subsidiary earnings to be permanently invested, such as in situations where the Company's subsidiaries plan to make future dividend distributions.

On January 1, 2007 we adopted the provisions of FASB Interpretation No. 48, Accounting for Uncertainty in Income Taxes, ("FIN 48"). FIN 48 prescribes a recognition threshold and measurement attribute for the financial statement recognition and measurement of a tax position taken or expected to be taken in a tax return. The impact of this pronouncement was not material to the Company's consolidated financial statements. See Note 6 to the Consolidated Financial Statements for further discussion.

Revenue recognition

Revenue is recognized when title has been transferred to the customer which is at the time of shipment. The following policies apply to our major categories of revenue transactions:

- Sales to customers are evidenced by firm purchase orders. Title and the risks and rewards of ownership are transferred to the customer when product is shipped under our stated shipping terms. Payment by the customer is due under fixed payment terms.
- We place certain of our capital equipment with customers in return for commitments to purchase disposable products over time periods generally ranging from one to three years. In these circumstances, no revenue is recognized upon capital equipment shipment and we recognize revenue upon the disposable product shipment. The cost of the equipment is amortized over the term of individual commitment agreements.
- Product returns are only accepted at the discretion of the Company and in accordance with our "Returned Goods Policy". Historically the level of product returns has not been significant. We accrue for sales returns, rebates and allowances based upon an analysis of historical customer returns and credits, rebates, discounts and current market conditions.

- Our terms of sale to customers generally do not include any obligations to perform future services. Limited warranties are provided for capital equipment sales and provisions for warranty are provided at the time of product sale based upon an analysis of historical data.
- Amounts billed to customers related to shipping and handling have been included in net sales. Shipping and handling costs included in selling and administrative expense were $14.3 million, $14.1 million and $13.4 million for 2006, 2007 and 2008, respectively.
- We sell to a diversified base of customers around the world and, therefore, believe there is no material concentration of credit risk.
- 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. Management believes that the allowance for doubtful accounts of $1.4 million at December 31, 2008 is adequate to provide for probable losses resulting from accounts receivable.

Earnings (loss) per share

Basic earnings per share ("basic EPS") is computed by dividing net income (loss) by the weighted average number of shares outstanding for the reporting period. Diluted earnings per share ("diluted EPS") gives effect during the reporting period to all dilutive potential shares outstanding resulting from employee share-based awards. In the 2006 period, incremental shares are not included in computing diluted EPS because to do so would have reduced the net loss per share. The following table sets forth the calculation of basic and diluted earnings per share at December 31, 2006, 2007 and 2008, respectively:

	2006	2007	2008
Net income (loss)	$ (12,507)	$ 41,456	$ 44,561
Basic-weighted average shares outstanding	27,966	28,416	28,796
Effect of dilutive potential securities	—	549	431
Diluted-weighted average shares outstanding	27,966	28,965	29,227
Basic EPS	$ (.45)	$ 1.46	$ 1.55
Diluted EPS	$ (.45)	$ 1.43	$ 1.52

The shares used in the calculation of diluted EPS exclude options to purchase shares where the exercise price was greater than the average market price of common shares for the year. Such shares aggregated approximately 0.6 and 0.9 million at December 31, 2007 and 2008, respectively. Upon conversion of our 2.50% convertible senior subordinated notes (the "Notes"), the holder of each Note will receive the conversion value of the Note payable in cash up to the principal amount of the Note and CONMED common stock for the Note's conversion value in excess of such principal amount. As of December 31, 2008, our share price has not exceeded the conversion price of the Notes, therefore the conversion value was less than the principal amount of the Notes. Under the net share settlement method and in accordance with Emerging Issues Task Force ("EITF") Issue 04-8, "The Effect of Contingently Convertible Debt on Diluted Earnings per Share", there were no potential shares issuable under the Notes to be used in the calculation of diluted EPS. The maximum number of shares we may issue with respect to the Notes is 5,750,000. See Note 5 for further discussion of the Notes.

Stock based compensation

We adopted Statement of Financial Accounting Standards No. 123 (revised 2004), "Share-Based Payment" ("SFAS 123(R)") effective January 1, 2006. SFAS 123(R) requires that all share-based payments to employees, including grants of employee stock options, restricted stock units, and stock appreciation rights be recognized in the financial statements based on their fair values. Prior to January 1, 2006, we accounted for stock-based compensation in accordance with Accounting Principles Board Opinion No. 25 "Accounting for Stock Issued to Employees" ("APB 25"). No compensation expense was recognized for stock options under the provisions of APB 25 since all options granted had an exercise price equal to the market value of the underlying stock on the grant date.

SFAS 123(R) was adopted using the modified prospective transition method. Under this method, the provisions of SFAS No. 123(R) apply to all awards granted or modified after the date of adoption. In addition, compensation expense must be recognized for any nonvested stock option awards outstanding as of the date of adoption. We recognize such expense using a straight-line method over the vesting period. Prior periods have not been restated.

We elected to adopt the alternative transition method, as permitted by FASB Staff Position No. FAS 123(R)-3 "Transition Election Related to Accounting for Tax Effects of Share-Based Payment Awards," to calculate the tax effects of stock-based compensation pursuant to SFAS 123(R) for those employee awards that were outstanding upon adoption of SFAS 123(R). The alternative transition method allows the use of a simplified method to calculate the beginning pool of excess tax benefits available to absorb tax deficiencies recognized subsequent to the adoption of SFAS 123(R). The Company's policy for intra-period tax allocation is the with and without approach for utilization of tax attributes.

During 2007, we began issuing shares under our stock based compensation plans out of treasury stock whereby treasury stock is reduced by the weighted average cost of such treasury stock. To the extent there is a difference between the cost of the treasury stock and the exercise price of shares issued under stock based compensation plans, we record gains to paid in capital; losses are recorded to paid in capital to the extent any gain was previously recorded, otherwise the loss is recorded to retained earnings.

Accumulated other comprehensive income (loss)

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

	Pension Liability	Cumulative Translation Adjustments	Accumulated Other Comprehensive Income (loss)
Balance, December 31, 2007	$ (9,563)	$ 9,058	$ (505)
Foreign currency translation adjustments	—	(12,498)	(12,498)
Pension liability (net of tax)	(18,029)	—	(18,029)
Balance, December 31, 2008	$ (27,592)	$ (3,440)	$ (31,032)

Note 2 — Inventories

Inventories consist of the following at December 31,:

	2007	2008
Raw materials	$ 60,081	$ 55,022
Work in process	18,669	22,177
Finished goods	86,219	82,777
	$ 164,969	$ 159,976

Note 3 — Property, Plant and Equipment

Property, plant and equipment consist of the following at December 31,:

	2007	2008
Land	$ 4,200	$ 4,273
Building and improvements	88,564	91,047
Machinery and equipment	109,368	117,339
Construction in progress	14,103	29,962
	216,235	242,621
Less: Accumulated depreciation	(92,556)	(98,884)
	$ 123,679	$ 143,737

We lease various manufacturing facilities, office facilities and equipment under operating leases. Rental expense on these operating leases was approximately $3,269, $3,724 and $3,443 for the years ended December 31, 2006, 2007 and 2008, respectively. The aggregate future minimum lease commitments for operating leases at December 31, 2008 are as follows:

2009	$ 3,764
2010	3,569
2011	3,121
2012	2,612
2013	2,408
Thereafter	6,157

Note 4 — Goodwill and Other Intangible Assets

The changes in the net carrying amount of goodwill for the years ended December 31, are as follows:

	2007	2008
Balance as of January 1,	$ 290,512	$ 289,508
Adjustments to goodwill resulting from tax benefits recognized	(2,192)	—
Adjustments to goodwill resulting from business acquisitions finalized	671	632
Foreign currency translation	517	105
Balance as of December 31,	$ 289,508	$ 290,245

In September 2004, we acquired the business operations of the Endoscopic Technologies Division of C.R. Bard, Inc. (the "Endoscopic Technologies acquisition") for aggregate consideration of $81.3 million in cash. The Endoscopic Technologies acquisition involved the transfer of substantially all of the Endoscopic Technologies production lines from C.R. Bard facilities to CONMED facilities. This transfer proved to be more time-consuming, costly and complex than was originally anticipated. In addition, production and operational issues at an assembly operation in Mexico under contract to CONMED resulted in product shortages and backorders. These operational issues, in combination with increased competition and pricing pressures in the marketplace resulted in decreased sales and gross margins and operating losses. As a result of these factors, during our fourth quarter 2006 goodwill impairment testing, we determined that the goodwill of our Endoscopic Technologies operating unit was impaired and consequently we recorded a goodwill impairment charge of $46.7 million to reduce the carrying amount of the unit to its fair value. We estimated the fair value of the Endoscopic Technologies operating unit using a discounted cash flow valuation methodology and measured the goodwill impairment in accordance with SFAS 142.

Goodwill associated with each of our principal operating units at December 31, is as follows:

	2007	2008
CONMED Electrosurgery	$ 16,645	$ 16,645
CONMED Endosurgery	42,439	42,439
CONMED Linvatec	171,332	171,437
CONMED Patient Care	59,092	59,724
Balance as of December 31,	$ 289,508	$ 290,245

Other intangible assets consist of the following:

	Dec. 31, 2007		Dec. 31, 2008	
	Gross Carrying Amount	Accumulated Amortization	Gross Carrying Amount	Accumulated Amortization
Amortized intangible assets:				
Customer relationships	$ 118,124	$ (28,000)	$ 127,594	$ (32,187)
Patents and other intangible assets	39,812	(26,473)	40,714	(28,526)
Unamortized intangible assets:				
Trademarks and tradenames	88,344	—	88,344	—
	$ 246,280	$ (54,473)	$ 256,652	$ (60,713)

Other intangible assets primarily represent allocations of purchase price to identifiable intangible assets of acquired businesses. The weighted average amortization period for intangible assets which are amortized is 24 years. Customer relationships are being amortized over a weighted average life of 35 years. Patents and other intangible assets are being amortized over a weighted average life of 13 years.

Customer relationship assets were recognized principally as a result of the 1997 acquisition of Linvatec Corporation. These assets represent the acquisition date fair value of existing customer relationships based on the after-tax income expected to be derived during their estimated remaining useful life. The useful lives of these customer relationships were not and are not limited by contract or any economic, regulatory or other known factors. The estimated useful life of the Linvatec customer relationship assets was determined as of the date of acquisition as a result of a study of the observed pattern of historical revenue attrition during the 5 years immediately preceding the acquisition of Linvatec Corporation. This observed attrition pattern was then applied to the existing customer relationships to derive the future expected retirement of the customer relationships. This analysis indicated an annual attrition rate of 2.6%. Assuming an exponential attrition pattern, this equated to an average remaining useful life of approximately 38 years for the Linvatec customer relationship assets. Customer relationship intangible assets arising as a result of other business acquisitions are being amortized over a weighted average life of 18 years. The weighted average life for customer relationship assets in aggregate is 35 years.

Trademarks and tradenames were recognized principally in connection with the 1997 acquisition of Linvatec Corporation. We continue to market products, release new product and product extensions and maintain and promote these trademarks and tradenames in the marketplace through legal registration and such methods as advertising, medical education and trade shows. It is our belief that these trademarks and tradenames will generate cash flow for an indefinite period of time. Therefore, in accordance with SFAS 142, our trademarks and tradenames intangible assets are not amortized.

Amortization expense related to intangible assets for the year ending December 31, 2008 and estimated amortization expense for each of the five succeeding years is as follows:

2008	$ 6,240
2009	6,182
2010	5,992
2011	5,352
2012	5,266
2013	5,034

Note 5 — Long-Term Debt

Long-term debt consists of the following at December 31,:

	2007	2008
Revolving line of credit	$ —	$ 4,000
Term loan borrowings on senior credit facility	58,988	57,638
2.50% convertible senior subordinated notes	150,000	125,000
Mortgage notes	13,846	12,737
Total long-term debt	222,834	199,375
Less: Current portion	3,349	3,185
	$ 219,485	$ 196,190

During 2006, we entered into an amended and restated $235.0 million senior credit agreement (the "amended and restated senior credit agreement"). The amended and restated senior credit agreement consists of a $100.0 million revolving credit facility and a $135.0 million term loan. There were $4.0 million in borrowings outstanding on the revolving credit facility as of December 31, 2008. Our available borrowings on the revolving credit facility at December 31, 2008 were $89.0 million with approximately $7.0 million of the facility set aside for outstanding letters of credit. There were $57.6 million in borrowings outstanding on the term loan at December 31, 2008. The proceeds of the term loan portion of the amended and restated senior credit agreement were used to repay borrowings outstanding on the term loan and revolving credit facility of $142.5 million under the previously existing senior credit agreement. In connection with the refinancing, we recorded a $0.7 million loss on early extinguishment of debt of which $0.2 million related to the write-off of unamortized deferred financing costs under the previously existing senior credit agreement and $0.5 million related to financing costs associated with the amended and restated senior credit agreement.

The scheduled principal payments on the term loan portion of the senior credit agreement are $1.4 million annually through December 2011, increasing to $53.6 million in 2012 with the remaining balance outstanding due and payable on April 12, 2013. We may also be required, under certain circumstances, to make additional principal payments based on excess cash flow as defined in the senior credit agreement. Interest rates on the term loan portion of the senior credit agreement are at LIBOR plus 1.50% (1.96% at December 31, 2008) or an alternative base rate; interest rates on the revolving credit facility portion of the senior credit agreement are at LIBOR plus 1.25% or an alternative base rate. For those borrowings where the Company elects to use the alternative base rate, the base rate will be the greater of the Prime Rate or the Federal Funds Rate in effect on such date plus 0.50%, plus a margin of 0.50% for term loan borrowings or 0.25% for borrowings under the revolving credit facility.

The senior credit agreement is collateralized by substantially all of our personal property and assets, except for our accounts receivable and related rights which are pledged in connection with our accounts receivable sales agreement. The senior credit agreement contains covenants and restrictions which, among other things, require the maintenance of certain financial ratios, and restrict dividend payments and the incurrence of certain indebtedness and other activities, including acquisitions and dispositions. We are also required, under certain circumstances, to make mandatory prepayments from net cash proceeds from any issue of equity and asset sales.

Mortgage notes outstanding in connection with the property and facilities utilized by our CONMED Linvatec subsidiary consist of a note bearing interest at 7.50% per annum with semiannual payments of principal and interest through June 2009 (the "Class A note"); and a 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 (the "Class C note"). The principal balances outstanding on the Class A note and Class C note aggregated $1.4 million and $11.3 million, respectively, at December 31, 2008. These mortgage notes are secured by the CONMED Linvatec property and facilities.

We have outstanding $125.0 million in 2.50% convertible senior subordinated notes due 2024. During the fourth quarter of 2008, we repurchased and retired $25.0 million of the Notes for $20.2 million and recorded a gain on the early extinguishment of debt of $4.4 million net of the write-off of $0.4 million in unamortized deferred financing costs. The Notes represent subordinated unsecured obligations and are convertible under certain circumstances, as defined in the bond indenture, into a combination of cash and CONMED common stock. Upon conversion, the holder of each Note will receive the conversion value of the Note payable in cash up to the principal amount of the Note and CONMED common stock for the Note's conversion value in excess of such principal amount. Amounts in excess of the principal amount are at an initial conversion rate, subject to adjustment, of 26.1849 shares per $1,000 principal amount of the Note (which represents an initial conversion price of $38.19 per share). As of December 31, 2008, there was no value assigned to the conversion feature because the Company's share price was below the conversion price. The Notes mature on November 15, 2024 and are not redeemable by us prior to November 15, 2011. Holders of the Notes will be able to require that we repurchase some or all of the Notes on November 15, 2011, 2014 and 2019.

The Notes contain two embedded derivatives. The embedded derivatives are recorded at fair value in other long-term liabilities and changes in their value are recorded through the consolidated statements of operations. The embedded derivatives have a nominal value, and it is our belief that any change in their fair value would not have a material adverse effect on our business, financial condition, results of operations, or cash flows.

The scheduled maturities of long-term debt outstanding at December 31, 2008 are as follows:

2009	$ 3,185
2010	2,174
2011	6,244
2012	54,557
2013	1,050
Thereafter	132,165

Note 6 — Income Taxes

The provision for income taxes for the years ended December 31, 2006, 2007 and 2008 consists of the following:

	2006	2007	2008
Current tax expense:			
Federal	$ (2,582)	$ 2,634	$ 2,094
State	1,006	1,102	498
Foreign	1,846	2,851	3,126
	270	6,587	5,718
Deferred income tax expense	(12,164)	16,714	18,984
Provision for income taxes	$ (11,894)	$ 23,301	$ 24,702

A reconciliation between income taxes computed at the statutory federal rate and the provision for income taxes for the years ended December 31, 2006, 2007 and 2008 follows:

	2006	2007	2008
Tax provision at statutory rate based on income (loss) before income taxes	(35.00)%	35.00%	35.00%
Extraterritorial income exclusion	(5.39)	—	—
State income taxes	(3.24)	1.78	1.52
Stock-based compensation	3.49	0.56	0.39
Research and development credit	(3.87)	(1.23)	(1.29)
Settlement of taxing authority examinations	(6.08)	(0.97)	—
Other nondeductible permanent differences	1.81	0.63	0.82
Other, net	(0.46)	0.21	(0.78)
	(48.74)%	35.98%	35.66%

The tax effects of the significant temporary differences which comprise the deferred tax assets and liabilities at December 31, 2007 and 2008 are as follows:

	2007	2008
Assets:		
Inventory	$ 4,817	$ 4,376
Net operating losses	6,903	2,493
Deferred compensation	3,162	2,302
Accounts receivable	2,960	2,534
Employee benefits	2,200	1,582
Accrued pension	3,117	11,783
Research and development credit	2,200	3,004
Other	3,495	6,287
Valuation allowance	(4,209)	(2,069)
	24,645	32,292
Liabilities:		
Goodwill and intangible assets	70,653	83,524
Depreciation	4,949	6,951
State taxes	360	1,250
Contingent interest	8,174	9,323
	84,136	101,048
Net liability	$ (59,491)	$ (68,756)

Income (loss) before income taxes consists of the following U.S. and foreign income (loss):

	2006	2007	2008
U.S. income (loss)	$ (29,659)	$ 57,664	$ 58,868
Foreign income	5,258	7,093	10,395
Total income (loss)	$ (24,401)	$ 64,757	$ 69,263

The net operating loss carryforwards of acquired subsidiaries begin to expire in 2009. These net operating loss carryforwards are subject to pre-existing ownership change limitations under IRC section 382 as a result of the purchase of stock of these acquired subsidiaries. The annual existing ownership change limitation on the acquired net operating losses is $3.4 million. We have established a valuation allowance to reflect the uncertainty of realizing the benefits of certain net operating loss carryforwards recognized in connection with an acquisition. Upon adoption of Statement of Financial Accounting Standards No. 141 (revised 2007), "Business Combinations" ("SFAS 141R") on January 1, 2009, changes in deferred tax valuation allowances and income tax uncertainties after the acquisition date, including those associated with acquisitions that closed prior to the effective date of SFAS 141(R), generally will affect income tax expense.

During 2007, we reduced our valuation allowance for the portion of the net operating loss carryforward for which we determined utilization is more likely than not. This amount totaled $2.2 million (see Note 4).

The gross amount of Federal net operating loss carryforwards available is $7.4 million. This includes $3.4 million of net operating loss carryforwards from acquired subsidiaries as discussed above. The remaining $4.0 million begins to expire in 2026. Approximately $4.0 million of the gross Federal net operating loss is attributable to stock-based compensation windfall tax deductions. In accordance with SFAS 123(R), the $1.4 million windfall tax benefit on the $1.4 million net operating loss carryforward has not been recorded as a deferred tax asset. The $1.4 million tax benefit will be recorded in additional paid-in capital when realized.

The amount of Federal Research and Development credit carryforward available is $3.0 million. These credits begin to expire in 2024. The total amount of Federal Foreign Tax Credit carryforward available is $1.1 million. These credits begin to expire in 2017.

We operate in multiple taxing jurisdictions, both within and outside the United States. We face audits from these various tax authorities regarding the amount of taxes due. Such audits can involve complex issues and may require an extended period of time to resolve. Our Federal income tax returns have been examined by the Internal Revenue Service ("IRS") for calendar years ending through 2006.

We have not provided for federal income taxes on undistributed earnings of our foreign subsidiaries as it remains our intention to permanently reinvest such earnings (approximately $29.8 million at December 31, 2008.) It is not practicable given the complexities of the foreign tax credit calculation to estimate the tax due upon any possible repatriation.

On January 1, 2007 we adopted the provisions of FASB Interpretation No. 48, Accounting for Uncertainty in Income Taxes, ("FIN 48"). FIN 48 prescribes a recognition threshold and measurement attribute for the financial statement recognition and measurement of a tax position taken or expected to be taken in a tax return. The impact of this pronouncement was not material to the Company's consolidated financial statements.

The following table summarizes the activity related to our unrecognized tax benefits for the years ending December 31,:

	2007	2008
Balance as of January 1,	$ 1,359	$ 1,866
Increases (decreases) for positions taken in prior periods	(164)	212
Increases for positions taken in current periods	1,410	1,117
Decreases in unrecorded tax positions related to settlement with the taxing authorities	(739)	(154)
Decreases in unrecorded tax positions related to lapse of statute of limitations	—	(172)
Balance as of December 31,	$ 1,866	$ 2,869

If the total unrecognized tax benefits of $2.9 million at December 31, 2008 were recognized, it would reduce our annual effective tax rate. The amount of interest accrued in 2008 related to these unrecognized tax benefits was not material and is included in the provision for income taxes in the Consolidated Statements of Operations. It is reasonably possible that the amount of unrecognized tax benefits could change in the next 12 months as a result of the anticipated completion of the 2007 and 2008 IRS examinations. The range of change in unrecognized tax benefits is estimated between $1.1 million and $1.9 million.

Note 7 — Shareholders' Equity

Our shareholders have 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, 2007 and 2008, no preferred stock had been issued.

On February 15, 2005, our Board of Directors authorized a share repurchase program under which we may repurchase up to $50.0 million of our common stock, although no more than $25.0 million could be purchased in any calendar year. The Board subsequently amended this program on December 2, 2005 to authorize repurchases up to $100.0 million of our common stock, although no more than $50.0 million may be purchased in any calendar year. The repurchase program calls for shares to be purchased in the open market

or in private transactions from time to time. We may suspend or discontinue the share repurchase program at any time. Through December 31, 2006, we have repurchased a total of 2.2 million shares of common stock aggregating $53.2 million under this authorization. No stock repurchases were made in 2007 or 2008.

We have reserved 4.8 million shares of common stock for issuance to employees and directors under three shareholder-approved share-based compensation plans (the "Plans") of which approximately 418,000 shares remain available for grant at December 31, 2008. The exercise price on all outstanding options and stock appreciation rights ("SARs") is equal to the quoted fair market value of the stock at the date of grant. Restricted stock units ("RSUs") are valued at the market value of the underlying stock on the date of grant. Stock options, SARs and RSUs are non-transferable other than on death and generally become exercisable over a five year period from date of grant. Stock options and SARs expire ten years from date of grant. SARs are only settled in shares of the Company's stock. The issuance of shares pursuant to the exercise of stock options and SARs and vesting of RSUs are from the Company's treasury stock.

Total pre-tax stock-based compensation expense recognized in the Consolidated Statements of Operations was $3.7 million, $3.8 million and $4.2 million for the year ended December 31, 2006, 2007 and 2008, respectively. This amount is included in selling and administrative expenses on the Consolidated Statements of Operations. Tax related benefits of $0.4 million, $0.8 million and $1.1 million were also recognized for the years ended December 31, 2006, 2007 and 2008. Cash received from the exercise of stock options was $1.7 million, $11.3 million and $6.9 million for the years ended December 31, 2006, 2007 and 2008, respectively and is reflected in cash flows from financing activities in the Consolidated Statements of Cash Flows.

The weighted average fair value of awards of options and SARs granted in the years ended December 31, 2006, 2007 and 2008 was $8.92, $11.88 and $9.35, respectively. The fair value of these options and SARs was estimated at the date of grant using a Black-Scholes option pricing model with the following weighted-average assumptions for options and SARs granted in the years ended December 31, 2006, 2007 and 2008, respectively: risk-free interest rate of 5.13%, 4.56% and 3.25%; volatility factor of the expected market price of the Company's common stock of 37.79%, 32.61% and 30.36%; a weighted-average expected life of the option and SAR of 5.7 years for all three years; and that no dividends would be paid on common stock. The risk free interest rate is based on the option and SAR grant date for a traded zero-coupon U.S. Treasury bond with a maturity date closest to the expected life. Expected volatilities are based upon historical volatility of the Company's stock over a period equal to the expected life of each option and SAR grant. The expected life represents the period of time that the options and SARs are expected to be outstanding based on a study of historical data of option holder exercise and termination behavior.

The following table illustrates the stock option and SAR activity for the year ended December 31, 2008. There were no SARs granted prior to 2006.:

	Number of Shares (in 000's)	Weighted-Average Exercise Price
Outstanding at December 31, 2007	2,689	$ 23.46
Granted	197	26.60
Forfeited	(107)	27.73
Exercised	(356)	19.67
Outstanding at December 31, 2008	2,423	$ 24.10
Exercisable at December 31, 2008	1,814	$ 23.35

The weighted average remaining contractual term for stock options and SARs outstanding and exercisable at December 31, 2008 was 5.3 years and 4.4 years, respectively. The aggregate intrinsic value of stock options and SARs outstanding and exercisable at December 31, 2008 was $5.2 million and $4.6 million, respectively. The aggregate intrinsic value of stock options and SARs exercised during the year ended December 31, 2006, 2007 and 2008 was $0.7 million, $6.7 million and $4.0 million, respectively.

The following table illustrates the RSU activity for the year ended December 31, 2008. There were no RSU's granted prior to 2006.

	Number of Shares (in 000's)	Weighted-Average Grant-Date Fair Value
Outstanding at December 31, 2007	265	$ 25.20
Granted	158	26.94
Vested	(55)	24.84
Forfeited	(32)	25.95
Outstanding at December 31, 2008	336	$ 26.01

The weighted average fair value of awards of RSUs granted in the years ended December 31, 2006, 2007 and 2008 was $20.21, $29.13 and $26.94, respectively.

The total fair value of shares vested was $0.6 and $1.3 million for the years ended December 31, 2007 and 2008, respectively.

As of December 31, 2008, there was $12.4 million of total unrecognized compensation cost related to nonvested stock options, SARs and RSUs granted under the Plan which is expected to be recognized over a weighted average period of 3.6 years.

We offer to our employees a shareholder-approved Employee Stock Purchase Plan (the "Employee Plan"), under which we have reserved 1.0 million shares of common stock for issuance to our employees. The Employee Plan provides employees with the opportunity to invest from 1% to 10% of their annual salary to purchase shares of CONMED common stock through the exercise of stock options granted by the Company at a purchase price equal to 95% of the fair market value of the common stock on the exercise date. During 2008, we issued approximately 20,000 shares of common stock under the Employee Plan. No stock-based compensation expense has been recognized in the accompanying consolidated financial statements as a result of common stock issuances under the Employee Plan.

Note 8 — Business Segments and Geographic Areas

CONMED conducts its business through five principal operating segments, CONMED Endoscopic Technologies, CONMED Endosurgery, CONMED Electrosurgery, CONMED Linvatec and CONMED Patient Care. We believe each of our segments are similar in the nature of products, production processes, customer base, distribution methods and regulatory environment. In accordance with Statement of Financial Accounting Standards No. 131 "Disclosures About Segments of an Enterprise and Related Information" ("SFAS 131"), our CONMED Endosurgery, CONMED Electrosurgery and CONMED Linvatec operating segments also have similar economic characteristics and therefore qualify for aggregation under SFAS 131. Our CONMED Patient Care and CONMED Endoscopic Technologies operating units do not qualify for aggregation under SFAS 131 since their economic characteristics do not meet the criteria for aggregation as a result of the lower overall operating income (loss) in these segments.

CONMED Endosurgery, CONMED Electrosurgery and CONMED Linvatec consist of a single aggregated segment comprising a complete line of endo-mechanical instrumentation for minimally invasive laparoscopic procedures, electrosurgical generators and related surgical instruments, arthroscopic instrumentation for use in orthopedic surgery and small bone, large bone and specialty powered surgical instruments. CONMED Patient Care product offerings include a line of vital signs and cardiac monitoring products as well as suction instruments & tubing for use in the operating room. CONMED Endoscopic Technologies product offerings include a comprehensive line of minimally invasive endoscopic diagnostic and therapeutic instruments used in procedures which require examination of the digestive tract.

The following is net sales information by product line and reportable segment:

	2006	2007	2008
Arthroscopy	$ 228,195	$ 264,637	$ 291,910
Powered Surgical Instruments	137,150	149,261	155,659
CONMED Linvatec	365,345	413,898	447,569
CONMED Electrosurgery	97,809	92,107	100,493
CONMED Endosurgery	52,783	58,829	64,459
CONMED Linvatec, Electrosurgery, and Endosurgery	515,937	564,834	612,521
CONMED Patient Care	75,883	76,711	78,384
CONMED Endoscopic Technologies	54,992	52,743	51,278
Total	$ 646,812	$ 694,288	$ 742,183

Total assets, capital expenditures, depreciation and amortization information are not available by reportable segment.

The following is a reconciliation between segment operating income (loss) and income (loss) before income taxes. The Corporate line includes corporate related items not allocated to operating units:

	2006	2007	2008
CONMED Linvatec, Electrosurgery, and Endosurgery	$ 70,193	$ 87,569	$ 98,101
CONMED Patient Care	(759)	2,003	2,259
CONMED Endoscopic Technologies	(63,399)	(6,250)	(7,411)
Corporate	(10,638)	(2,331)	(17,690)
Income (loss) from operations	(4,603)	80,991	75,259
Gain (loss) on early extinguishment of debt	(678)	—	4,376
Interest expense	19,120	16,234	10,372
Income (loss) before income taxes	$ (24,401)	$ 64,757	$ 69,263

Net sales information for geographic areas consists of the following:

	2006	2007	2008
United States	$ 396,953	$ 404,434	$ 411,773
Canada	43,104	55,313	52,792
United Kingdom	32,542	45,335	44,123
Japan	25,451	26,274	28,026
Australia	27,249	30,199	30,270
All other countries	121,513	132,733	175,199
Total	$ 646,812	$ 694,288	$ 742,183

Sales are attributed to countries based on the location of the customer. There were no significant investments in long-lived assets located outside the United States at December 31, 2007 and 2008. No single customer represented over 10% of our consolidated net sales for the years ended December 31, 2006, 2007 and 2008.

Note 9 — Employee Benefit Plans

We sponsor an employee savings plan ("401(k) plan") and a defined benefit pension plan (the "pension plan") covering substantially all our employees.

Total employer contributions to the 401(k) plan were $2.3 million, $2.5 million and $2.7 million during the years ended December 31, 2006, 2007 and 2008, respectively.

We use a December 31, measurement date for our pension plan. Gains and losses are amortized on a straight-line basis over the average remaining service period of active participants. The following table provides a reconciliation of the projected benefit obligation, plan assets and funded status of the pension plan at December 31,:

	2007	2008
Accumulated Benefit Obligation	$ 47,991	$ 61,514
Change in benefit obligation		
Projected benefit obligation at beginning of year	$ 54,541	$ 56,592
Service cost	5,863	5,835
Interest cost	3,216	3,977
Actuarial loss (gain)	(3,834)	14,837
Benefits paid	(3,194)	(4,631)
Projected benefit obligation at end of year	$ 56,592	$ 76,610
Change in plan assets		
Fair value of plan assets at beginning of year	$ 36,894	$ 48,532
Actual gain (losses) on plan assets	2,832	(10,520)
Employer contribution	12,000	12,000
Benefits paid	(3,194)	(4,631)
Fair value of plan assets at end of year	$ 48,532	$ 45,381
Funded status	$ (8,059)	$ (31,229)

Amounts recognized in the consolidated balance sheets consist of the following at December 31,:

	2007	2008
Accrued long-term pension liability	$ 8,059	$ 31,229
Accumulated other comprehensive income (loss)	(15,167)	(43,762)

The following actuarial assumptions were used to determine our accumulated and projected benefit obligations as of December 31,:

	2007	2008
Discount rate	6.48%	5.97%
Expected return on plan assets	8.00%	8.00%
Rate of compensation increase	3.00%	3.50%

The following table illustrates the effects of adopting Statement of Financial Accounting Standards No. 158, "Employers' Accounting for Defined Benefit Pension and Other Postretirement Plans – an amendment of FASB Statements No. 87, 88, 106, and 132(R)" ("SFAS 158") on each of the balance sheet line items in 2006:

	Before Application of SFAS 158	Adjustment	After Application of SFAS 158
Accrued pension liability	$ 9,172	$ 8,475	$ 17,647
Deferred income taxes	54,136	(3,132)	51,004
Total liabilities	415,874	5,343	421,217
Accumulated other comprehensive income (loss)	(3,269)	(5,343)	(8,612)
Shareholders' equity	445,697	(5,343)	440,354

Accumulated other comprehensive income (loss) for the years ended December 31, 2007 and 2008 consists of the following items not yet recognized in net periodic pension cost (before income taxes):

	2007	2008
Net actuarial loss	$ (19,969)	$ (48,216)
Transition liability	(32)	(28)
Prior service cost	4,834	4,482
Accumulated other comprehensive income (loss)	$ (15,167)	$ (43,762)

Other changes in plan assets and benefit obligations recognized in other comprehensive income in 2008 are as follows:

Current year actuarial loss	$ (29,567)
Amortization of actuarial loss	1,320
Amortization of prior service costs (credits)	(352)
Amortization of transition liability	4
Total recognized in other comprehensive income (loss)	$ (28,595)

The total amounts reclassified from accumulated other comprehensive income (loss) and recognized in 2008 as a component of net periodic pension cost included net actuarial losses of $1,320, transition obligation of $4 and prior service cost (credit) of $(351).

Net periodic pension cost for the years ended December 31, consists of the following:

	2006	2007	2008
Service cost—benefits earned during the period	$ 5,444	$ 5,863	$ 5,835
Interest cost on projected benefit obligation	2,905	3,216	3,977
Return on plan assets	(2,694)	(3,226)	(4,210)
Transition amount	4	4	4
Prior service cost	(351)	(351)	(351)
Amortization of loss	1,569	1,382	1,320
Net periodic pension cost	$ 6,877	$ 6,888	$ 6,575

The following actuarial assumptions were used to determine our net periodic pension benefit cost for the years ended December 31,:

	2006	2007	2008
Discount rate	5.55%	5.90%	6.48%
Expected return on plan assets	8.00%	8.00%	8.00%
Rate of compensation increase	3.00%	3.00%	3.50%

In determining the expected return on pension plan assets, we consider the relative weighting of plan assets, the historical performance of total plan assets and individual asset classes and economic and other indicators of future performance. In addition, we consult with financial and investment management professionals in developing appropriate targeted rates of return.

Asset management objectives include maintaining an adequate level of diversification to reduce interest rate and market risk and providing adequate liquidity to meet immediate and future benefit payment requirements.

The allocation of pension plan assets by category is as follows at December 31,:

	Percentage of Pension Plan Assets		Target Allocation
	2007	2008	2009
Equity securities	64%	47%	75%
Debt securities	36	53	25
Total	100%	100%	100%

As of December 31, 2008, the Plan held 27,562 shares of our common stock, which had a fair value of $0.7 million. We believe that our long-term asset allocation on average will approximate the targeted allocation. We regularly review our actual asset allocation and periodically rebalance the pension plan's investments to our targeted allocation when deemed appropriate.

We are required to contribute approximately $8.1 million to our pension plan for the 2009 Plan year.

The estimated portion of net actuarial loss, net prior service cost, and transition obligation in accumulated other comprehensive income (loss) that is expected to be recognized as a component of net periodic pension cost in 2009 is $2,644, ($351) and $4, respectively.

The following table summarizes the benefits expected to be paid by our pension plan in each of the next five years and in aggregate for the following five years. The expected benefit payments are estimated based on the same assumptions used to measure the Company's projected benefit obligation at December 31, 2008 and reflect the impact of expected future employee service.

2009	$ 2,640
2010	2,632
2011	2,798
2012	2,934
2013	3,453
2014-2018	24,054

Note 10 — Legal Matters

From time to time, we are a defendant in certain lawsuits alleging product liability, patent infringement, or other claims incurred in the ordinary course of business. Likewise, from time to time, the Company may receive a subpoena from a government agency such as the Equal Employment Opportunity Commission, Occupational Safety and Health Administration, the Department of Labor, the Treasury Department, and other federal and state agencies or foreign governments or government agencies. These subpoenae may or may not be routine inquiries, or may begin as routine inquiries and over time develop into enforcement actions of various types. The product liability claims are generally covered by various insurance policies, subject to certain deductible amounts and maximum policy limits. When there is no insurance coverage, as would typically be the case primarily in lawsuits alleging patent infringement or in connection with certain government investigations, we establish reserves sufficient to cover probable losses associated with such claims. We do not expect that the resolution of any pending claims or investigations will have a material adverse effect on our financial condition, results of operations or cash flows. There can be no assurance, however, that future claims or investigations, or the costs associated with responding to such claims or investigations, especially claims and investigations not covered by insurance, will not have a material adverse effect on our future performance.

Manufacturers of medical products may face exposure to significant product liability claims. To date, we have not experienced any product liability claims that are material to our financial statements or condition, but any such claims arising in the future could have a material adverse effect on our business or results of operations. We currently maintain commercial product liability insurance of $25 million per incident and $25 million in the aggregate annually, which we believe 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 us.

Our operations are subject, and in the past have been subject, to a number of environmental laws and regulations governing, among other things, air emissions, wastewater discharges, the use, handling and disposal of hazardous substances and wastes, soil and groundwater remediation and employee health and safety. In some jurisdictions environmental requirements may be expected to become more stringent in the future. In the United States certain environmental laws can impose liability for the entire cost of site restoration upon each of the parties that may have contributed to conditions at the site regardless of fault or the lawfulness of the party's activities. While we do not believe that the present costs of environmental compliance and remediation are material, there can be no assurance that future compliance or remedial obligations could not have a material adverse effect on our financial condition, results of operations or cash flows.

On April 7, 2006, CONMED received a copy of a complaint filed in the United States District for the Northern District of New York on behalf of a purported class of former CONMED Linvatec sales representatives. The complaint alleges that the former sales representatives were entitled to, but did not receive, severance in 2003 when CONMED Linvatec restructured its distribution channels. Although we do not believe it is probable a loss has been incurred, it is reasonably possible. The range of loss associated with this complaint ranges from $0 to $3.0 million, not including any interest, fees or costs that might be awarded if the five named plaintiffs were to prevail on their own behalf as well as on behalf of the approximately 70 (or 90 as alleged by the plaintiffs) other members of the purported class. CONMED Linvatec did not generally pay severance during the 2003 restructuring because the former sales representatives were offered sales positions with CONMED Linvatec's new manufacturer's representatives. Other than three of the five named plaintiffs in the class action, nearly all of CONMED Linvatec's former sales representatives accepted such positions.

The Company's motions to dismiss and for summary judgment, which were heard at a hearing held on January 5, 2007, were denied by a Memorandum Decision and Order dated May 22, 2007. The District Court also granted the plaintiffs' motion to certify a class of former CONMED Linvatec sales representatives whose employment with CONMED Linvatec was involuntarily terminated in 2003 and who did not receive severance benefits. Although the Court's ruling on the motions to dismiss, for summary judgment and the motion to certify the class do not represent final rulings on the merits, the Company had filed a motion seeking reconsideration of the motions to dismiss, and sought to appeal to the United State Court of Appeals for the Second Circuit from the class certification ruling. The Second Circuit declined to consider the appeal by Order dated August 28, 2007. In an order dated February 25, 2008, the United States District for the Northern District of New York granted the Company's motion to reconsider the Company's motions to dismiss portions of the complaint and, upon reconsideration, reaffirmed its previous ruling denying the aforementioned motions. The Company believes there is no merit to the claims asserted in the Complaint, and plans to vigorously defend the case. There can be no assurance, however, that the Company will prevail in the litigation.

Note 11 — Other Expense (income)

Other expense (income) for the year ended December 31, consists of the following:

	2006	2007	2008
Acquisition-transition related costs	$ 2,592	$ —	$ —
Termination of product offering	1,448	148	—
Loss on settlement of a patent dispute	595	—	—
Facility closure costs	578	1,822	—
Gain on litigation settlement	—	(6,072)	—
Product liability settlement	—	1,295	—
New plant/facility consolidation costs	—	—	1,577
Other expense (income)	$ 5,213	$ (2,807)	$ 1,577

On September 30, 2004, we completed the Endoscopic Technologies acquisition. As part of the acquisition, manufacturing of the acquired products was conducted in various C.R. Bard facilities under a transition agreement. The transition of the manufacturing of these products from C.R. Bard facilities to CONMED facilities was completed during 2006. During the year ended December 31, 2006, we incurred $2.6 million, of acquisition and transition-integration related charges associated with the Endoscopic Technologies acquisition which have been recorded in other expense (income).

During 2004, we elected to terminate our surgical lights product line. We instituted a customer replacement program whereby all currently installed surgical lights were replaced by CONMED. We recorded charges totaling $5.5 million related to the surgical lights customer replacement program (including $1.4 million and $0.1 million in the years ended December 31, 2006 and 2007, respectively) in other expense (income). The surgical lights customer replacement program was completed during the second quarter of 2007.

During the quarter ended June 30, 2006, we were notified by Dolphin Medical, Inc. ("Dolphin"), that it would discontinue its Dolphin ONE® product line as a result of an agreement between Dolphin and Masimo Corporation in which Masimo agreed to release Dolphin and its affiliates from certain patent infringement claims. We had sold the Dolphin ONE® and certain other pulse oximetry products manufactured by Dolphin under a distribution agreement. As a result of the product line discontinuation, we recorded a $0.6 million charge to other expense (income) to write-off on-hand inventory of the discontinued product line.

During 2006, we elected to close our facility in Montreal, Canada which manufactured products for our CONMED Linvatec line of integrated operating room systems and equipment. The products which had been manufactured in the Montreal facility are now purchased from third party vendors. The closing of this facility was completed in the first quarter of 2007. We incurred a total of $2.2 million in costs associated with this closure, of which $1.3 million related to the write-off of inventory and was included in cost of goods sold during 2006. The remaining $0.9 million (including $0.3 million in 2007) primarily relates to severance expense and the disposal of fixed assets and has been recorded in other expense (income).

During 2007, we elected to close our CONMED Endoscopic Technologies sales office in France. During 2007, we incurred $1.5 million in costs associated with this closure primarily related to severance expense. We have recorded such costs in other expense (income); no further expenses are expected to be incurred.

In November 2003, we commenced litigation against Johnson & Johnson and several of its subsidiaries, including Ethicon, Inc. for violations of federal and state antitrust laws. In the lawsuit we claimed that Johnson & Johnson engaged in illegal and anticompetitive conduct with respect to sales of product used in endoscopic surgery, resulting in higher prices to consumers and the exclusion of competition. We sought relief including an injunction restraining Johnson & Johnson from continuing its anticompetitive practices as well as receiving the maximum amount of damages allowed by law. During the litigation, Johnson & Johnson represented that the marketing practices which gave rise to the litigation had been altered with respect to CONMED. On March 31, 2007, CONMED and Johnson & Johnson settled the litigation. Under the terms of the final settlement agreement, CONMED received a payment of $11.0 million from Johnson & Johnson in return for which we terminated the lawsuit. After deducting legal and other related costs, we recorded a pre-tax gain of $6.1 million related to the settlement which we have recorded in other expense (income).

Two of the Company's subsidiaries settled a product liability claim asserted against it and several of the Company's subsidiaries in a case captioned Wehner v. Linvatec Corp., et al. Total settlement and defense related costs amounted to $1.3 million which we have recorded in other expense (income) during 2007.

During the year ended December 31, 2008, we incurred $4.1 million in restructuring costs. Approximately $2.5 million of the total $4.1 million in restructuring costs have been charged to cost of goods sold and represent startup activities associated with a new manufacturing facility in Chihuahua, Mexico. The remaining $1.6 million in restructuring costs have been recorded in other expense and include charges directly related to the consolidation of our distribution centers, including severance charges. See Note 16 for further discussion.

Note 12 — Guarantees

We provide warranties on certain of our products at the time of sale. The standard warranty period for our capital and reusable equipment is generally one year. Liability under service and warranty policies is based upon a review of historical warranty and service claim experience. Adjustments are made to accruals as claim data and historical experience warrant.

Changes in the carrying amount of service and product warranties for the year ended December 31, are as follows:

	2006	2007	2008
Balance as of January 1,	$ 3,416	$ 3,617	$ 3,306
Provision for warranties	5,774	3,078	3,581
Claims made	(5,573)	(3,389)	(3,546)
Balance as of December 31,	$ 3,617	$ 3,306	$ 3,341

Note 13 — Fair Value Measurement

In September 2006, the Financial Accounting Standards Board ("FASB") issued Statement of Financial Accounting Standards No. 157, "Fair Value Measurements" ("SFAS 157"), which is effective for fiscal years beginning after November 15, 2007 and for interim periods within those years. This statement defines fair value, establishes a framework for measuring fair value and expands the related disclosure requirements. This statement applies under other accounting pronouncements that require or permit fair value measurements. The statement indicates, among other things, that a fair value measurement assumes that the transaction to sell an asset or transfer a liability occurs in the principal market for the asset or liability or, in the absence of a principal market, the most advantageous market for the asset or liability. SFAS 157 defines fair value based upon an exit price model.

Relative to SFAS 157, the FASB issued FASB Staff Positions ("FSP") 157-1 and 157-2. FSP 157-1 amends SFAS 157 to exclude SFAS No. 13, "Accounting for Leases" ("SFAS 13") and its related interpretive accounting pronouncements that address leasing transactions, while FSP 157-2 delays the effective date of the application of SFAS 157 to fiscal years beginning after November 15, 2008 for all nonfinancial assets and nonfinancial liabilities that are recognized or disclosed at fair value in the financial statements on a nonrecurring basis.

We adopted SFAS 157 as of January 1, 2008 with the exception of the application of the statement to non-recurring nonfinancial assets and nonfinancial liabilities. Nonrecurring nonfinancial assets and nonfinancial liabilities for which we have not applied the provisions of SFAS 157 include those measured at fair value in goodwill impairment testing, indefinite lived intangible assets measured at fair value for impairment testing, and those initially measured at fair value in a business combination.

Liabilities carried at fair value and measured on a recurring basis as of December 31, 2008 consist of forward foreign exchange contracts and two embedded derivatives associated with our 2.50% convertible senior subordinated notes. We do not apply derivative accounting to our forward exchange contracts, and they are marked to market each reporting period. The value of these liabilities was determined within Level 2 of the valuation hierarchy and was not material either individually or in the aggregate to our financial position, results of operations or cash flows.

Note 14 — New Accounting Pronouncements

In December 2007, the FASB issued Statement of Financial Accounting Standard No. 141 (revised 2007), "Business Combinations" ("SFAS 141R"). SFAS 141R requires the use of "acquisition date fair value" to record all the identifiable assets, liabilities, noncontrolling interests and goodwill acquired in a business combination. SFAS 141R is effective for fiscal years beginning on or after December 15, 2008. The Company is currently assessing the impact of SFAS 141R on its consolidated financial statements.

In March 2008, the FASB issued SFAS No. 161, "Disclosures About Derivative Instruments and Hedging Activities – an amendment of FASB Statement No. 133" ("SFAS 161"). SFAS 161 expands quarterly disclosure requirements about an entity's derivative instruments and hedging activities. SFAS 161 is effective for fiscal years and interim periods beginning after November 15, 2008. The Company is currently assessing the impact of SFAS 161 on its consolidated financial statements.

In May 2008, the FASB issued SFAS No. 162, "The Hierarchy of Generally Accepted Accounting Principles" ("SFAS No. 162"). SFAS No. 162 identifies the sources of accounting principles and the framework for selecting the principles used in the preparation of financial statements. SFAS No. 162 was effective 60 days following the SEC's approval of the Public Company Accounting Oversight Board amendments to AU Section 411, "The Meaning of Present Fairly in Conformity with Generally Accepted Accounting Principles". The implementation of this standard did not have a material impact on our consolidated financial statements.

In May 2008, the FASB issued FASB Staff Position No. APB 14-1 ("FSP"). The FSP specifies that issuers of convertible debt instruments that permit or require the issuer to pay cash upon conversion should separately account for the liability and equity components in a manner that will reflect the entity's nonconvertible debt borrowing rate when interest cost is recognized in subsequent periods. The Company is required to apply the guidance retrospectively to all past periods presented. The FSP is effective for financial statements issued for fiscal years beginning after December 15, 2008, and interim periods within those fiscal years. This FSP is applicable to our 2.50% convertible senior subordinated notes. We believe this pronouncement will increase our interest expense by $4.4 million in 2009.

In December 2008, the Financial Accounting Standards Board issued FASB Staff Position (FSP) No. 132(R)-1, "Employers' Disclosures about Postretirement Benefit Plan Assets" to provide guidance on an employer's disclosures about plan assets of a defined benefit pension plan. FSP No. 132(R)-1 is effective for our year ending December 31, 2009.

Note 15 — Business Acquisition

On January 9, 2008, we purchased our Italian distributor's business for approximately $21.8 million in cash (the "Italy acquisition"). Under the terms of the acquisition agreement, we agreed to pay additional consideration in 2009 based upon the 2008 results of the acquired business. We have accrued approximately $0.6 million at December 31, 2008 for this additional payment.

The following table summarizes the estimated fair values of the assets acquired and liabilities assumed as a result of the Italy acquisition.

Cash	$ 953
Inventory	3,444
Accounts receivable	19,701
Other assets	846
Customer relationships	9,479
Total assets acquired	34,423
Income taxes payable	(2,443)
Other current liabilities	(9,658)
Total liabilities assumed	(12,101)
Net assets acquired	$ 22,322

The unaudited pro forma statement of operations for the year ended December 31, 2007, assuming the Italy acquisition occurred as of January 1, 2007 is presented below. This pro forma statement of operations has been prepared for comparative purposes only and does not purport to be indicative of the results of operations which actually would have resulted had the Italy acquisition occurred on the dates indicated, or which may result in the future.

	2007
Net sales	$ 710,685
Net income	$ 43,981
Net income per share:	
Basic	$ 1.55
Diluted	$ 1.52

Note 16 — Restructuring

During the second quarter of 2008, we announced a plan to restructure certain of our operations. The restructuring plan includes the closure of two manufacturing facilities located in the Utica, New York area totaling approximately 200,000 square feet with manufacturing to be transferred into either our Corporate headquarters location in Utica, New York or into a newly constructed leased manufacturing facility in Chihuahua, Mexico. In addition, manufacturing presently done by a contract manufacturing facility in Juarez, Mexico will be transferred in-house to the Chihuahua facility. Finally, certain domestic distribution activities will be centralized in a new leased consolidated distribution center in Atlanta, Georgia. We believe our restructuring plan will reduce our cost base by consolidating our Utica, New York operations into a single facility and expanding our lower cost Mexican operations, as well as improve service to our customers by shipping orders from more centralized distribution centers. The transition of manufacturing operations and consolidation of distribution activities began in the third quarter of 2008 and is expected to be largely completed by the fourth quarter of 2009.

In conjunction with our restructuring plan, we considered Statement of Financial Accounting Standards No. 144 "Accounting for the Impairment or Disposal of Long-Lived Assets" ("SFAS 144"). SFAS 144 requires that long-lived assets be tested for recoverability whenever events or changes in circumstances indicate that their carrying amount may not be recoverable. Based on the announced restructuring plan, our current expectation is that it is more likely than not, that the two manufacturing facilities located in the Utica, New York area scheduled to be closed as a result of the restructuring plan, will be sold prior to the end of their previously estimated useful lives. Even though we expect to sell these facilities prior to the end of their useful lives, we do not believe that at present we meet the criteria contained within SFAS 144 to designate these assets as held for sale and accordingly we have tested them for impairment under the guidance for long-lived assets to be held and used. We performed our impairment testing on the two manufacturing facilities scheduled to close under the restructuring plan by comparing future cash flows expected to be generated by these facilities (undiscounted and without interest charges) against their carrying amounts ($2.2 million and $2.1 million, respectively, as of December 31, 2008). Since future cash flows expected to be generated by these facilities exceeds their carrying amounts, we do not believe any impairment exists at this time. However, we cannot be certain an impairment charge will not be taken in the future when the facilities are no longer in use.

During the year ended December 31, 2008, we incurred $4.1 million in costs associated with the restructuring. Approximately $2.5 million of the total $4.1 million in restructuring costs have been charged to cost of goods sold and represent startup activities associated with the new manufacturing facility in Chihuahua, Mexico. The remaining $1.6 million in restructuring costs have been recorded in other expense and include charges directly related to the consolidation of our distribution centers, including severance charges. As our restructuring plan progresses, we will incur additional charges, including employee termination and other exit costs. However, based on the criteria contained within Statement of Financial Accounting Standards No. 146 "Accounting for Costs Associated with Exit or Disposal Activities", no accrual for such costs has been made at this time.

We estimate the total costs of the restructuring plan will approximate $9.4 million during 2009, including $2.1 million related to employee termination costs, $3.7 million in expense related to abnormally low production levels at certain of our plants (as we transfer production to alternate sites), $1.4 million in accelerated depreciation at one of the two Utica, New York area facilities which are expected to close and $2.2 million in other restructuring related activities. We estimate approximately $2.0 million of the total anticipated $9.4 million in restructuring costs will be reported in other expense with the remaining $7.4 million charged to cost of goods sold. The restructuring plan impacts Corporate manufacturing and distribution facilities which support multiple reporting segments. As a result, costs associated with the restructuring plan will be reflected in the Corporate line within our business segment reporting.

Note 17 — Selected Quarterly Financial Data (Unaudited)

Selected quarterly financial data for 2007 and 2008 are as follows:

	Three Months Ended			
2007	**March**	**June**	**September**	**December**
Net sales	$ 171,014	$ 169,258	$ 164,448	$ 189,568
Gross profit	85,225	85,860	82,358	95,682
Net income	11,922	9,345	8,355	11,834
EPS: Basic	$ .43	$ .33	$ .29	$ .41
Diluted	.42	.32	.29	.41
2008	**March**	**June**	**September**	**December**
Net sales	$ 190,773	$ 192,755	$ 179,409	$ 179,246
Gross profit	97,764	100,890	94,688	89,039
Net income	11,010	12,455	10,519	10,577
EPS: Basic	$ .38	$ .43	$ .36	$ .38
Diluted	.38	.43	.36	.35

Unusual Items Included In Selected Quarterly Financial Data:

2007

First quarter

During the first quarter of 2007, we recorded a charge of $0.1 million related to our termination of our surgical lights product line, $0.3 million related to the closure of a manufacturing plant, and $0.3 million related to the closure of a sales office – see Note 11.

During the first quarter of 2007, we recorded a pre-tax gain of $6.1 million related to the settlement of a legal dispute between CONMED and Johnson & Johnson. – see Note 11.

Second quarter

During the second quarter of 2007, we recorded a charge of $1.3 million related to severance payments due to the closing of a sales office – see Note 11.

Third quarter

There were no unusual items in the third quarter of 2007.

Fourth quarter

During the fourth quarter of 2007, we recorded a charge of $1.3 million related to the settlement of a product liability case. Such charges included the settlement and defense related costs – see Note 11.

2008

First quarter

During the first quarter of 2008, we recorded a charge of $1.0 million to cost of goods sold related to the fair value adjustment from the purchase of our Italian distributor's business.

Second quarter

There were no unusual items in the second quarter of 2008.

Third quarter

During the third quarter of 2008, we recorded a charge of $0.7 million related to the restructuring of certain of our operations – see Note 11.

Fourth quarter

During the fourth quarter of 2008, we recorded a gain of $4.4 million on the early extinguishment of debt – see Note 5.

During the fourth quarter of 2008, we recorded a charge of $4.1 million related to the restructuring of certain of our operations. $2.5 million of this charge is recorded in cost of goods sold and the other $1.6 million is recorded as other expenses – see Note 11 and Note 16.

Board of Directors

EUGENE R. CORASANTI is Vice Chairman of the Company and Chairman of the Board of Directors. Mr. Corasanti also served as the Company's Chief Executive Officer from its founding until 2006, as well as President and Chief Operating Officer from its founding until August 1999. Prior to the founding of the Company, Mr. Corasanti was an independent public accountant. Mr. Corasanti holds a B.B.A. degree in Accounting from Niagara University. Eugene R. Corasanti's son, Joseph J. Corasanti, is President and Chief Executive Officer and a Director of the Company.

JOSEPH J. CORASANTI has served as President and Chief Executive Officer since January 1, 2007, having served as President and Chief Operating Officer from August 1999 through December 2006. Mr. Corasanti has been a Director of the Company since May 1994. Mr. Corasanti is also on the Board of Directors of II-VI, Inc. He previously served as General Counsel and Vice President-Legal Affairs, and Executive Vice-President/General Manager of the Company. Prior to that time he was an Associate Attorney with the law firm of Morgan, Wenzel & McNicholas. Mr. Corasanti holds a B.A. degree in Political Science from Hobart College and a J.D. degree from Whittier College School of Law. Joseph J. Corasanti is the son of Eugene R. Corasanti, Vice Chairman and Chairman of the Board of Directors.

BRUCE F. DANIELS has served as a Director of the Company since August 1992. Mr. Daniels is a retired executive. From August 1974 to June 1997, Mr. Daniels held various executive positions, including a position as Controller with Chicago Pneumatic Tool Company. Mr. Daniels holds a B.S. degree in Business from Utica College of Syracuse University.

JO ANN GOLDEN joined the Board of Directors in May 2003. Ms. Golden is a certified public accountant and managing partner of the New Hartford, NY office of Dermody Burke and Brown, CPAs, LLC. Ms. Golden is past President of the New York State Society of CPAs and the New York State Society's Foundation for Accounting Education. She also served as Secretary and Vice President of the State Society and was a member of the governing Council of the American Institute of Certified Public Accountants, where she served on the Global Credential Survey Task Force in 2001. Ms. Golden holds a B.A. degree from the State University College at New Paltz, and a B.S. degree in Accounting from Utica College of Syracuse University.

STEPHEN M. MANDIA has served as a Director of the Company since July 2002. Mr. Mandia has been Chief Executive Officer of Sovena USA, formerly East Coast Olive Oil Corp., since 1991. Mr. Mandia also possesses financial ownership and sits on the Board of ECOO Realty Corp. and Northside Gourmet Corp. Mr. Mandia holds a B.S. degree from Bentley College, having also undertaken undergraduate studies at Richmond College in London.

STUART J. SCHWARTZ has served as a Director of the Company since May 1998. Dr. Schwartz is a retired physician. From 1969 to December 1997 he was engaged in private practice as a urologist. Dr. Schwartz holds a B.A. degree from Cornell University and an M.D. degree from SUNY Upstate Medical College, Syracuse.

MARK E. TRYNISKI has served as a Director of the Company since May 2007. He is the President and Chief Executive Officer of Community Bank System, Inc. (NYSE:CBU), where he served as Executive Vice President and Chief Operating Officer from February 2004 through August 2006. From June 2003 through February 2004, Mr. Tryniski was the Chief Financial Officer. Prior to joining Community Bank in June 2003, Mr. Tryniski was a partner with PricewaterhouseCoopers LLP in Syracuse, New York. Mr. Tryniski holds a B.S. degree from the State University of New York at Oswego.

Executive Officers

Joseph J. Corasanti, Esq.
President and CEO

William W. Abraham
Senior Vice President

Heather L. Cohen, Esq.
Vice President -
Corporate Human Resources

Joseph G. Darling
President - CONMED Linvatec

David A. Johnson
Vice President – Global Operations and
Supply Chain

Daniel S. Jonas, Esq.
General Counsel and Vice President –
Legal Affairs

Gregory R. Jones
Vice President – Corporate Regulatory Affairs

Luke A. Pomilio
Vice President – Corporate Controller

Robert D. Shallish, Jr.
Vice President – Finance and
Chief Financial Officer

Senior Officers

Terence M. Bergé
Treasurer and Assistant Corporate Controller

Alexander R. Jones
Vice President - Corporate Sales

David R. Murray
President – CONMED Electrosurgery

John J. Stotts
Vice President – CONMED Patient Care

Dennis M. Werger
Vice President, General Manager –
CONMED Endoscopic Technologies

Frank R. Williams
Vice President – CONMED EndoSurgery

Shareholder Information

Interested shareholders may obtain a copy of the Company's Form 10-K without charge upon written request to:

Investor Relations Department
CONMED Corporation
525 French Road
Utica, NY 13502

Transfer Agent/Registrar
Registrar and Transfer Company
10 Commerce Drive
Cranford, NJ 07016

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The NASDAQ Stock Market® Stock Symbol: CNMD

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Ethics Policy
Available at www.conmed.com

Operating Subsidiaries

CONMED Electrosurgery
CONMED Endoscopic Technologies
CONMED Integrated Systems Canada
CONMED Italia SrL
CONMED Linvatec
CONMED Linvatec Australia
CONMED Linvatec Austria
CONMED Linvatec Belgium
CONMED Linvatec Biomaterials Oy
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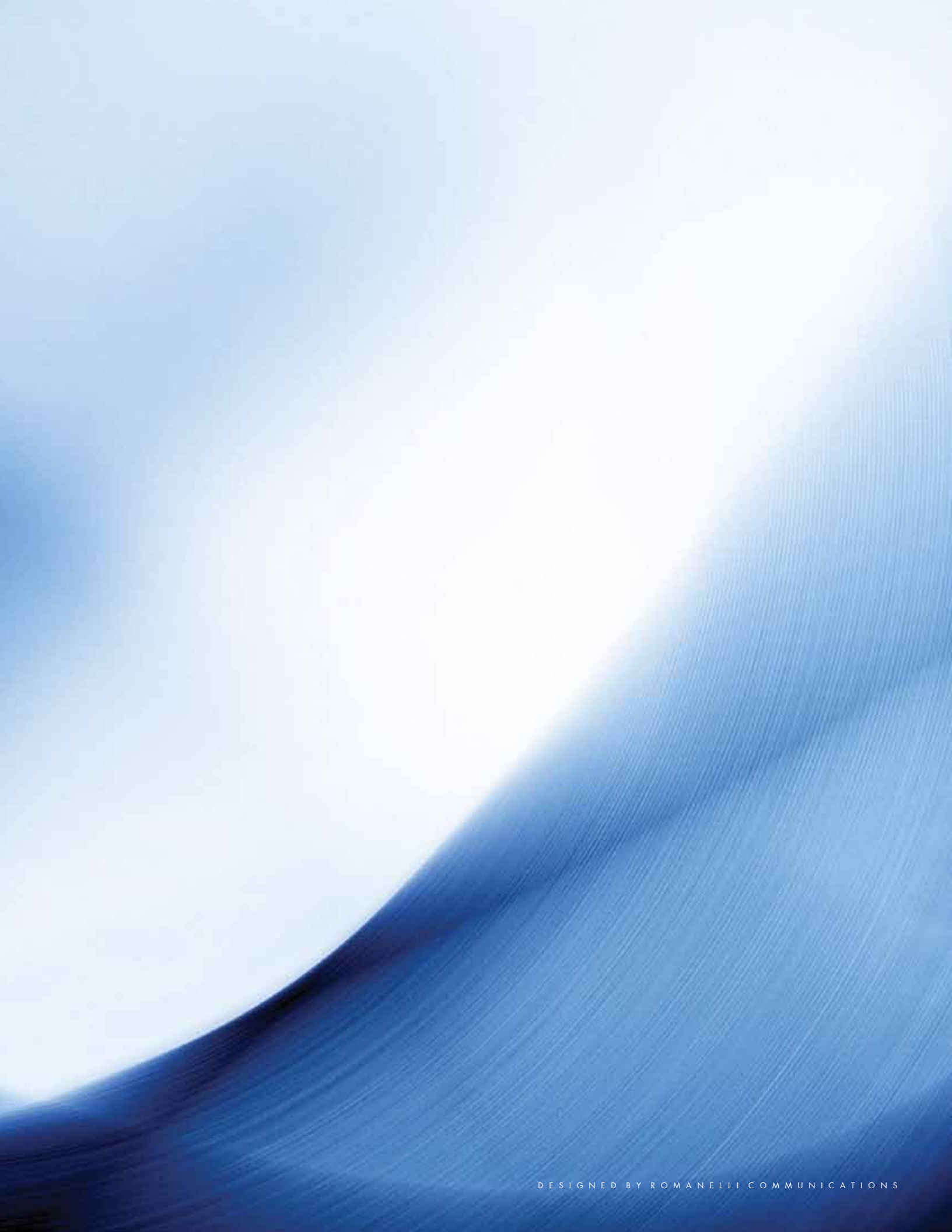
CONMED Linvatec France
CONMED Linvatec Korea
CONMED Linvatec Nederland
CONMED Linvatec Poland
CONMED Linvatec Spain
CONMED Linvatec U.K.
CONMED Receivables Corporation
Consolidated Medical Equipment Company
S.de r.L. de C.V. (Mexico)



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