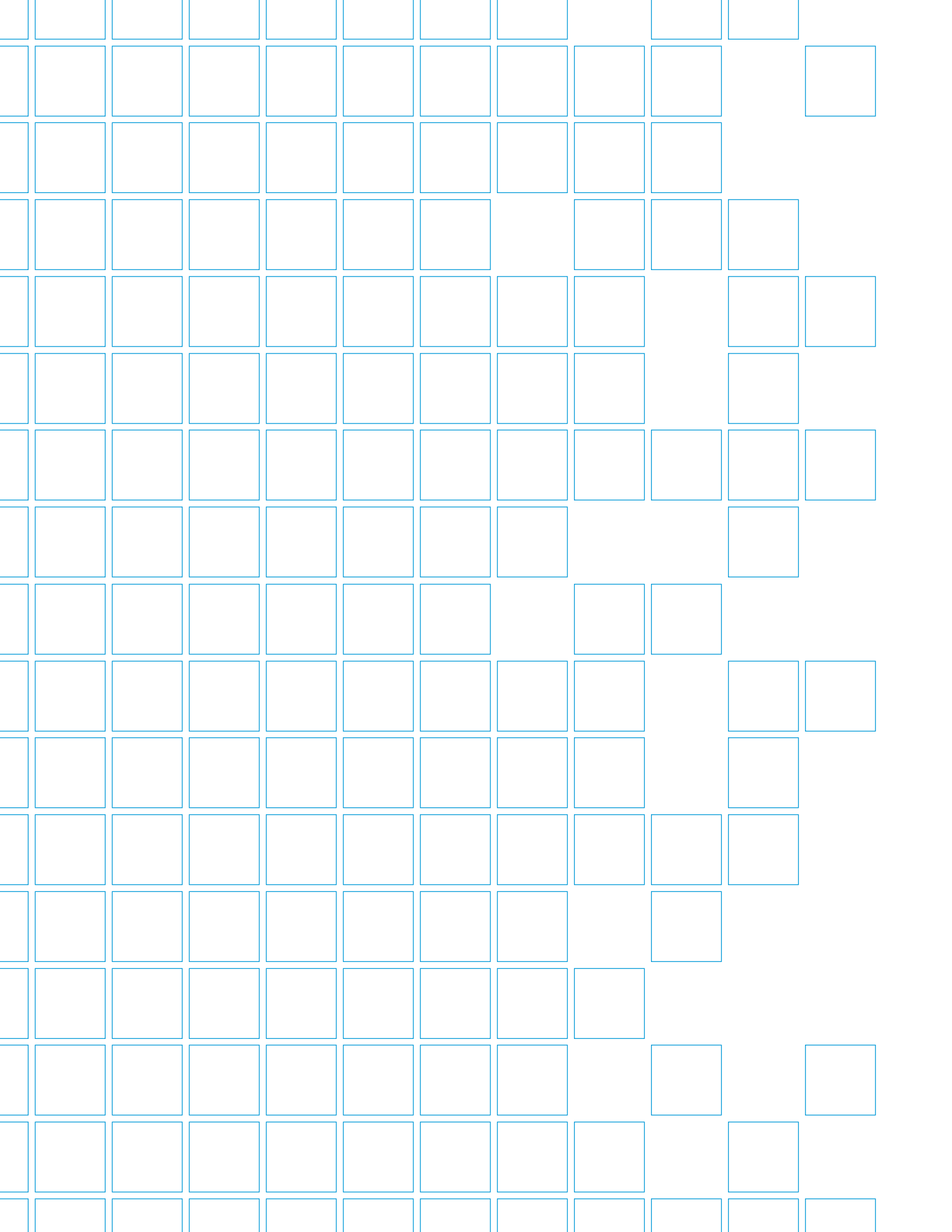
Sports Medicine Reinvented

CONMED Corporation
2011 Annual Report



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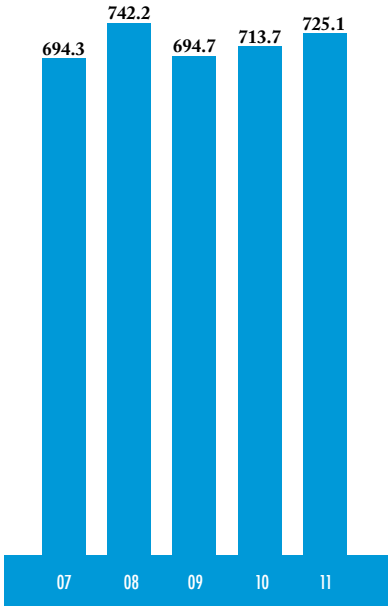
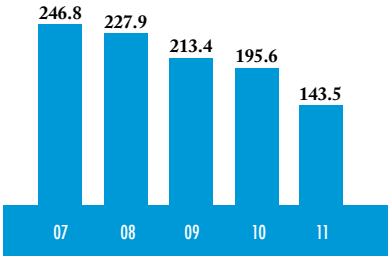
Financial Highlights

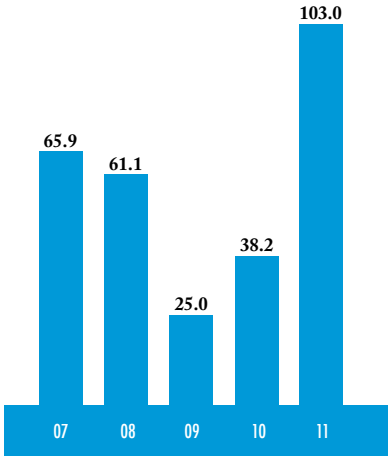
NET SALES
(IN $ MILLIONS)



DEBT PLUS RECEIVABLE FINANCING
(IN $ MILLIONS)



CASH FLOW FROM OPERATIONS
(IN $ MILLIONS)



Joseph J. Corasanti
President, Chief Executive Officer

Letter to the Shareholders

March 2012

To My Fellow Shareholders:

Despite weak growth in the economies of Europe and the United States in 2011, CONMED Corporation achieved the highest level of cash generation in its history. For the full-year, our cash provided by operating activities of $103.0 million produced a return of 14.2% on 2011 sales. This operational excellence in the midst of a slow growth environment was the result of the hard work and dedication of our 3,400 world-wide employees who strive each day to create innovative products and provide superior service to our customers in a cost-effective manner.

Based on last year's exceedingly strong cash flow generation and our optimistic outlook for continued future operational success, our Board of Directors recently adopted a cash dividend policy and declared an initial quarterly cash dividend of $0.15 per share. Future cash dividends are expected to be paid on a quarterly basis; the total annual dividend rate based on the initial quarterly cash dividend will equal $0.60 per share, which is equivalent to a dividend yield of approximately 2.0 percent (2%) based on the price of CONMED stock as I write this letter. This decision by the Board reflects its confidence in the long-term future of our business, and a desire to ensure all shareholders benefit appropriately from our success. Of course, any decision to pay future cash dividends will be subject to Board approval, and will depend on the Company's future earnings, cash flow, financial condition, financial covenants and other relevant factors.

What I am most proud of in last year's operational excellence, and what has me so excited about our future prospects, is that this success was achieved primarily as the result of an improved gross margin and strict control of operating expenses and working capital, with only minimal contribution from the top-line, as the challenging global economic climate limited our sales increase to 1.6 percent (1.6%) over 2010. As we look ahead, we anticipate improved sales growth as the health of our markets improves and as we benefit from the roll-out of a number of new products with significant commercial potential. We have a significant opportunity to achieve even greater success in 2012 and beyond.

Another critical component to our future success will be the strategic partnership we announced in January 2012 with the Musculoskeletal Transplant Foundation (MTF), the world's largest tissue bank. CONMED's orthopedic subsidiary, CONMED Linvatec, will serve as the exclusive worldwide marketing representative for MTF's sports medicine allograft tissues. They will also assume responsibility for the worldwide distribution of MTF's Cascade Platelet-Rich Plasma (PRP) product, which uses a patient's own blood components to aid in the healing process.

According to the long-term agreement effective on January 3, 2012, MTF will provide CONMED a portion of its service revenue for the activities associated with educating and consulting with surgeons and medical facilities on the use of allograft tissue. As we have previously discussed, we expect this important strategic relationship with MTF to be immediately accretive to our earnings, and our financial guidance for 2012 has been increased accordingly. Beyond these financial metrics, this agreement should serve to advance our already strong position within sports medicine and to increase the visibility of our brands among surgeons.

Medical Education

Another corporate initiative aimed at further fostering and expanding relationships with our surgeon customers is the opening of our newly renovated CONMED Linvatec Center for Orthopaedic Education. This state-of-the-art training facility opened on March 30, 2012 on our Largo, Florida campus near Tampa. The increased size and functionality of the facility will accommodate a much

CONMED Linvatec
Dr. Don Buford performs shoulder
arthroscopy repair during a cadaveric lab session

greater number of surgeons interested in learning the newest techniques in sports medicine injury repair. As I mentioned in last year's letter to shareholders, surgeon education is a vital component of our business that not only increases physician understanding of CONMED products, but also helps us better understand, and in turn address, surgeon product needs.

The CONMED Linvatec Center for Orthopaedic Education features an advanced laboratory and didactic environment devoted entirely to surgeon education, surgical skills training, and professional development.

Industry-leading surgeon facilitators lead groups in the latest techniques using advanced surgical devices. Surgeons will develop their skills in a state-of-the-art bioskills development laboratory, study new offerings in the innovation and product showcase center, move to our multi-purpose didactic training and meeting space for teaching and discussion before and after techniques sessions, and integrate learning into their practices in a dedicated surgeon network area and conference room. The entire Center features streaming video capabilities.

Our wide range of programs is designed to enhance surgeons' knowledge of the tools with which they work and the issues they face daily in the operating room. Courses include electrosurgery, arthroscopy, endoscopy, otolaryngology, and orthopaedic surgical techniques. This flagship facility is the latest effort in our ongoing commitment to patient care that has led us to co-sponsor a series of medical education learning centers in conjunction with various orthopaedic and arthroscopic organizations worldwide.

In addition to our learning centers, CONMED participates in more than 400 courses and workshops on an annual basis, and supports many learning centers globally. These allow surgeons to enhance their techniques and to master the use of the least invasive equipment and instruments.

We also emphasize the clinical benefits of each technique and technology, educate to reduce hazards and risks, and help medical professionals find ways to further streamline and integrate operating theaters for a better continuum of patient care. Our medical education materials also include a wealth of surgical information in video, print, and text forms.

Our strategy for continued growth remains consistent: grow revenues faster than expenses, producing greater profit at the bottom line. As demonstrated by our record cash flow, we were quite successful in executing this strategy in 2011. We believe improving economies and the promise of our new products will generate even greater revenue growth, while our continued efforts to attain heightened operational efficiency will keep expenses in check.

We are optimistic about CONMED's long-term future, and are committed to best-in-class product development, service to our customers, and value creation for our shareholders. We look forward to the future with determination and confidence.

As always, we thank you for your continued trust and support.

Sincerely,

Joseph J. Corasanti
President, Chief Executive Officer

Product Spotlight

CONMED Corporation
Corporate Headquarters:
French Road, Utica, NY

Altrus® Thermal Tissue Fusion System

Our Altrus® thermal tissue fusion system is the next generation in energy-based vessel sealing technology. The evolutionary design provides precision temperature control and better anatomical access, and minimizes lateral tissue damage. The unique closure enables a smoother surgical process, and bladeless cutting provides a clean division of tissue with no dulling or jamming. The Altrus® system can be used in fluid environments, minimizes surgeon hand fatigue, and is changing the market by reducing the need for multiple instruments and exchanges.

Sequent™ Meniscal Repair System

Our Sequent™ meniscal repair system features our proprietary implant cleats, allowing surgeons to complete an entire meniscal repair with one device without leaving the joint. It also reduces the risk of failures when entering and leaving the surgical site. The Sequent™ system also minimizes trauma while simplifying repair procedures, and offers significant cost savings by reducing procedural costs and product inventory.

Concept® Suture Passer

Our Concept® suture passer is the latest innovation in suture passing for rotator cuff repair. We know surgical time is money, and the Concept® allows surgeons to make a simple one-handed pass, eliminating the need for a separate and often time-consuming suture retrieval step. The device's unique needle design won't damage the suture either, allowing it to be passed in any location without breakage, saving materials and valuable time.

Product Spotlight (cont.)

CrossFT BC™ Anchor

Our CrossFT BC™ anchor is a biocomposite suture anchor for rotator cuff repair. Our proprietary GENESYS MicroTCP biocomposite material makes it the strongest suture anchor on the market, and provides the perfect balance of mechanical integrity during bone in-growth and absorption. The unique dual-thread profile makes it ideal for different bone densities, and since it's also the smallest triple loaded biocomposite rotator cuff anchor on the market, it allows surgeons to achieve less invasive and more versatile results.

CrossFT (with needles)

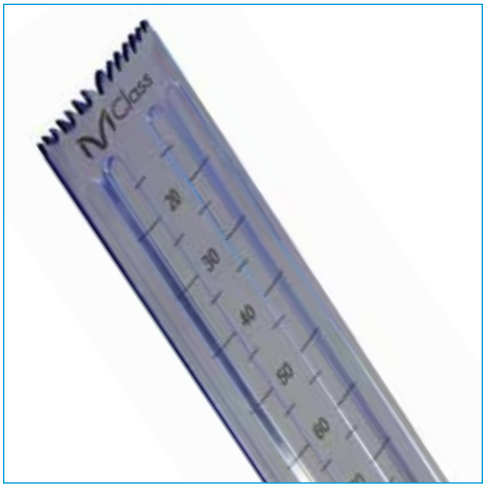
Our CrossFT (with needles) is the newest member in our family of rotator cuff repair anchors that provides what every surgeon wants: a simple solution for complex shoulder procedures. The CrossFT anchor with needles has a new ergonomic handle design that houses the sutures and needles for a versatile "mini-open" repair.

Y-Knot Instability Anchor

Our Y-Knot instability anchor provides a secure 360-degree FormFit™ fixation. This all-suture product is made from high-strength suture, eliminating the floating hard bone and cartilage fragments that are a common by-product of lesser products. The Y-Knot's small drill bit removes 80% less bone than widely-used press-fit anchors, giving the patient a better opportunity for tissue-to-bone contact where they need it most. Its 360-degree fixation design gives it superior anchoring strength and less cyclic movement, resulting in a better repair.

PressFT

Our PressFT instability anchor is small, strong and simple to use, and sets a new standard for shoulder instability repair. Its small size and exceptional strength give the surgeon more fixation points, simplify positioning, and stronger anchoring. The elegantly simple design shortens surgical time and allows easier revisions if necessary. It's a win-win: it's less invasive and easy to use.



HALL Power system of MClass

Our HALL Power system includes MClass oscillating blades, which are used in total knee replacements and other large bone procedures, and give surgeons exceptional control. They're engineered for superior stability, with a unique three-element tooth profile for optimal blade control. The finely-tuned, consistent blade thickness and stainless steel body reduce vibration and edge loss, and the ribbed shank means more efficient cutting and reduced heat. The blade results in a more even cut by continuously tracking the intended path, adjusting the workload, and self-centering as it moves, so surgeries are cleaner, faster and more successful.

Signature Series blades and burs

Our Signature Series blades and burs are not only longer, but stronger. The Signature Series hip blades and burs are the first of their kind, designed to enable more effective reshaping of the anatomy of the hip. The unique curved bur design gives surgeons improved access to the site for better control and clearer, cleaner surgeries. This hip-specific tool was designed to reach around the femoral neck for a more precise resection. Better design means these blades and burs result in more successful outcomes.

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 31, 2012, there were 835 registered holders of our common stock and approximately 5,812 accounts held in "street name".

The following table sets forth quarterly high and low sales prices for the years ended December 31, 2010 and 2011, as reported by the NASDAQ Stock Market.

	2010		2011	
Period	**High**	**Low**	**High**	**Low**
First Quarter	$ 25.23	$ 21.51	$ 27.47	$ 25.33
Second Quarter	25.08	18.63	29.00	25.99
Third Quarter	22.41	16.84	29.38	20.81
Fourth Quarter	26.64	21.51	27.83	24.19

We did not pay cash dividends on our common stock during 2010 or 2011. 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 below:

Equity Compensation Plan Information

Plan category	**Number of securities to be issued upon exercise of outstanding options, warrants and rights (a)**	**Weighted-average exercise price of outstanding options, warrants and rights (b)**	**Number of securities remaining available for future issuance under equity compensation plans (excluding securities reflected in column (a)) (c)**
Equity compensation plans approved by security holders	2,636,948	$ 24.58	738,792
Equity compensation plans not approved by security holders	—	—	—
Total	2,636,948	$ 24.58	738,792

Five Year Summary of Selected Financial Data (As Adjusted) (1)

(In thousands, except per share data)

Years Ended December 31,	**2007**	**2008**	**2009**	**2010**	**2011**
Statements of Operations Data[2]:					
Net sales	$ 694,288	$ 742,183	$ 694,739	$ 713,723	$ 725,077
Income from operations	80,991	75,259	28,269	57,093	8,274
Net income	38,544	39,989	12,137	30,346	752
Earnings Per Share:					
Basic	$ 1.36	$ 1.39	$ 0.42	$ 1.06	$ 0.03
Diluted	1.33	1.37	0.42	1.05	0.03
Weighted Average Number of Common Shares In Calculating:					
Basic earnings per share	28,416	28,796	29,074	28,715	28,246
Diluted earnings per share	28,965	29,227	29,142	28,911	28,633
Other Financial Data:					
Depreciation and amortization	$ 36,152	$ 37,159	$ 41,283	$ 41,807	$ 42,687
Capital expenditures	20,910	35,879	21,444	14,732	17,552
Balance Sheet Data (at period end):					
Cash and cash equivalents	$ 11,695	$ 11,811	$ 10,098	$ 12,417	$ 26,048
Total assets	893,951	931,661	958,413	985,773	935,594
Long-term obligations	298,383	316,532	302,791	219,344	231,339
Total shareholders' equity	518,284	540,215	576,515	586,563	573,071

(1) In May 2008, the FASB issued guidance which 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. We adopted this guidance on January 1, 2009 related to our 2.50% convertible senior subordinated notes due 2024 ("the Notes").

(2) 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 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:

	2009	2010	2011
Arthroscopy	39%	40%	40%
Powered Surgical Instruments	21	20	20
Electrosurgery	14	14	14
Patient Care	10	10	9
Endosurgery	9	9	10
Endoscopic Technologies	7	7	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 45%, 48% and 50% in 2009, 2010 and 2011, 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 which are driving the long-term growth in our industry. We believe that with our broad product offering of high quality surgical and patient care products, we can capitalize on this growth 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 as continued innovation and commercialization of new proprietary products and processes are essential elements of our long-term growth strategy. Our reputation as an innovator is exemplified by recent new product introductions such as the PressFT™ Suture Anchor, absorbable and non-absorbable implants for use in arthroscopic stabilization procedures of the shoulder and labral repair of the hip; Y-Knot™ All-suture Anchor, a suture anchor implant comprised entirely of high strength suture for instability repair procedures in the shoulder; the Sequent™ Meniscal Repair System, which offers suture-locking implant cleats that will provide a knotless repair and allow the surgeon to complete an entire meniscal repair with one device without leaving the joint; XACTPIN™ Graft Passing Guide Pin is specifically engineered for fast, accurate and minimally invasive referencing of the Aperture to Cortex length; Hip Preservation System™, from access to repair, the system is committed to optimizing patient outcomes by providing a comprehensive solution of joint preserving instrumentation and techniques; Bullseye® Anatomic Cruciate Reconstruction System; the Hall® Lithium Power Battery System offers lithium ion battery technology which will provide greater power and longevity during surgery when compared to present batteries and the Altrus® Thermal Tissue Fusion System which utilizes thermal energy to seal, cut, grasp, and dissect vessels up to 7mm in size utilizing a closed feedback loop between the energy source and the single-use handpiece to precisely control the desired effect on tissue.

Business Challenges

Significant volatility in the financial markets and foreign currency exchange rates and depressed economic conditions in both domestic and international markets, have presented significant business challenges since the second half of 2008. While we returned to revenue growth in 2010 and 2011 and are cautiously optimistic that the domestic economic environment is improving, conditions in Europe and elsewhere may present significant business challenges for the Company, and there can be no assurance that improvement in the overall economic environment will be sustained. We will continue to monitor and manage the impact of the overall economic environment on the Company.

Over the past few years we successfully completed certain of our operational restructuring plans whereby we consolidated manufacturing and distribution centers as well as restructured certain of our administrative functions. We continue to restructure both operations and administrative functions as necessary throughout the organization. However, we cannot be certain such activities will be completed in the estimated time period or that planned cost savings will be achieved.

Our facilities are subject to periodic inspection by the United States Food and Drug Administration ("FDA") and foreign regulatory agencies or notified bodies for, among other things, conformance to Quality System Regulation and Current Good Manufacturing Practice ("CGMP") requirements and foreign or international standards. 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 initiatives. However, there can be no assurance that our actions will ensure that we will not receive a warning letter or be the subject of other regulatory action, which may include consent decrees or fines, that we will not conduct product recalls or that we will not experience temporary or extended periods during which we may not be able to sell products in foreign countries.

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 as the equipment is loaned and subject to return if certain minimum single-use purchases are not met. Revenue is recognized upon the sale and shipment of the related single-use products. The cost of the equipment is amortized over its estimated useful life.
- 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 $11.3 million, $7.9 million and $8.8 million for 2009, 2010 and 2011, 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 $1.2 million at December 31, 2011 is adequate to provide for probable losses resulting from accounts receivable.

Inventory Valuation

We write-off 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.

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 $234.8 million and other intangible assets of $195.5 million as of December 31, 2011.

In accordance with FASB guidance, 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. The Company evaluates EBITDA multiples to value its reporting units relative to the Company's market capitalization plus a market-based control premium. The market-based control premium is defined as the premiums paid by acquirers of comparable businesses. The sum of the individual reporting units' estimated market values are compared to the Company's market value, with the sum of the individual values typically being larger than the market value of the Company. The Company considers premiums paid by acquirers of comparable businesses to determine the reasonableness of the implied control premium.

During the fourth quarter of 2011, we completed our goodwill impairment testing with data as of October 1, 2011. For our CONMED Electrosurgery, CONMED Endosurgery and CONMED Linvatec operating units, our impairment testing utilized CONMED Corporation's EBITDA multiple adjusted for a market-based control premium with the resultant fair values exceeding carrying values by 42% to 107%.

We estimated the fair value of the CONMED Patient Care operating unit utilizing both a market-based approach and an income approach. Under the income approach, we utilized a discounted cash flow valuation methodology and measured the goodwill impairment in accordance with ASC 350. The first step of the impairment test determined the carrying value exceeded fair value and therefore we proceeded to Step 2. Under Step 2, we calculated the amount of impairment loss by measuring the amount the carrying value of goodwill exceeded the implied fair value of the goodwill. We determined the goodwill of our CONMED Patient Care operating unit was impaired as a result of lower future earnings due to pricing pressures in a number of our product lines and consequently we recorded a goodwill impairment charge of $60.3 million to reduce the carrying amount of the unit's goodwill to its implied fair value.

Intangible assets with a finite life are amortized over the estimated useful life of the asset and are evaluated each reporting period to determine whether events and circumstances warrant a revision to the remaining period of amortization. Intangible assets subject to amortization are reviewed for impairment 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 15 years. The weighted average life for customer relationship assets in aggregate is 33 years.

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 analysis and assessment of actual customer attrition and activity as events and circumstances warrant. 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.

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 United States based 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.

On March 26, 2009, the Board of Directors approved a plan to freeze benefit accruals under our pension plan effective May 14, 2009. As a result, we recorded a curtailment gain of $4.4 million and a reduction in accrued pension of $11.4 million which is included in other long term liabilities. See Note 9 to 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.

The rates used in determining 2011 and 2012 pension expense are 5.41% and 4.30%, respectively.

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.

Pension expense in 2012 is expected to be $2.1 million compared to expense of $1.0 million in 2011. In addition, we will be required to contribute approximately $2.0 million to the pension plan for the 2012 plan year.

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

Stock-based Compensation

All share-based payments to employees, including grants of employee stock options, restricted stock units, performance share units and stock appreciation rights are recognized in the financial statements based at their fair values. Compensation expense is generally recognized using a straight-line method over the vesting period. Compensation expense for performance share units is recognized using the graded vesting method.

Income Taxes

The recorded future tax benefit arising from deductible temporary differences and tax carryforwards is approximately $34.3 million at December 31, 2011. Management believes that earnings during the periods when the temporary differences become deductible will be sufficient to realize the related future income tax benefits.

The Company is subject to taxation in the United States and various states and foreign jurisdictions. Taxing authority examinations 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 2010. Tax years subsequent to 2010 are subject to future examination.

Consolidated Results of Operations

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

Years Ended December 31,	2009	2010	2011
Net sales	100.0%	100.0%	100.0%
Cost of sales	51.4	48.8	48.3
Gross margin	48.6	51.2	51.7
Selling and administrative expense	38.3	38.7	38.1
Research and development expense	4.6	4.2	4.0
Impairment of goodwill	—	—	8.3
Other expense	1.6	0.3	0.2
Income from operations	4.1	8.0	1.1
Gain (loss) on early extinguishment of debt	0.1	0.0	—
Amortization of debt discount	0.6	0.6	0.5
Interest expense	1.0	1.0	0.9
Income (loss) before income taxes	2.6	6.4	(0.3)
Provision (benefit) for income taxes	0.9	2.1	(0.4)
Net income	1.7%	4.3%	0.1%

2011 Compared to 2010

Sales for 2011 were $725.1 million, an increase of $11.4 million (1.6%) compared to sales of $713.7 million in 2010 with the increases occurring in all product lines except Patient Care. In local currency, excluding the effects of the hedging program, sales increased 0.7%. Sales of capital equipment decreased $5.3 million (-3.2%) to $159.9 million in 2011 from $165.2 million in 2010; sales of single-use and reposable products increased $16.7 million (3.0%) to $565.2 million in 2011 from $548.5 million in 2010. In local currency, excluding the effects of the hedging program, sales of capital equipment decreased 3.9% while single-use and reposable products increased 2.1%. We believe the overall decline in capital sales is driven by capital purchasing constraints in hospitals due to the depressed economic conditions.

Cost of sales increased to $350.1 million in 2011 as compared to $348.3 million in 2010. Gross profit margins increased 0.5 percentage points to 51.7% in 2011 as compared to 51.2% in 2010. The increase in gross profit margins of 0.5 percentage points results from favorable foreign currency exchange rates on sales and product mix.

Selling and administrative expense remained relatively flat at $276.6 million in 2011 compared to $276.5 million in 2010. Foreign currency exchange rates (when compared to the foreign currency exchange rates in the same period a year ago) increased expense approximately $5.3 million. Selling and administrative expense as a percentage of net sales decreased to 38.1% in 2011 from 38.7% in 2010. This decrease of 0.6 percentage points is primarily attributable to the consolidation of administrative functions during 2010 and the first quarter of 2011 which more than offset the unfavorable foreign currency exchange rates on expenses.

Research and development expense was $28.7 million in 2011 compared to $29.7 million in 2010. As a percentage of net sales, research and development expense decreased to 4.0% in 2011 compared to 4.2% in 2010. The decrease of 0.2 percentage points is mainly driven by decreased spending on our CONMED Linvatec products.

During 2011, we recorded a $60.3 million charge for the impairment of goodwill related to the CONMED Patient Care business unit. Refer to Note 4 to the Consolidated Financial Statements for further details.

As discussed in Note 11 to the Consolidated Financial Statements, other expense in 2011 consisted of $0.8 million charge related to the consolidation of administrative functions in our Utica, NY facility, and a charge of $0.3 million related to the purchase of the Company's former distributor for the Nordic region of Europe. Other expense in 2010 consisted of a $1.5 million charge related to the consolidation of administrative functions in our CONMED Linvatec division and a $0.7 million charge related to a lease impairment on our Chelmsford, Massachusetts facility.

During 2010, we repurchased and retired $3.0 million of our 2.50% convertible senior subordinated notes (the "Notes") for $2.9 million and recorded a loss on the early extinguishment of debt of $0.1 million. 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.

Amortization of debt discount in 2011 was $3.9 million compared to $4.2 million in 2010.

Interest expense was $6.7 million in 2011 compared to $7.1 million in 2010. Interest expense decreased due to lower weighted average borrowings outstanding in 2011 as compared to the same period a year ago offset by higher weighted average interest rates. The weighted average interest rates on our borrowings (inclusive of the finance charge on our accounts receivable sale facility for 2010) increased to 3.66% in 2011 as compared to 3.18% in 2010.

A provision for income taxes was recorded at an effective rate of -132.6% in 2011 and 33.5% in 2010 as compared to the Federal statutory rate of 35.0%. Actual income tax expense recorded in 2011 was $2.3 million lower than income tax expense as computed at the Federal statutory rate. Actual income tax expense recorded in 2010 was $0.7 million lower than income tax expense as computed at the Federal statutory rate. Income tax expense was primarily lower in 2011 as a result of Federal foreign tax credit benefit recorded in 2011 associated with the repatriation of foreign earnings to the United States, which decreased tax expense by $1.3 million. 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.

2010 Compared to 2009

Sales for 2010 were $713.7 million, an increase of $19.0 million (2.7%) compared to sales of $694.7 million in 2009 with the increases occurring in Arthroscopy, Electrosurgery and Endosurgery. In local currency, excluding the effects of the hedging program, sales increased 1.4%. Sales of capital equipment decreased $0.7 million (-0.4%) from $165.9 million in 2009 to $165.2 million in 2010; sales of single-use and reposable products increased $19.7 million (3.7%) from $528.8 million in 2009 to $548.5 million in 2010. In local currency, excluding the effects of the hedging program, sales of capital equipment decreased 1.7% while single-use and reposable products increased 2.3%.

Cost of sales decreased to $348.3 million in 2010 as compared to $357.4 million in 2009. Gross profit margins increased 2.6 percentage points to 51.2% in 2010 as compared to 48.6% in 2009. The increase in gross profit margins of 2.6 percentage points is primarily a result of the effects of favorable foreign currency exchange rates on sales (0.7 percentage points) and net cost savings as a result of our restructuring efforts (1.9 percentage points) as more fully described in Note 15 to the Consolidated Financial Statements.

Selling and administrative expense increased to $276.5 million in 2010 from $266.3 million in 2009. Foreign currency exchange rates (when compared to the foreign currency exchange rates in the same period a year ago) accounted for approximately $2.8 million of the increase. Selling and administrative expense as a percentage of net sales increased to 38.7% in 2010 from 38.3% in 2009. This increase of 0.4 percentage points is primarily attributable to higher compensation and benefit costs during the period.

Research and development expense was $29.7 million in 2010 compared to $31.8 million in 2009. As a percentage of net sales, research and development expense decreased to 4.2% in 2010 compared to 4.6% in 2009. The decrease of 0.4 percentage points is mainly driven by decreased spending on our CONMED Patient Care products (0.2 percentage points), CONMED Linvatec products (0.1 percentage points) and other products (0.1 percentage points).

As discussed in Note 11 to the Consolidated Financial Statements, other expense in 2010 consisted of the following: a $1.5 million charge related to the consolidation of administrative functions in our CONMED Linvatec division and a $0.7 million charge related to a lease impairment on our Chelmsford, Massachusetts facility. Other expense in 2009 consisted of a $2.7 million charge related to the restructuring of certain of the Company's operations; a $4.1 million charge related to the consolidation of the administrative functions of the CONMED Endoscopic Technologies division; a $6.0 million

charge related to a voluntary recall of certain of our powered instrument products; and a $1.9 million net pension gain resulting from the freezing of future benefit accruals effective May 14, 2009.

During 2010, we repurchased and retired $3.0 million of our 2.50% convertible senior subordinated notes (the "Notes") for $2.9 million and recorded a loss on the early extinguishment of debt of $0.1 million. During 2009, we repurchased and retired $9.9 million of the Notes for $7.8 million and recorded a gain on the early extinguishment of debt of $1.1 million net of the write-offs of $0.1 million in unamortized deferred financing costs and $1.0 million in unamortized Notes discount. 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.

Amortization of debt discount in 2010 was $4.2 million compared to $4.1 million in 2009.

Interest expense was $7.1 million in both 2009 and 2010. Interest expense remained the same on lower weighted average borrowings due to higher weighted average interest rates on the borrowings. The weighted average interest rates on our borrowings (inclusive of the finance charge on our accounts receivable sale facility) increased to 3.18% in 2010 as compared to 2.90% in 2009.

A provision for income taxes was recorded at an effective rate of 33.5% in 2010 and 33.1% in 2009 as compared to the Federal statutory rate of 35.0%. The effective tax rate for 2010 is higher than that recorded in the same period a year ago as a result of the settlement of our 2007 IRS examination in the first quarter of 2009, and the resulting adjustment to our reserves and reduction of income tax expense. 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, 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 2009, 2010 and 2011:

CONMED Endosurgery, CONMED Electrosurgery and CONMED Linvatec

	2009	2010	2011
Net sales	$574,820	$596,923	$610,075
Income from operations	62,715	77,271	89,093
Operating margin	10.9%	12.9%	14.6%

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 $1.5 million (0.5%) in 2011 to $289.9 million from $288.4 million in 2010 due to higher procedure specific product sales offset by lower sales of our video imaging products for arthroscopy and general surgery. In local currency, excluding the effects of the hedging program, sales decreased 0.7%. Sales of capital equipment decreased $12.2 million (-16.2%) to $63.0 million in 2011 from $75.2 million in 2010; sales of single-use products increased $13.7 million (6.4%) to $226.9 million in 2011 from $213.2 million in 2010. In local currency, excluding the effects of the hedging program, sales of capital equipment decreased 17.0% while single-use products increased 5.1%. Arthroscopy sales increased $18.6 million (6.9%) in 2010 to $288.4 million from $269.8 million in 2009 due to our new shoulder restoration system and increases in our resection and video imaging products for arthroscopy and general surgery. In local currency, excluding the effects of the hedging program, sales increased 5.2%. Sales of capital equipment increased $1.9 million (2.6%) to $75.2 million in 2010 from $73.3 million in 2009; sales of single-use products increased $16.7 million (8.5%) to $213.2 million in 2010 from $196.5 million in 2009. In local currency, excluding the effects of the hedging program, sales of capital equipment increased 1.4% while single-use products increased 6.6%.
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Endosurgery sales increased $3.0 million (4.5%) in 2010 to $69.0 million from $66.0 million in 2009 mainly due to increased unit volumes of single-use products. In local currency, excluding the effects of the hedging program, sales increased 3.9%.

- Operating margins as a percentage of net sales increased 1.7 percentage points to 14.6% in 2011 compared to 12.9% in 2010. The increase in operating margins is primarily due to higher gross margins (1.0 percentage points) mainly driven by favorable foreign currency exchange rates on sales and product mix resulting from lower capital sales in our Arthroscopy product line and higher sales in our Endosurgery operating unit, lower research and development spending on our CONMED Linvatec products (0.3 percentage points) and lower overall selling and administrative expenses (0.4 percentage points).
- Operating margins as a percentage of net sales increased 2.0 percentage points to 12.9% in 2010 compared to 10.9% in 2009. The increase in operating margins is primarily due to higher gross margins (0.7 percentage points) mainly driven by favorable foreign currency exchange rates, net of costs associated with the termination of a product offering in our CONMED Linvatec division (0.4 percentage points) as more fully described in Note 15 to our Consolidated Financial Statements, lower research and development spending (0.2 percentage points) and the prior year including costs associated with the voluntary recall of certain powered instrument products (0.9 percentage points).

CONMED Patient Care

	2009	2010	2011
Net sales	$ 70,978	$ 68,283	$ 65,651
Income (loss) from operations	(1,263)	(38)	(62,878)
Operating margin	(1.8)%	(0.1)%	(95.8)%

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 decreased $2.6 million (-3.8%) in 2011 to $65.7 million compared to $68.3 million in 2010 principally due to decreased sales of ECG electrodes and IV devices. In local currency, excluding the effects of the hedging program sales decreased 4.1%. Patient Care sales decreased $2.7 million (-3.8%) in 2010 to $68.3 million compared to $71.0 million in 2009 principally due to decreased sales of ECG electrodes and IV devices. In local currency, excluding the effects of the hedging program, sales decreased 4.2%.
- Operating margins as a percentage of net sales decreased 95.7 percentage points to -95.8% in 2011 compared to -0.1% in 2010. The decrease in operating margins is primarily driven by the $60.3 million charge for the impairment of goodwill (91.9 percentage points), $0.6 million in administrative restructuring charges (0.9 percentage points) and decreases in gross margins mainly due to lower sales volumes (6.3 percentage points) offset by lower selling and administrative expenses (2.9 percentage points) and lower research and development spending (0.5 percentage points).
- Operating margins as a percentage of net sales increased 1.7 percentage points to -0.1% in 2010 compared to -1.8% in 2009. The increase in operating margins is primarily driven by increases in gross margins (0.8 percentage points) mainly due to cost improvements resulting from our operational restructuring and lower research and development spending (1.0 percentage points).

CONMED Endoscopic Technologies

	2009	2010	2011
Net sales	$ 48,941	$ 48,517	$ 49,351
Income (loss) from operations	(7,904)	(1,315)	273
Operating margin	(16.2)%	(2.7)%	0.6%

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 sales increased $0.8 million (1.6%) in 2011 to $49.3 million from $48.5 million in 2010 principally due to higher biliary and polypectomy sales. In local currency, excluding the effects of the hedging program, sales increased 1.2%. Endoscopic Technologies net sales declined $0.4 million (-0.8%) in 2010 to $48.5 million from $48.9 million in 2009 principally due to lower stricture management and forcep sales. In local currency, excluding the effects of the hedging program, sales decreased 2.0%.
- Operating margins as a percentage of net sales increased 3.3 percentage points to 0.6% in 2011 from (-2.7%) in 2010. The increase in operating margins of 3.3 percentage points in 2011 is primarily due to overall lower selling and administrative expenses (2.8 percentage points), the prior year including a lease impairment charge related to the Chelmsford, Massachusetts facility (1.4 percentage points) and higher gross margins (0.6 percentage points) due to favorable foreign currency exchange rates on sales offset by increased spending in research and development (1.1 percentage points) and $0.2 million in administrative restructuring charges during the first quarter of 2011 (0.4 percentage points).
- Operating margins as a percentage of net sales increased 13.5 percentage points to (-2.7%) in 2010 from (-16.2%) in 2009. The increase in operating margins of 13.5 percentage points in 2010 is primarily due to 2009 including costs associated with the consolidation of the administrative offices (8.3 percentage points), higher gross margins (1.3 percentage points) and overall lower administrative expenses (5.3 percentage points) as a result of the consolidation of the CONMED Endoscopic Technologies division into the Corporate facility offset by a lease impairment charge in 2010 related to the Chelmsford, Massachusetts facility (1.4 percentage points); see Note 11 to the Consolidated Financial Statements.

Liquidity and Capital Resources

Our liquidity needs arise primarily from capital investments, working capital requirements and payments on indebtedness under the senior credit agreement. We have historically met these liquidity requirements with funds generated from operations and borrowings under our revolving credit facility. In addition, we have historically used term borrowings, including borrowings under the 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. During the fourth quarter of 2011, we repatriated $16.2 million of foreign earnings to the United States, however we do not have any current expectations that we will repatriate foreign earnings in the future.

Operating Cash Flows

Our net working capital position was $225.5 million at December 31, 2011. Net cash provided by operating activities was $25.0 million in 2009, $38.2 million in 2010 and $103.0 million in 2011 generated on net income of $12.1 million in 2009, $30.3 million in 2010 and $0.8 million in 2011.

The increase in cash provided by operating activities in 2011 is primarily due to improved operating results and the result of a new accounting pronouncement effective January 1, 2010, which required accounts receivable sold under our accounts receivable sale agreement to be recorded as additional borrowings rather than as a reduction in accounts receivable. Accordingly, in 2010, $29.0 million in cash collections related to accounts receivable sold prior to January 1, 2010 have been presented as a reduction in cash from operations while net sales of additional accounts receivable generated subsequent to January 1, 2010 have been reflected as an increase in cash flows from financing activities. We terminated this agreement on November 4, 2010 at which time we repaid the outstanding balance in full.

Improved inventory management resulting in less use of cash also contributed to the increase in cash provided by operating activities.

Investing Cash Flows

Capital expenditures were $21.4 million, $14.7 million and $17.6 million in 2009, 2010 and 2011, respectively. Capital expenditures are expected to approximate $20.0 million in 2012.

During 2011, we acquired a business with a cash purchase price of $1.1 million and obtained patents for a cash purchase price of $3.0 million. During 2010, we acquired a business with a cash purchase price of $5.0 million (see Note 4 to the Consolidated Financial Statements for further discussion).

Financing Cash Flows

Net cash used in financing activities during 2011 consisted of the following: $6.1 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), $58.0 million in borrowings on our revolving credit facility under our senior credit agreement, $15.0 million in repurchases of treasury stock, $1.4 million in repayments of term borrowings under our senior credit agreement, $0.9 million in repayments on our mortgage notes and $111.8 million repurchase of our 2.50% convertible senior subordinated notes as they were put to us on November 15, 2011 by the holders of the Notes. See Note 5 to the Consolidated Financial Statements for further discussion of the repurchase of the Notes.

On November 30, 2010, we entered into the First Amendment to our Amended and Restated Credit Agreement (the "senior credit agreement") providing for an expanded revolving credit facility of $250.0 million expiring on November 30, 2015. The senior credit agreement continues to include a $135.0 million term loan of which $53.6 million was outstanding at December 31, 2011. There were $80.0 million in borrowings outstanding on the revolving credit facility as of December 31, 2011. Our available borrowings on the revolving credit facility at December 31, 2011 were $160.2 million with approximately $9.8 million of the facility set aside for outstanding letters of credit. As discussed in Note 16 to the Consolidated Financial Statements, we entered into a distribution and development agreement with Musculoskeletal Tissue Foundation ("MTF") on January 3, 2012 and used cash on hand and available borrowings under our revolving credit facility to fund this transaction.

Borrowings outstanding on the revolving credit facility are due and payable on November 30, 2015. The scheduled principal payments on the term loan portion of the senior credit agreement are $0.3 million due on March 31, 2012, $31.7 million due June 30, 2012 and the remaining $21.5 million due on September 30, 2012. We expect to utilize our $250.0 million revolving credit facility for payment of the term loan. 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% (1.76% at December 31, 2011) or an alternative base rate; interest rates on the revolving credit facility portion of the senior credit agreement are at LIBOR plus 1.75% (2.04% at December 31, 2011) 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. 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 full compliance with these covenants and restrictions as of December 31, 2011. We are also required, under certain circumstances, to make mandatory prepayments from net cash proceeds from any issuance of equity and asset sales.

We have a mortgage note outstanding in connection with the property and facilities utilized by our CONMED Linvatec subsidiary bearing interest at 8.25% per annum with semiannual payments of principal and interest through June 2019. The principal balance outstanding on the mortgage note aggregated $9.6 million at December 31, 2011. The mortgage note is collateralized by the CONMED Linvatec property and facilities.

On November 15, 2011 holders of the 2.50% convertible senior subordinated notes due 2024 ("the Notes") put to us and we were required to repurchase $111.8 million of the Notes at par; $0.3 million remains outstanding at December 31, 2011. We used cash on hand and borrowings under our revolving credit facility to fund the repurchase. During 2010, we repurchased and retired $3.0 million of the Notes for $2.9 million and recorded a loss on the early extinguishment of debt of $0.1 million. During 2009, we repurchased and retired $9.9 million of the Notes for $7.8 million and recorded a gain on the early extinguishment of debt of $1.1 million net of the write-offs of $0.1 million in unamortized deferred financing costs and $1.0 million in unamortized Notes discount. The Notes represent subordinated unsecured obligations and are convertible under certain circumstances, as defined in the indenture for the Notes, into a combination of cash and CONMED common stock. The Notes mature on November 15, 2024 and are not redeemable by us prior to November 15, 2014. Holders of the Notes have the right to put to us some or all of the Notes for repurchase on November 15, 2014 and 2019 and, provided the terms of the indenture for the Notes are satisfied, we will be required to repurchase the Notes.

Our Board of Directors authorized a $100.0 million share repurchase program in 2005. In October 2011, our Board of Directors authorized an additional $100.0 million of share repurchases under an amendment to the share repurchase program. Through December 31, 2011, we have repurchased a total of 4.0 million shares of common stock aggregating $91.2 million under these authorizations and have $108.8 million remaining available for share repurchases. 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.

We repurchased $15.0 million under the share repurchase program in 2011. We have financed the repurchases and may finance additional repurchases through operating cash flow and from available borrowings under our revolving credit facility.

Management believes that cash flow from operations, including 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."

Restructuring

During 2011, we continued our operational restructuring plan which includes the transfer of additional production lines from manufacturing locations located in the United States to our manufacturing facility in Chihuahua, Mexico. We incurred $3.5 million in costs associated with the restructuring during 2011. These costs were charged to cost of goods sold and include severance and other charges associated with the transfer of production to Mexico.

During 2011, we consolidated certain administrative functions in our Utica, New York facility and incurred $0.8 million in related costs consisting principally of severance charges.

We will continue to restructure both operations and administrative functions as necessary throughout the organization. As the restructuring plan progresses, we will incur additional charges, including employee termination and other exit costs. Based on the criteria contained within FASB guidance, no accrual for such costs has been made at this time. We estimate restructuring costs will approximate $3.0 million to $4.0 million in 2012 and will be charged to cost of goods sold and other expense.

Refer to Note 15 to the Consolidated Financial Statements for further discussions regarding restructuring.

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, 2011.

		Payments Due by Period			
	Total	Less than 1 Year	1-3 Years	3-5 Years	More than 5 Years
Long-term debt	$ 143,509	$ 54,557	$ 2,517	$ 82,573	$ 3,862
Purchase obligations	41,742	41,434	308	—	—
Operating lease obligations	28,900	6,291	9,710	5,321	7,578
Total contractual obligations	$ 214,151	$ 102,282	$ 12,535	$ 87,894	$ 11,440

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 2012, which are expected to be approximately $2.0 million. (See Note 9 to the Consolidated Financial Statements). The above table also does not include unrecognized tax benefits of approximately $1.6 million, the timing and certainty of recognition for which is not known. (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"), performance share units ("PSUs") 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 and PSUs are valued at the market value of the underlying stock on the date of grant. Stock options, SARs, RSUs and PSUs 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 50% of our total 2011 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 33% of our total net sales in 2011. The remaining 17% 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 2011, changes in foreign currency exchange rates, net of the effects of the hedging program, increased sales by approximately $6.5 million and income before income taxes by approximately $1.2 million, compared to 2010 rates.

We hedge forecasted intercompany sales denominated in foreign currencies through the use of forward contracts. We account for these forward contracts as cash flow hedges. To the extent these forward contracts meet hedge accounting criteria, changes in their fair value are not included in current earnings but are included in accumulated other comprehensive loss. These changes in fair value will be recognized into earnings as a component of sales when the forecasted transaction occurs. The notional contract amounts for forward contracts outstanding at December 31, 2011 which have been accounted for as cash flow hedges totaled $114.3 million. Net realized gains (losses) recognized for forward contracts accounted for as cash flow hedges approximated -$0.4 million, $2.0 million and -$4.7 million for the years ended December 31, 2009, 2010, and 2011 respectively. Net unrealized gains on forward contracts

outstanding which have been accounted for as cash flow hedges and which have been included in other comprehensive income totaled $3.0 million at December 31, 2011. It is expected these unrealized gains will be recognized in the consolidated statement of operations in 2012.

We also enter into forward contracts to exchange foreign currencies for United States dollars in order to hedge our currency transaction exposures on intercompany receivables denominated in foreign currencies. These forward contracts settle each month at month-end, at which time we enter into new forward contracts. We have not designated these forward contracts as hedges and have not applied hedge accounting to them. The notional contract amounts for forward contracts outstanding at December 31, 2011 which have not been designated as hedges totaled $46.8 million. Net realized gains (losses) recognized in connection with those forward contracts not accounted for as hedges approximated -$3.9 million, $0.3 million and $0.0 million for the years ended December 31, 2009, 2010, and 2011, respectively, offsetting gains (losses) on our intercompany receivables of $4.6 million, -$0.7 million and -$0.3 million for the years ended December 31, 2009, 2010, and 2011, respectively. These gains and losses have been recorded in selling and administrative expense in the consolidated statements of operations.

We record these forward foreign exchange contracts at fair value; the net fair value for forward foreign exchange contracts outstanding at December 31, 2011 was $4.7 million and is included in Prepaids and Other Current Assets in the Consolidated Balance Sheets.

Refer to Note 13 in the Consolidated Financial Statements for further discussion.

Interest Rate Risk

At December 31, 2011, we had approximately $133.6 million of variable rate long-term debt outstanding under our senior credit agreement. Assuming no repayments other than our 2012 scheduled term loan payments, if market interest rates for similar borrowings averaged 1.0% more in 2012 than they did in 2011, interest expense would increase, and income before income taxes would decrease by $1.1 million. Comparatively, if market interest rates for similar borrowings average 1.0% less in 2012 than they did in 2011, our interest expense would decrease, and income before income taxes would increase by $1.1 million.

Business Forward-Looking Statements

This Annual Report for the Fiscal Year Ended December 31, 2011 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;
- the risk of a lack of allograft tissues due to reduced donations of such tissues or due to tissues not meeting the appropriate high standards for screening and/or processing of such tissues;
- changes in regulatory requirements; and
- various other factors referenced in this Annual Report.

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, 2011. 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, 2011. The effectiveness of the Company's internal control over financial reporting as of December 31, 2011 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 (the "Company") at December 31, 2011 and December 31, 2010, and the results of their operations and their cash flows for each of the three years in the period ended December 31, 2011 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, 2011, 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.

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 28, 2012

pwc

Consolidated Balance Sheets

December 31, 2010 and 2011
(In thousands except share and per share amounts)

	2010	2011
Assets		
Current assets:		
Cash and cash equivalents	$ 12,417	$ 26,048
Accounts receivable, less allowance for doubtful accounts of $1,066 in 2010 and $1,183 in 2011	145,350	135,641
Inventories	172,796	168,438
Deferred income taxes	8,476	10,283
Prepaid expenses and other current assets	11,153	16,314
Total current assets	350,192	356,724
Property, plant and equipment, net	140,895	139,187
Deferred income taxes	2,009	2,389
Goodwill	295,068	234,815
Other intangible assets, net	190,091	195,531
Other assets	7,518	6,948
Total assets	$ 985,773	$ 935,594
Liabilities and Shareholders' Equity		
Current liabilities:		
Current portion of long-term debt	$ 110,433	$ 54,557
Accounts payable	21,692	21,162
Accrued compensation and benefits	28,411	31,142
Income taxes payable	973	6,470
Other current liabilities	18,357	17,853
Total current liabilities	179,866	131,184
Long-term debt	85,182	88,952
Deferred income taxes	106,046	92,785
Other long-term liabilities	28,116	49,602
Total liabilities	399,210	362,523
Commitments and contingencies		
Shareholders' equity:		
Preferred stock, par value $.01 per share; authorized 500,000 shares, none issued or outstanding	—	—
Common stock, par value $.01 per share; 100,000,000 authorized; 31,299,203 issued in 2010 and 2011, respectively	313	313
Paid-in capital	319,406	321,994
Retained earnings	354,020	354,439
Accumulated other comprehensive loss	(15,861)	(26,348)
Less: Treasury stock, at cost; 3,077,377 and 3,358,078 shares in 2010 and 2011, respectively	(71,315)	(77,327)
Total shareholders' equity	586,563	573,071
Total liabilities and shareholders' equity	$ 985,773	$ 935,594

See notes to consolidated financial statements.

Consolidated Statements of Operations

Years Ended December 31, 2009, 2010 and 2011
(In thousands except per share amounts)

	2009	2010	2011
Net sales	$ 694,739	$ 713,723	$ 725,077
Cost of sales	357,407	348,339	350,143
Gross profit	337,332	365,384	374,934
Selling and administrative expense	266,310	276,463	276,615
Research and development expense	31,837	29,652	28,651
Impairment of goodwill	—	—	60,302
Other expense	10,916	2,176	1,092
	309,063	308,291	366,660
Income from operations	28,269	57,093	8,274
Gain (loss) on early extinguishment of debt	1,083	(79)	—
Amortization of debt discount	4,111	4,244	3,903
Interest expense	7,086	7,113	6,676
Income (loss) before income taxes	18,155	45,657	(2,305)
Provision (benefit) for income taxes	6,018	15,311	(3,057)
Net income	$ 12,137	$ 30,346	$ 752
Earnings per share:			
Basic	$ 0.42	$ 1.06	$ 0.03
Diluted	0.42	1.05	0.03

See notes to consolidated financial statements.

Years Ended December 31, 2009, 2010 and 2011
(In thousands)

	Common Stock Shares	Common Stock Amount	Paid-in Capital	Retained Earnings	Accumulated Other Comprehensive Loss	Treasury Stock	Shareholders' Equity
Balance at December 31, 2008	31,299	$ 313	$ 313,830	$ 314,373	$ (31,032)	$ (57,269)	$ 540,215
Common stock issued under employee plans			(1,245)	(1,140)		3,140	755
Tax benefit arising from common stock issued under employee plans			561				561
Retirement of 2.50% convertible notes			(88)				(88)
Stock-based compensation			4,308				4,308
Comprehensive income:							
Foreign currency translation adjustments					7,241		
Pension liability (net of income tax expense of $6,629)					11,310		
Cash flow hedging gain (net of income tax expense of $45)					76		
Net income				12,137			
Total comprehensive income							30,764
Balance at December 31, 2009	31,299	$ 313	$ 317,366	$ 325,370	$ (12,405)	$ (54,129)	$ 576,515
Common stock issued under employee plans			(2,376)	(1,696)		5,791	1,719
Repurchase of treasury stock						(22,977)	(22,977)
Tax benefit arising from common stock issued under employee plans			227				227
Retirement of 2.50% convertible notes			(34)				(34)
Stock-based compensation			4,223				4,223
Comprehensive income (loss):							
Foreign currency translation adjustments					65		
Pension liability (net of income tax benefit of $1,289)					(2,200)		
Cash flow hedging loss (net of income tax benefit of $775)					(1,321)		
Net income				30,346			
Total comprehensive income							26,890
Balance at December 31, 2010	31,299	$ 313	$ 319,406	$ 354,020	$ (15,861)	$ (71,315)	$ 586,563
Common stock issued under employee plans			(3,849)	(333)		9,009	4,827
Repurchase of treasury stock						(15,021)	(15,021)
Tax benefit arising from common stock issued under employee plans			1,197				1,197
Stock-based compensation			5,240				5,240
Comprehensive income (loss):							
Foreign currency translation adjustments							

Consolidated Statements of Cash Flows

Years Ended December 31, 2009, 2010 and 2011
(In thousands)

	2009	2010	2011
Cash flows from operating activities:			
Net income	$ 12,137	$ 30,346	$ 752
Adjustments to reconcile net income to net cash provided by operating activities:			
Depreciation	18,651	17,392	18,519
Amortization of debt discount	4,111	4,244	3,903
Amortization, all other	18,521	20,171	20,265
Stock-based compensation	4,308	4,223	5,240
Deferred income taxes	4,241	13,158	(13,098)
Sale of accounts receivable to (collections on behalf of) purchaser	(13,000)	(29,000)	—
Income tax benefit of stock option exercises	561	227	1,197
Excess tax benefit from stock option exercises	(886)	(485)	(1,363)
(Gain) loss on extinguishment of debt	(1,083)	79	—
Impairment of goodwill	—	—	60,302
Increase (decrease) in cash flows from changes in assets and liabilities, net of effects from acquisitions:			
Accounts receivable	(12,879)	9,342	8,464
Inventories	(9,454)	(20,317)	(7,850)
Accounts payable	(7,400)	(4,645)	2,649
Income taxes	(2,287)	(692)	4,838
Accrued compensation and benefits	5,630	2,516	1,673
Other assets	(197)	332	(4,243)
Other liabilities	4,054	(8,648)	1,745
	12,891	7,897	102,241
Net cash provided by operating activities	25,028	38,243	102,993
Cash flows from investing activities:			
Payments related to intangible assets and business acquisitions, net of cash acquired	(330)	(5,289)	(4,191)
Purchases of property, plant and equipment	(21,444)	(14,732)	(17,552)
Net cash used in investing activities	(21,774)	(20,021)	(21,743)
Cash flows from financing activities:			
Net proceeds from common stock issued under employee plans	1,198	2,452	6,117
Repurchase of common stock	—	(22,977)	(15,021)
Excess tax benefit from stock options exercises	886	485	1,363
Payments on senior credit agreement	(1,350)	(1,350)	(1,350)
Proceeds of senior credit agreement	6,000	12,000	58,000
Payments on mortgage notes	(1,425)	(824)	(894)
Payments on senior subordinated notes	(7,808)	(2,933)	(111,766)
Payments related to issuance of debt	—	(2,525)	—
Net change in cash overdrafts	(1,188)	66	(3,148)
Net cash used in financing activities	(3,687)	(15,606)	(66,699)
Effect of exchange rate changes on cash and cash equivalents	(1,280)	(297)	(920)
Net increase (decrease) in cash and cash equivalents	(1,713)	2,319	13,631
Cash and cash equivalents at beginning of year	11,811	10,098	12,417
Cash and cash equivalents at end of year	$ 10,098	$ 12,417	$ 26,048
Supplemental disclosures of cash flow information:			
Cash paid during the year for:			
Interest	$ 6,303	$ 6,025	$ 5,797
Income taxes	3,650	3,257	4,760

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.

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

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 $234.8 million and other intangible assets of $195.5 million as of December 31, 2011.

In accordance with FASB guidance, 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. The Company evaluates EBITDA multiples to value its reporting units relative to the Company's market capitalization plus a market-based control premium. The market-based control premium is defined as the premiums paid by acquirers of comparable businesses. The sum of the individual reporting units' estimated market values are compared to the Company's market value, with the sum of the individual values typically being larger than the market value of the Company. The Company considers premiums paid by acquirers of comparable businesses to determine the reasonableness of the implied control premium.

During the fourth quarter of 2011, we completed our goodwill impairment testing with data as of October 1, 2011. For our CONMED Electrosurgery, CONMED Endosurgery and CONMED Linvatec operating units, our impairment testing utilized CONMED Corporation's EBITDA multiple adjusted for a market-based control premium with the resultant fair values exceeding carrying values by 42% to 107%.

We estimated the fair value of the CONMED Patient Care operating unit utilizing both a market-based approach and an income approach. Under the income approach, we utilized a discounted cash flow valuation methodology and measured the goodwill impairment in accordance with ASC 350. The first step of the impairment test determined the carrying value exceeded fair value and therefore we proceeded to Step 2. Under Step 2, we calculated the amount of impairment loss by measuring the amount the carrying value of goodwill exceeded the implied fair value of the goodwill. We determined the goodwill of our CONMED Patient Care operating unit was impaired as a result of lower future earnings due to pricing pressures in a number of our product lines and consequently we recorded a goodwill impairment charge of $60.3 million to reduce the carrying amount of the unit's goodwill to its implied fair value.

Intangible assets with a finite life are amortized over the estimated useful life of the asset and are evaluated each reporting period to determine whether events and circumstances warrant a revision to the remaining period of amortization. Intangible assets subject to amortization are reviewed for impairment 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 15 years. The weighted average life for customer relationship assets in aggregate is 33 years.

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 analysis and assessment of actual customer attrition and activity as events and circumstances warrant. 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.

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 $111.7 million and $0.3 million at December 31, 2010 and 2011, respectively, based on their quoted market price.

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 loss. Transaction gains and losses are included in net income.

Foreign exchange and hedging activity

We manage our foreign currency transaction risks through the use of forward contracts to hedge forecasted cash flows associated with foreign currency transaction exposures. We account for these forward contracts as cash flow hedges. To the extent these forward contracts meet hedge accounting criteria, changes in their fair value are not included in current earnings but are included in accumulated other comprehensive loss. These changes in fair value will be reclassified into earnings as a component of sales when the forecasted transaction occurs.

We also enter into forward contracts to exchange foreign currencies for United States dollars in order to hedge our currency transaction exposures on intercompany receivables denominated in foreign currencies. These forward contracts settle each month at month-end, at which time we enter into new forward contracts. We have not designated these forward contracts as hedges and have not applied hedge accounting to them. We record these forward contracts at fair value with resulting gains and losses included in selling and administrative expense in the consolidated statements of operations.

Income taxes

Deferred income 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 income tax provision generally represents the net change in the assets and liabilities for deferred income taxes. A valuation allowance is established when it is necessary to reduce deferred income tax assets to amounts for which realization is likely. 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 ongoing and future taxable income levels.

Deferred income 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 a repatriation of assets from a subsidiary or the sale or liquidation of a subsidiary. Deferred income 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.

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 as the equipment is loaned and subject to return if

certain minimum single-use purchases are not met. Revenue is recognized upon the sale and shipment of the related single-use products. The cost of the equipment is amortized over its estimated useful life.

- 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 $11.3 million, $7.9 million and $8.8 million for 2009, 2010 and 2011, 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 $1.2 million at December 31, 2011 is adequate to provide for probable losses resulting from accounts receivable.

Earnings per share

Basic earnings per share ("basic EPS") is computed by dividing net income 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. The following table sets forth the calculation of basic and diluted earnings per share at December 31, 2009, 2010 and 2011, respectively:

	2009	2010	2011
Net income	$ 12,137	$ 30,346	$ 752
Basic-weighted average shares outstanding	29,074	28,715	28,246
Effect of dilutive potential securities	68	196	387
Diluted-weighted average shares outstanding	29,142	28,911	28,633
Basic EPS	$ 0.42	$ 1.06	$ 0.03
Diluted EPS	$ 0.42	$ 1.05	$ 0.03

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 2.2 million, 1.5 million and 0.7 million at December 31, 2009, 2010 and 2011, respectively.

Stock-based compensation

All share-based payments to employees, including grants of employee stock options, restricted stock units, performance share units and stock appreciation rights are recognized in the financial statements based at their fair values. Compensation expense is generally recognized using a straight-line method over the vesting period. Compensation expense for performance share units is recognized using the graded vesting method.

We issue 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 loss

Accumulated other comprehensive loss consists of the following:

	Cash Flow Hedging Gain (Loss)	Pension Liability	Cumulative Translation Adjustments	Accumulated Other Comprehensive Loss
Balance, December 31, 2010	$ (1,245)	$ (18,482)	$ 3,866	$ (15,861)
Pension liability, net of income tax	—	(12,768)	—	(12,768)
Cash flow hedging gain, net of income tax	4,218	—	—	4,218
Foreign currency translation adjustments	—	—	(1,937)	(1,937)
Balance, December 31, 2011	$ 2,973	$ (31,250)	$ 1,929	$ (26,348)

Note 2 – Inventories

Inventories consist of the following at December 31,:

	2010	2011
Raw materials	$ 49,038	$ 52,351
Work in process	15,460	15,499
Finished goods	108,298	100,588
	$ 172,796	$ 168,438

Note 3 – Property, Plant and Equipment

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

	2010	2011
Land	$ 4,486	$ 4,367
Building and improvements	95,923	90,360
Machinery and equipment	161,635	163,923
Construction in progress	5,198	6,310
	267,242	264,960
Less: Accumulated depreciation	(126,347)	(125,773)
	$ 140,895	$ 139,187

We lease various manufacturing facilities, office facilities and equipment under operating leases. Rental expense on these operating leases was approximately $5,988, $5,830, and $6,221 for the years ended December 31, 2009, 2010 and 2011, respectively. The aggregate future minimum lease commitments for operating leases at December 31, 2011 are as follows:

Note 5 – Long-Term Debt

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

	2010	2011
Revolving line of credit	$ 22,000	$ 80,000
Term loan borrowings on senior credit facility	54,938	53,588
2.50% convertible senior subordinated notes	108,189	327
Mortgage notes	10,488	9,594
Total long-term debt	195,615	143,509
Less: Current portion	110,433	54,557
	$ 85,182	$ 88,952

On November 30, 2010, we entered into the First Amendment to our Amended and Restated Credit Agreement (the "senior credit agreement") providing for an expanded revolving credit facility of $250.0 million expiring on November 30, 2015. The senior credit agreement continues to include a $135.0 million term loan of which $53.6 million was outstanding at December 31, 2011. There were $80.0 million in borrowings outstanding on the revolving credit facility as of December 31, 2011. Our available borrowings on the revolving credit facility at December 31, 2011 were $160.2 million with approximately $9.8 million of the facility set aside for outstanding letters of credit.

Borrowings outstanding on the revolving credit facility are due and payable on November 30, 2015. The scheduled principal payments on the term loan portion of the senior credit agreement are $0.3 million due on March 31, 2012, $31.7 million due June 30, 2012 and the remaining $21.5 million due on September 30, 2012. 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% (1.76% at December 31, 2011) or an alternative base rate; interest rates on the revolving credit facility portion of the senior credit agreement are at LIBOR plus 1.75% (2.04% at December 31, 2011) 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. 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 issuance of equity and asset sales.

We have a mortgage note outstanding in connection with the property and facilities utilized by our CONMED Linvatec subsidiary bearing interest at 8.25% per annum with semiannual payments of principal and interest through June 2019. The principal balance outstanding on the mortgage note aggregated $9.6 million at December 31, 2011. The mortgage note is collateralized by the CONMED Linvatec property and facilities.

On November 15, 2011 holders of the 2.50% convertible senior subordinated notes due 2024 ("the Notes") put to us and we were required to repurchase $111.8 million of the Notes at par; $0.3 million remains outstanding at December 31, 2011. We used cash on hand and borrowings under our revolving credit facility to fund the repurchase. During 2010, we repurchased and retired $3.0 million of the Notes for $2.9 million and recorded a loss on the early extinguishment of debt of $0.1 million. During 2009, we repurchased and retired $9.9 million of the Notes for $7.8 million and recorded a gain on the early extinguishment of debt of $1.1 million net of the write-offs of $0.1 million in unamortized deferred financing costs and $1.0 million in unamortized Notes discount. The Notes represent subordinated unsecured obligations and are convertible under certain circumstances, as defined in the indenture for the Notes, into a combination of cash and CONMED common stock. The Notes mature on November 15, 2024 and are not redeemable by us prior to November 15, 2014. Holders of the Notes have the right to put to us some or all of the Notes for repurchase on November 15, 2014 and 2019 and, provided the terms of the indenture for the Notes are satisfied, we will be required to repurchase the Notes.

Our effective borrowing rate for nonconvertible debt at the time of issuance of the Notes was estimated to be 6.67%, which resulted in $34.6 million of the $150.0 million aggregate principal amount of Notes issued, or $21.8 million after taxes, being attributable to equity. For the years ended December 31, 2009, 2010 and 2011, we have recorded interest expense related to the amortization of debt discount on the Notes of $4.1 million, $4.2 million and $3.9 million, respectively, at the effective interest rate of 6.67%. The debt discount on the Notes was amortized through November 2011. For the years ended December 31, 2009, 2010 and 2011, we recorded interest expense on the Notes of $2.9 million, $2.8 million and $2.5 million, respectively, at the contractual coupon rate of 2.50%.

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

	2010	2011
Principal value of the Notes	$ 112,093	$ 327
Unamortized discount	(3,904)	—
Carrying value of the Notes	$ 108,189	$ 327
Equity component	$ 21,438	$ —

The scheduled maturities of long-term debt outstanding at December 31, 2011 are as follows:

2012	$ 54,557
2013	1,050
2014	1,467
2015	81,234
2016	1,339
Thereafter	3,862

Note 6 – Income Taxes

The provision (benefit) for income taxes for the years ended December 31, 2009, 2010 and 2011 consists of the following:

	2009	2010	2011
Current tax expense (benefit):			
Federal	$ (1,281)	$ (717)	$ 3,021
State	791	232	1,596
Foreign	2,267	2,638	5,424
	1,777	2,153	10,041
Deferred income tax expense (benefit)	4,241	13,158	(13,098)
Provision (benefit) for income taxes	$ 6,018	$ 15,311	$ (3,057)

A reconciliation between income taxes computed at the statutory federal rate and the provision for income taxes for the years ended December 31, 2009, 2010 and 2011 follows:

	2009	2010	2011
Tax provision (benefit) at statutory rate based on income before income taxes	35.00%	35.00%	(35.00)%
State income taxes, net of federal tax benefit	5.59	2.55	22.73
Stock-based compensation	1.59	0.01	(1.61)
Foreign income taxes	(2.90)	0.07	1.35
Impact of repatriation of foreign earnings	—	—	(57.51)
Research & development credit	(4.46)	(1.83)	(32.25)
Settlement of taxing authority examinations	(5.60)	(3.27)	(6.55)
Non deductible/non-taxable items	2.86	1.22	(13.28)
Other, net	1.07	(0.22)	(10.50)
	33.15%	33.53%	(132.62)%

The tax effects of the significant temporary differences which comprise the deferred income tax assets and liabilities at December 31, 2010 and 2011 are as follows:

	2010	2011
Assets:		
Inventory	$ 4,509	$ 4,288
Net operating losses	3,091	—
Capitalized research and development	3,213	4,561
Deferred compensation	2,381	2,631
Accounts receivable	2,903	2,968
Employee benefits	2,877	2,842
Accrued pension	4,309	9,530
Research and development credit	4,581	1,696
Foreign tax credit	2,079	—
Other	8,558	5,746
Valuation allowance	(226)	—
	38,275	34,262
Liabilities:		
Goodwill and intangible assets	108,230	101,514
Depreciation	7,446	9,500
State taxes	3,443	2,975
Contingent interest	14,717	386
	133,836	114,375
Net liability	$ (95,561)	$ (80,113)

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

	2009	2010	2011
U.S. income	$ 10,108	$ 37,953	$ (20,521)
Foreign income	8,047	7,704	18,216
Total income	$ 18,155	$ 45,657	$ (2,305)

The amount of Federal Research and Development credit carryforward available is $1.7 million. These credits begin to expire in 2029.

Deferred tax amounts include approximately $3.4 million of future tax benefits associated with state tax credits which have an indefinite carryforward period.

As a result of the contingent interest deferred tax liability realized upon the convertible notes repurchase during the fourth quarter of 2011, the Company reevaluated our unremitted foreign earnings and tax credit carryforwards. Based upon this assessment, we repatriated $16.2 million of foreign earnings to the United States. The company recorded a net tax benefit of $1.3 million to recognize the tax liabilities and related foreign tax credit benefits associated with the repatriation. It is our intention to permanently reinvest the remaining amount of unremitted foreign earnings.

U.S. income and foreign withholding taxes have not been recognized on the excess of the amount for financial reporting over the tax basis of investments in foreign subsidiaries that are essentially permanent in duration. The amount of such temporary differences totaled $38.5 million as of December 31, 2011. It is not practicable given the complexities of the hypothetical foreign tax credit calculation to determine the tax liability on this temporary difference.

The Company is subject to taxation in the United States and various states and foreign jurisdictions. Taxing authority examinations 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 2010.

We recognize tax liabilities in accordance with the provisions for accounting for uncertainty in income taxes. Such guidance 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 following table summarizes the activity related to our unrecognized tax benefits for the years ending December 31,:

	2009	2010	2011
Balance as of January 1,	$ 2,869	$ 1,869	$ 1,330
Increases for positions taken in prior periods	139	52	283
Increases for positions taken in current periods	183	166	789
Decreases in unrecorded tax positions related to settlement with the taxing authorities	(1,322)	(757)	—
Decreases in unrecorded tax positions related to lapse of statute of limitations	—	—	(59)
Balance as of December 31,	$ 1,869	$ 1,330	$ 2,343

If the total unrecognized tax benefits of $2.3 million at December 31, 2011 were recognized, it would reduce our annual effective tax rate. The amount of interest accrued in 2011 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, each of which are individually insignificant, could change in the next 12 months as a result of the anticipated completion of taxing authority examinations and lapse of statute of limitations. The range of change in unrecognized tax benefits is estimated between $0.0 million and $0.8 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, 2010 and 2011, no preferred stock had been issued.

Our Board of Directors authorized a $100.0 million share repurchase program in 2005. In October 2011, our Board of Directors authorized an additional $100.0 million of share repurchases under an amendment to the share repurchase program. Through December 31, 2011, we have repurchased a total of 4.0 million shares of common stock aggregating $91.2 million under these authorizations and have $108.8 million remaining available for share repurchases. 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. During 2011, we repurchased 0.7 million shares for an aggregate cost of $15.0 million. During 2010, we repurchased 1.2 million shares for an aggregate cost of $23.0 million. No stock repurchases were made in 2009.

We have reserved 6.0 million shares of common stock for issuance to employees and directors under three shareholder-approved share-based compensation plans (the "Plans") of which approximately 0.7 million shares remain available for grant at December 31, 2011. 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") and performance stock units ("PSUs") are valued at the market value of the underlying stock on the date of grant. Stock options, SARs, RSUs and PSUs 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 and PSUs are from the Company's treasury stock.

Total pre-tax stock-based compensation expense recognized in the Consolidated Statements of Operations was $4.3 million, $4.2 million and $5.2 million for the years ended December 31, 2009, 2010 and 2011, respectively. This amount is included in selling and administrative expenses on the Consolidated Statements of Operations. Tax related benefits of $1.3 million, $1.6 million and $1.9 million were also recognized for the years ended December 31, 2009, 2010 and 2011. Cash received from the exercise of stock options was $0.7 million, $2.0 million and $5.6 million for the years ended December 31, 2009, 2010 and 2011, 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, 2009, 2010 and 2011, respectively was $7.03, $7.72 and $10.43, 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, 2009, 2010 and 2011, respectively: risk-free interest rate of 2.48%, 2.07% and 1.59%; volatility factor of the expected market price of the Company's common stock of 37.17%, 36.72% and 35.52%; a weighted-average expected life of the option and SAR of 6.2 years for 2009, 6.4 years for 2010, and 6.3 years for 2011; 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 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, 2011.

	Number of Shares (in 000's)	Weighted-Average Exercise Price
Outstanding at December 31, 2010	2,337	$ 23.98
Granted	149	$ 27.63
Forfeited	(18)	$ 28.77
Exercised	(339)	$ 21.55
Outstanding at December 31, 2011	2,129	$ 24.58
Exercisable at December 31, 2011	1,639	$ 25.08

The weighted average remaining contractual term for stock options and SARs outstanding and exercisable at December 31, 2011 was 4.3 years and 3.2 years, respectively. The aggregate intrinsic value of stock options and SARs outstanding and exercisable at December 31, 2011 was $5.5 million and $3.6 million, respectively. The aggregate intrinsic value of stock options and SARs exercised during the years ended December 31, 2009, 2010 and 2011 was $0.2 million, $1.2 million and $2.0 million, respectively.

The following table illustrates the RSU and PSU activity for the year ended December 31, 2011. There were no PSU's granted prior to 2010.

	Number of Shares (in 000's)	Weighted-Average Grant-Date Fair Value
Outstanding at December 31, 2010	534	$ 20.54
Granted	294	$ 27.48
Vested	(140)	$ 21.65
Forfeited	(180)	$ 25.75
Outstanding at December 31, 2011	508	$ 23.43

The weighted average fair value of awards of RSUs and PSUs granted in the years ended December 31, 2009, 2010 and 2011 was $17.02, $19.26 and $27.48, respectively.

The total fair value of shares vested was $1.8 million, $2.8 million and $3.6 million for the years ended December 31, 2009, 2010 and 2011, respectively.

As of December 31, 2011, there was $12.9 million of total unrecognized compensation cost related to nonvested stock options, SARs, RSUs and PSUs granted under the Plan which is expected to be recognized over a weighted average period of 3.5 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 2011, we issued approximately 20,350 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. Our CONMED Endosurgery, CONMED Electrosurgery and CONMED Linvatec operating segments also have similar economic characteristics and therefore qualify for aggregation. Our CONMED Patient Care and CONMED Endoscopic Technologies operating units do not qualify for aggregation 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:

	2009	2010	2011
Arthroscopy	$ 269,820	$ 288,421	$ 289,878
Powered Surgical Instruments	144,014	142,288	147,849
CONMED Linvatec	413,834	430,709	437,727
CONMED Electrosurgery	94,959	97,210	98,632
CONMED Endosurgery	66,027	69,004	73,716
CONMED Linvatec, Electrosurgery, and Endosurgery	574,820	596,923	610,075
CONMED Patient Care	70,978	68,283	65,651
CONMED Endoscopic Technologies	48,941	48,517	49,351
Total	$ 694,739	$ 713,723	$ 725,077

Total assets, capital expenditures, depreciation and amortization information are impracticable to present by reportable segment because the necessary information is not available.

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:

	2009	2010	2011
CONMED Linvatec, Electrosurgery, and Endosurgery	$ 62,715	$ 77,271	$ 89,093
CONMED Patient Care	(1,263)	(38)	(62,878)
CONMED Endoscopic Technologies	(7,904)	(1,315)	273
Corporate	(25,279)	(18,825)	(18,214)
Income from operations	28,269	57,093	8,274
Gain (loss) on early extinguishment of debt	1,083	(79)	—
Amortization of bond discount	4,111	4,244	3,903
Interest expense	7,086	7,113	6,676
Income (loss) before income taxes	$ 18,155	$ 45,657	$ (2,305)

Net sales information for geographic areas consists of the following:

	2009	2010	2011
United States	$ 385,770	$ 371,914	$ 364,588
Canada	48,713	61,593	65,794
United Kingdom	35,155	31,576	32,106
Japan	29,244	32,226	34,178
Australia	30,159	34,564	40,122
All other countries	165,698	181,850	188,289
Total	$ 694,739	$ 713,723	$ 725,077

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, 2010 and 2011. No single customer represented over 10% of our consolidated net sales for the years ended December 31, 2009, 2010 and 2011.

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 United States based employees.

Total employer contributions to the 401(k) plan were $6.8 million, $6.5 million and $6.3 million during the years ended December 31, 2009, 2010 and 2011, respectively.

During the first quarter of 2009, the Company announced the freezing of benefit accruals under the defined benefit pension plan for United States employees ("the Plan") effective May 14, 2009. As a result, the Company recorded a curtailment gain of $4.4 million and a reduction in accrued pension of $11.4 million which is included in other long term liabilities. During 2009, the Company recorded a one-time discretionary $4.0 million employer 401(k) contribution and in 2010 permanently increased the 401(k) employer contribution to offset the negative impact of the Plan freeze.

FASB guidance, defines fair value, establishes a framework for measuring fair value and related disclosure requirements. A valuation hierarchy was established for disclosure of the inputs to the valuations used to measure fair value. This hierarchy prioritizes the inputs into three broad levels as follows. Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities. Level 2 inputs are quoted prices for similar assets and liabilities in active markets, quoted prices for identical or similar assets in markets that are not active, inputs other than quoted prices that are observable for the asset or liability, including interest rates, yield curves and credit risks, or inputs that are derived principally from or corroborated by observable market data through correlation. Level 3 inputs are unobservable inputs based on our own assumptions used to measure assets and liabilities at fair value. A financial asset or liability's classification within the hierarchy is determined based on the lowest level input that is significant to the fair value measurement.

Following is a description of the valuation methodologies used for assets measured at fair value. There have been no changes in the methodologies used at December 31, 2010 and 2011:

Common Stock:	Common stock is valued at the closing price reported on the common stock's respective stock exchange and is classified within level 1 of the valuation hierarchy.
Money Market Fund:	These investments are public investment vehicles valued using $1 for the Net Asset Value (NAV). The money market fund is classified within level 2 of the valuation hierarchy.
Mutual Funds:	These investments are public investment vehicles valued using the NAV provided by the administrator of the fund. The NAV is based on the value of the underlying assets owned by the fund, minus its liabilities, and then divided by the number of shares outstanding. The NAV is a quoted price in an active market and is classified within level 1 of the valuation hierarchy.
Fixed Income Securities:	Valued at the closing price reported on the active market on which the individual securities are traded and are classified within level 1 of the valuation hierarchy.

The methods described above may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, while the Plan believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

The following table sets forth by level, within the fair value hierarchy, the Plan's assets at fair value as of December 31, 2011:

	Level 1	Level 2	Total
Common Stock	$ 21,893	$ —	$ 21,893
Money Market Fund	—	12,461	12,461
Mutual Funds	14,112	—	14,112
Fixed Income Securities	3,356	—	3,356
	$ 39,361	$ 12,461	$ 51,822

We are required and expect to contribute approximately $2.0 million to our pension plan for the 2012 Plan year.

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, 2011 and reflect the impact of expected future employee service.

2012	$ 3,665
2013	2,571
2014	3,072
2015	2,986
2016	2,895
2017-2021	20,980

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 Securities and Exchange Commission, Equal Employment Opportunity Commission, the Occupational Safety and Health Administration, the Department of Labor, the Treasury Department, or other federal and state agencies or foreign governments or government agencies. These subpoenas 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, maximum policy limits and certain exclusions in the respective policies or required as a matter of law. In some cases we may be entitled to indemnification by third parties. 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, or indemnification obligations of a third party, 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 financial condition, results of operations or cash flows.

Manufacturers of medical products may face exposure to significant product liability claims. To date, we have not experienced any product liability claims that have been 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, that the carriers will be solvent or that such insurance will be available to us in the future at a reasonable cost.

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 would not have a material adverse effect on our financial condition, results of operations or cash flows.

Note 11 – Other Expense

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

	2009	2010	2011
New plant/facility consolidation costs	$ 2,726	$ —	$ —
Net pension gain	(1,882)	—	—
Product recall	5,992	—	—
Administrative consolidation costs	4,080	2,176	792
Costs associated with purchase of a distributor	—	—	300
Other expense	$ 10,916	$ 2,176	$ 1,092

During 2009, we incurred $2.7 million in charges related to the consolidation of certain domestic distribution activities in a new leased consolidated distribution center in Atlanta, Georgia.

During 2009, we elected to freeze benefit accruals under the defined benefit pension plan for United States employees, effective May 14, 2009. As a result, we recorded a net pension gain of $1.9 million in the first quarter of 2009 associated with the elimination of future benefit accruals under the pension plan (see Note 9).

During 2009, we announced a voluntary recall of certain model numbers of the PRO5 & PRO6 series battery handpieces and certain lots of the MC5057 Universal Cable used with certain of CONMED Linvatec's powered handpieces. Current models of products are not affected. The cost of this recall is expected to be approximately $6.0 million and we have recorded this cost in 2009. We have performed repairs on $5.7 million of the total $6.0 million of expected costs.

During 2009, we elected to consolidate the administrative offices and operations of the CONMED Endoscopic Technologies division from its offices in Chelmsford, Massachusetts to our Corporate headquarters in Utica, New York. The sales force and product portfolio remain unchanged and CONMED Endoscopic Technologies continues to operate as a separate division of the Company. We incurred a total of $4.9 million in charges of which $4.1 million have been recorded in other expense and include charges relating to severance, lease impairment costs, write down of fixed assets and other transition costs. The remaining $0.8 million in costs relate to the write-down of inventory and is included in cost of goods sold. During 2010, we recorded a lease impairment charge of $0.7 million related to our Chelmsford, Massachusetts facility.

During 2010, we consolidated certain administrative functions in our CONMED Linvatec division and incurred $1.5 million in severance related restructuring costs.

During 2011, we consolidated certain administrative functions in our Utica, New York facility and incurred $0.8 million in related costs consisting principally of severance charges.

During 2011, we purchased the Company's former distributor in the Nordic region of Europe. We incurred $0.3 million in charges associated with this purchase.

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:

	2009	2010	2011
Balance as of January 1,	$ 3,341	$ 3,383	$ 3,363
Provision for warranties	3,638	3,510	4,344
Claims made	(3,596)	(3,530)	(4,089)
Balance as of December 31,	$ 3,383	$ 3,363	$ 3,618

Note 13 – Fair Value Measurement

We enter into derivative instruments for risk management purposes only. We operate internationally and, in the normal course of business, are exposed to fluctuations in interest rates, foreign exchange rates and commodity prices. These fluctuations can increase the costs of financing, investing and operating the business. We use forward contracts, a type of derivative instrument, to manage certain foreign currency exposures.

By nature, all financial instruments involve market and credit risks. We enter into forward contracts with major investment grade financial institutions and have policies to monitor the credit risk of those counterparties. While there can be no assurance, we do not anticipate any material non-performance by any of these counterparties.

Foreign Currency Forward Contracts. We hedge forecasted intercompany sales denominated in foreign currencies through the use of forward contracts. We account for these forward contracts as cash flow hedges. To the extent these forward contracts meet hedge accounting criteria, changes in their fair value are not included in current earnings but are included in accumulated other comprehensive loss. These changes in fair value will be recognized into earnings as a component of sales when the forecasted transaction occurs. The notional contract amounts for forward contracts outstanding at December 31, 2011 which have been accounted for as cash flow hedges totaled $114.3 million. Net realized gains (losses) recognized for forward contracts accounted for as cash flow hedges approximated -$0.4 million, $2.0 million and -$4.7 million for the years ended December 31, 2009, 2010, and 2011 respectively. Net unrealized gains on forward contracts outstanding which have been accounted for as cash flow hedges and which have been included in other comprehensive income totaled $3.0 million at December 31, 2011. It is expected these unrealized gains will be recognized in the consolidated statement of operations in 2012.

We also enter into forward contracts to exchange foreign currencies for United States dollars in order to hedge our currency transaction exposures on intercompany receivables denominated in foreign currencies. These forward contracts settle each month at month-end, at which time we enter into new forward contracts. We have not designated these forward contracts as hedges and have not applied hedge accounting to them. The notional contract amounts for forward contracts outstanding at December 31, 2011 which have not been designated as hedges totaled $46.8 million. Net realized gains

(losses) recognized in connection with those forward contracts not accounted for as hedges approximated -$3.9 million, $0.3 million and $0.0 million for the years ended December 31, 2009, 2010, and 2011, respectively, offsetting gains (losses) on our intercompany receivables of $4.6 million, -$0.7 million and -$0.3 million for the years ended December 31, 2009, 2010, and 2011, respectively. These gains and losses have been recorded in selling and administrative expense in the consolidated statements of operations.

We record these forward foreign exchange contracts at fair value; the following table summarizes the fair value for forward foreign exchange contracts outstanding at December 31, 2011:

	Asset Balance Sheet Location	Fair Value	Liabilities Balance Sheet Location	Fair Value	Net Fair Value
Derivatives designated as hedged instruments:					
Foreign Exchange Contracts	Prepaid expenses and other current assets	$ 5,042	Prepaid expenses and other current assets	$ (326)	$ 4,716
Derivatives not designated as hedging instruments:					
Foreign Exchange Contracts	Prepaid expenses and other current assets	41	Prepaid expenses and other current assets	(95)	(54)
Total derivatives		$ 5,083		$ (421)	$ 4,662

Our forward foreign exchange contracts are subject to a master netting agreement and qualify for netting in the consolidated balance sheets. Accordingly, we have recorded the net fair value of $4.7 million in prepaids and other current assets.

Fair Value Disclosure. FASB guidance defines fair value, establishes a framework for measuring fair value and related disclosure requirements. This guidance applies when fair value measurements are required or permitted. The guidance 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. Fair value is defined based upon an exit price model.

Valuation Hierarchy. A valuation hierarchy was established for disclosure of the inputs to the valuations used to measure fair value. This hierarchy prioritizes the inputs into three broad levels as follows. Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities. Level 2 inputs are quoted prices for similar assets and liabilities in active markets, quoted prices for identical or similar assets in markets that are not active, inputs other than quoted prices that are observable for the asset or liability, including interest rates, yield curves and credit risks, or inputs that are derived principally from or corroborated by observable market data through correlation. Level 3 inputs are unobservable inputs based on our own assumptions used to measure assets and liabilities at fair value. A financial asset or liability's classification within the hierarchy is determined based on the lowest level input that is significant to the fair value measurement.

Valuation Techniques. Assets and liabilities carried at fair value and measured on a recurring basis as of December 31, 2011 consist of forward foreign exchange contracts. The value of the forward foreign exchange contract assets and liabilities were determined within Level 2 of the valuation hierarchy and are listed in the table above.

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 approximate fair value. The fair value of the Notes approximated $111.7 million and $0.3 million at December 31, 2010 and December 31, 2011, respectively, based on their quoted market price. See Note 5 for additional discussion of the Notes.

Note 14 – New Accounting Pronouncements

In May 2011, the FASB issued new authoritative guidance to provide a consistent definition of fair value and ensure that fair value measurements and disclosure requirements are similar between GAAP and International Financial Reporting Standards. This guidance changes certain fair value measurement principles and enhances the disclosure requirements for fair value measurements. This guidance is effective for interim and annual periods beginning after December 15, 2011 and is applied prospectively. We do not expect such guidance to have a material impact on our consolidated financial statements.

In June 2011, the FASB amended its guidance on the presentation of comprehensive income in financial statements to improve the comparability, consistency and transparency of financial reporting and to increase the prominence of items that are recorded in other comprehensive income. The new accounting guidance requires entities to report components of comprehensive income in either (1) a continuous statement of comprehensive income or (2) two separate but consecutive statements. This guidance is effective for interim and annual periods beginning after December 15, 2011. We do not believe this guidance will have a material impact on our consolidated financial statements.

In September 2011, the FASB issued ASU 2011-08 which provides an entity the option to first assess qualitative factors to determine whether it is necessary to perform the current two-step test for goodwill impairment. If an entity believes, as a result of its qualitative assessment, that it is more-likely-than-not that the fair value of a reporting unit is less than its carrying amount, the quantitative impairment test is required. Otherwise, no further testing is required. The revised standard is effective for annual and interim goodwill impairment tests performed for fiscal years beginning after December 15, 2011. However, an entity can choose to early adopt even if its annual test date is before the issuance of the final standard, provided that the entity has not yet performed its 2011 annual impairment test or issued its financial statements. The adoption of this ASU is not expected to significantly impact the Company's consolidated financial statements.

Note 15 – Restructuring

During 2009, 2010, and 2011 we incurred the following restructuring costs:

	2009	2010	2011
New plant/facility consolidation costs	$ 11,859	$ 2,397	$ 3,467
CONMED Endoscopic Technologies division consolidation	845	—	—
Termination of a product offering	—	2,489	—
Restructuring costs included in cost of sales	$ 12,704	$ 4,886	$ 3,467
New plant/facility consolidation costs	$ 2,726	$ —	$ —
Administrative consolidation costs	4,080	2,176	792
Restructuring costs included in other expense	$ 6,806	$ 2,176	$ 792

During 2008, we announced a plan to restructure certain of our operations. For the years ending December 31, 2009, 2010 and 2011, we charged $11.9 million , $2.4 million, and $3.5 million, respectively in restructuring related expense to cost of goods sold. In 2009, these charges represent startup activities associated with a new manufacturing facility in Chihuahua, Mexico and the closure of two Utica, New York area manufacturing facilities. These costs include under-utilization of production facilities, accelerated depreciation, severance and other charges. During 2010 and 2011, we continued our operational restructuring plan which includes the transfer of additional production lines from Utica, New York, Largo, Florida and Goleta, California to our manufacturing facility in Chihuahua, Mexico. These costs include severance and other charges associated with the transfer of production lines.

During 2009, the Company elected to consolidate the administrative offices and operations of the CONMED Endoscopic Technologies division from its offices in Chelmsford, Massachusetts to our Corporate headquarters in Utica, New York. As part of this consolidation, we incurred $0.8 million in costs related to the write-down of inventory and included such charges in cost of goods sold (see Note 11).

As part of our ongoing restructuring, the Company discontinued certain product offerings within our CONMED Linvatec portfolio. These product offerings include the service arms and service managers associated with our integrated operating room systems and equipment line. During 2010, we incurred $2.5 million in costs associated with this termination of a product offering which were charged to cost of goods sold.

Restructuring costs included in other expense are described more fully in Note 11.

Note 16 - Subsequent Events

On January 3, 2012, the Company entered into a Sports Medicine Joint Development and Distribution Agreement (the "JDDA") with Musculoskeletal Tissue Foundation ("MTF") to obtain (i) MTF's worldwide promotion rights with respect to allograft tissues within the field of sports medicine, and (ii) an exclusive license to an autograft (patient's own) blood Platelet-Rich Plasma ("PRP") therapy technology and products (collectively, the "Transaction").

Under the JDDA, we acquired the worldwide marketing, educational and promotion rights for sports medicine allograft tissue. We also acquired certain assets relating to certain instrument sets used for the allograft procedures and approximately 35 MTF sales and marketing employees joined the Company. The JDDA has a term of 25 years with renewals thereafter. The initial consideration from the Company includes a $63.0 million up-front payment for the rights and certain assets, with an additional $84.0 million potentially payable over a four year period depending on MTF meeting supply targets, as further set forth in the JDDA. As compensation for our marketing efforts, the Company will receive 50% of the revenue streams relating to MTF's sports medicine allograft product line and 100% of the revenue from the PRP products.

We used cash on hand and available borrowings under the revolving credit facility to fund this transaction.

Note 17 – Selected Quarterly Financial Data (Unaudited)

Selected quarterly financial data for 2010 and 2011 are as follows:

	Three Months Ended			
2010	**March**	**June**	**September**	**December**
Net sales	$ 176,365	$ 181,086	$ 172,195	$ 184,077
Gross profit	91,795	93,683	88,983	90,923
Net income	7,319	7,306	8,758	6,963
EPS: Basic	$ .25	$ .25	$ .31	$ .25
Diluted	.25	.25	.31	.24
2011	**March**	**June**	**September**	**December**
Net sales	$ 183,450	$ 183,236	$ 172,814	$ 185,577
Gross profit	95,716	91,455	91,311	96,452
Net income (loss)	8,995	8,680	8,211	(25,134)
EPS: Basic	$ .32	$ .31	$ .29	$ (.90)
Diluted	.31	.30	.29	(.90)

Board of Directors

Eugene R. Corasanti is Vice Chairman of the Company and Chairman of the Board of Directors. Mr. Eugene 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. Eugene Corasanti was an independent public accountant. Mr. Eugene 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. Joseph Corasanti has been a Director of the Company since May 1994. Mr. Joseph Corasanti is also on the Board of Directors of II-VI, Inc. (NASDAQ: IIVI) and is a member of the audit committee. 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, Los Angeles, California. Mr. Joseph Corasanti is admitted to the State Bar of New York and California. Mr. Joseph 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. Mr. Daniels is the Chairman of the Audit Committee, and also serves on the Compensation Committee.

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 also on the Board of Directors of the Bank of Utica. 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. Ms. Golden serves on the Audit Committee.

Stephen M. Mandia has served as a Director of the Company since July 2002. He is the Chief Executive Officer of Mandia International Trading Corp. Mr. Mandia also has served as Chairman of the Board of Directors of Sovena USA, formerly East Coast Olive Oil Corp., now a subsidiary of Sovena Group since January 1, 2010 and currently serves as the Chairman of the Board of Eva Gourmet. He previously served as Chief Executive Officer of Sovena USA from 1991 to December 31, 2009. Mr. Mandia holds a B.S. degree from Bentley College, having also undertaken undergraduate studies at Richmond College in London. Mr. Mandia is the Chairman of the Corporate Governance and Nominating Committee, and also serves on the Compensation Committee.

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. Dr. Schwartz is the Chairman of the Compensation Committee, and also serves on the Corporate Governance and Nominating Committee.

Mark E. Tryniski has served as a Director of the Company since May 2007 and the Lead Independent Director since May 2009. 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. Mr. Tryniski also serves on the Board of Directors of the Independent Bankers Association of New York State. Mr. Tryniski holds a B.S. degree from the State University of New York at Oswego. Mr. Tryniski serves on the Audit Committee as well as the Corporate Governance and Nominating Committee.

Corporate Management Team

1 William W. Abraham
Vice President – Business Development

2 Heather L. Cohen, Esq.
Vice President – Corporate Human Resources,
Deputy General Counsel and Secretary

3 Joseph J. Corasanti, Esq.
President and Chief Executive Officer

4 Joseph G. Darling
Vice President – Corporate Commercial Operations and
President – CONMED Linvatec

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

6 Gregory R. Jones
Vice President – Corporate Quality Assurance and
Regulatory Affairs

7 Luke A. Pomilio
Vice President – Controller and Corporate General Manager

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

9 Mark D. Snyder
Vice President – Worldwide Operations and Supply Chain

Corporate Officers

Joseph J. Corasanti, Esq.
President and Chief Executive Officer

William W. Abraham
Vice President – Business Development

Heather L. Cohen, Esq.
Vice President – Corporate Human Resources, Deputy General Counsel and Secretary

Joseph G. Darling
Vice President – Corporate Commercial Operations and President – CONMED Linvatec

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

Gregory R. Jones
Vice President – Corporate Quality Assurance and Regulatory Affairs

Luke A. Pomilio
Vice President – Controller and Corporate General Manager

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

Mark D. Snyder
Vice President – Worldwide Operations and Supply Chain

Senior Officers

David R. Murray
President – CONMED Electrosurgery

Mark R. Donovan
Vice President – CONMED Endoscopic Technologies and Global Corporate Marketing

Alexander R. Jones
Vice President – Corporate Sales

John J. Stotts
Vice President – CONMED Patient Care

Frank R. Williams
Vice President – CONMED EndoSurgery

Terence M. Bergé
Treasurer and Assistant Corporate Controller

Shareholder Information

Interested shareholders may obtain a copy of the Company's Annual Report 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
800-368-5948
www.rtco.com

Stock

CONMED Corporation's stock is traded on the NASDAQ Global Select Stock Market with the symbol: CNMD

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General Counsel
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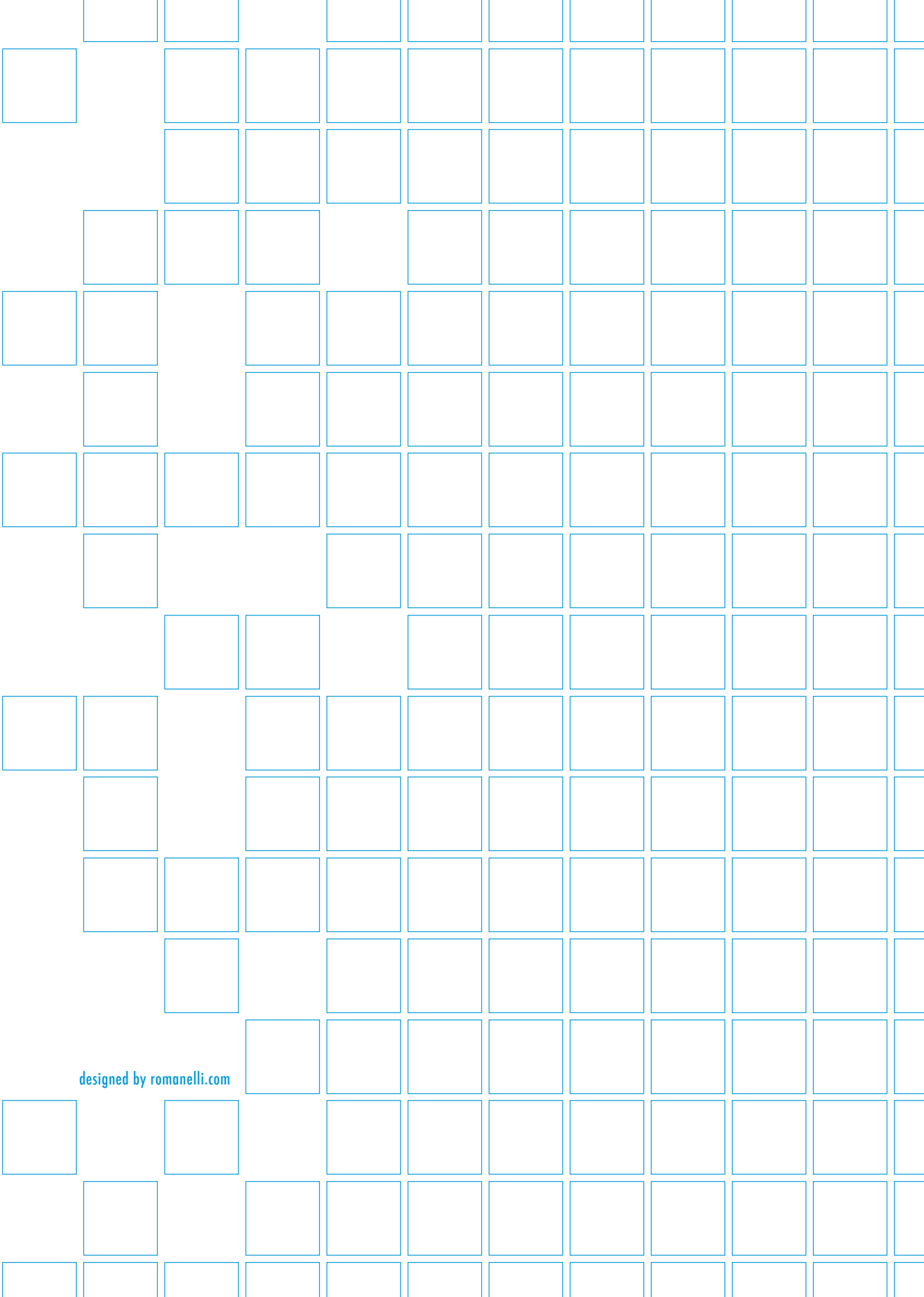
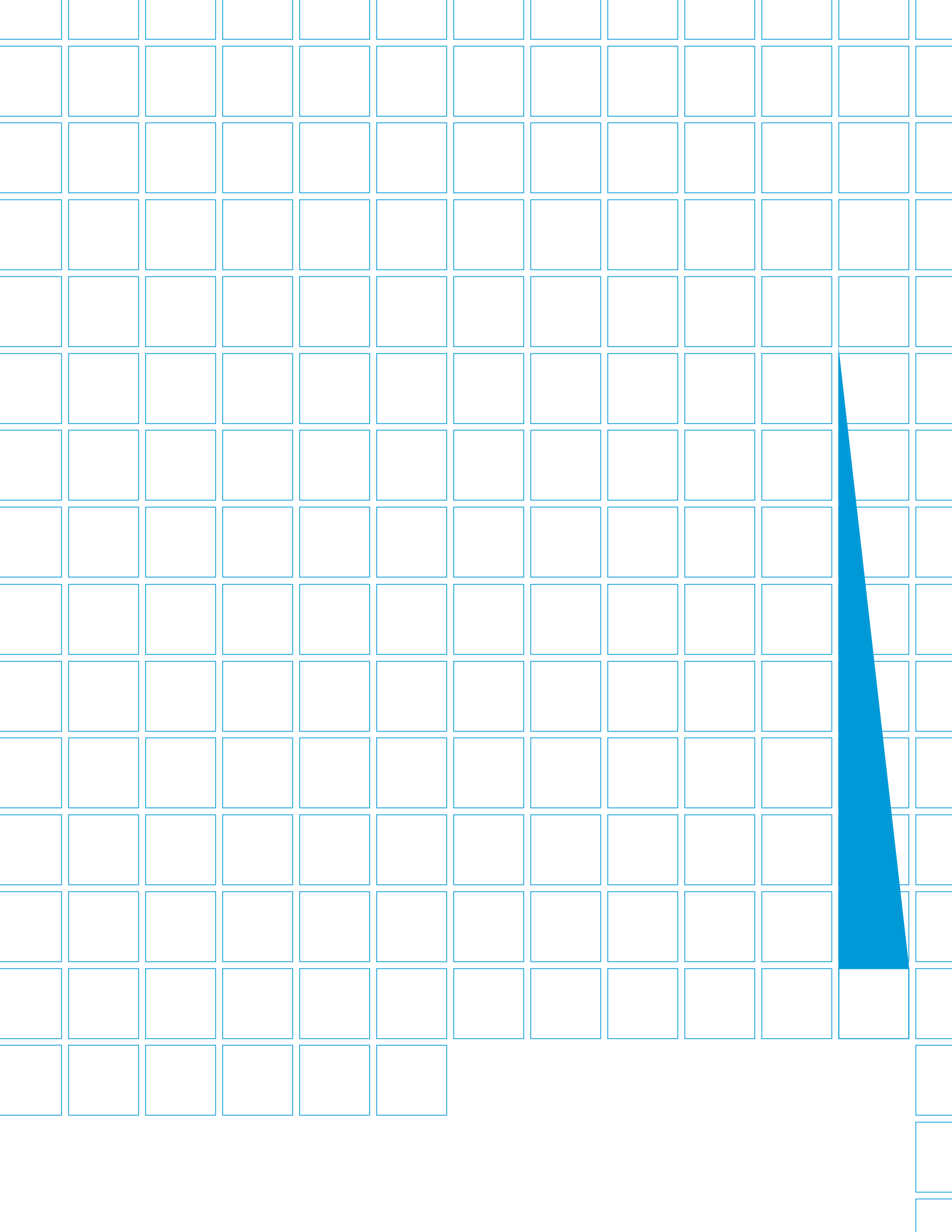
Ethics Policy
Available at www.conmed.com

Operating Subsidiaries

CONMED Electrosurgery
CONMED Endoscopic Technologies
CONMED Italia SrL
CONMED Linvatec
CONMED Linvatec Australia
CONMED Linvatec Austria
CONMED Linvatec Belgium
CONMED Linvatec Biomaterials Oy
CONMED Linvatec Canada
CONMED Linvatec China
CONMED Linvatec Denmark
CONMED Linvatec Deutschland
CONMED Linvatec Europe
CONMED Linvatec Finland
CONMED Linvatec France
CONMED Linvatec Korea
CONMED Linvatec Nederland
CONMED Linvatec Poland
CONMED Linvatec Spain
CONMED Linvatec Sweden
CONMED Linvatec U.K.
Consolidated Medical Equipment Company S.de r.L. de C.V. (Mexico)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