MEXICAN ECONOMIC DEVELOPMENT INC
Form F-3
July 30, 2004
Table of Contents

As filed with the Securities and Exchange Commission on July 30, 2004

Registration No. 333-

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM F-3

REGISTRATION STATEMENT

Under

THE SECURITIES ACT OF 1933

Fomento Económico Mexicano, S.A. de C.V.

(Exact name of Registrant as specified in its charter)

Mexican Economic Development, Inc.

(Translation of Registrant s name into English)

United Mexican States (State or other jurisdiction of incorporation or organization)	**Not Applicable** (I.R.S. Employer Identification No.)

General Anaya No. 601 Pte. **Colonia Bella Vista** **Monterrey, NL 64410 Mexico** **(52-81) 8328-6000** **(Address and telephone number of** **Registrant s principal executive offices)**	**Puglisi & Associates** **850 Library Avenue, Suite 204** **Newark, DE 19711, U.S.A.** **(302) 738-6680** **(Name, address and telephone number of agent for service)**

Copies to:

Jaime A. El Koury, Esq. **Cleary, Gottlieb, Steen & Hamilton** **One Liberty Plaza** **New York, New York 10006** **(212) 225-2000**	**Glenn M. Reiter, Esq.** **Simpson Thacher & Bartlett LLP** **425 Lexington Avenue** **New York, New York 10017** **(212) 455-2000**

Approximate date of commencement of proposed sale to the public: As soon as practicable after the registration statement becomes effective.

If the only securities being registered on this form are being offered pursuant to dividend or interest reinvestment plans, please check the following box. ¨

If any of the securities being registered on this Form are to be offered on a delayed or continuous basis pursuant to Rule 415 under the Securities Act of 1933, other than securities offered only in connection with dividend or interest reinvestment plans, please check the following box. ¨

If this Form is filed to register additional securities for an offering pursuant to Rule 462(b) under the Securities Act, please check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering: ¨

If this Form is a post-effective amendment filed pursuant to Rule 462(c) under the Securities Act, check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering: ¨

If delivery of the prospectus is expected to be made pursuant to Rule 434, please check the following box: ¨

CALCULATION OF REGISTRATION FEE

Title of the class of securities to be registered (1)	**Proposed maximum aggregate offering price (2)**	**Amount of registration fee**
BD Units (without par value, which may be evidenced by American Depositary Shares) (3)	$ 345,000,000	$ 43,712

(1) Includes (i) all BD Units represented by American Depositary Shares initially offered and sold in the international offering (described in this registration statement), (ii) all BD Units initially offered and sold in the share allocation program in the concurrent Mexican BD Unit offering (described in this registration statement) to beneficial owners of BD Units as of the record date who are U.S. persons or otherwise inside the United States, (iii) all other BD Units initially offered and sold in the concurrent Mexican BD Unit offering, but which may be resold from time to time in the United States in transactions requiring registration under the Securities Act of 1933 and (iv) all BD Units represented by American Depositary Shares or initially offered and sold in the share allocation program in the concurrent Mexican BD Unit offering to U.S. persons or persons otherwise inside the United States (referred to in (ii) above) which the underwriters may purchase solely to cover over-allotments, if any. Offers and sales of BD Units in the concurrent Mexican BD Unit offering are not covered by this registration statement, except in the circumstances referred to in (ii), (iii) and (iv) above.

(2) Estimated solely for the purpose of calculating the registration fee, which is calculated in accordance with Rule 457(o) of the rules and regulations under the Securities Act of 1933. Rule 457(o) permits the registration fee to be calculated on the basis of the maximum aggregate offering price.

(3) American Depositary Shares evidenced by American Depositary Receipts issuable on deposit of the BD Units registered hereby have previously been registered under a separate registration statement on Form F-6 (File No. 333-112342). Each American Depositary Share represents 10 BD Units.

The registrant hereby amends this Registration Statement on such date or dates as may be necessary to delay its effective date until the Registrant shall file a further amendment which specifically states that this Registration Statement shall thereafter become effective in accordance with Section 8(a) of the Securities Act of 1933 or until the Registration Statement shall become effective on such date as the

Securities and Exchange Commission, acting pursuant to said Section 8(a), may determine.

Table of Contents

The information in this prospectus is incomplete and may be changed. We may not sell these securities until the registration statement filed with the Securities and Exchange Commission is effective. This prospectus is not an offer to sell these securities and it is not soliciting an offer to buy these securities in any jurisdiction where the offer is not permitted.

PRELIMINARY PROSPECTUS

Subject to Completion, Dated July 30, 2004

BD Units

(including BD Units in the form of American Depositary Shares)

Fomento Económico Mexicano, S.A. de C.V. is conducting a global offering. The global offering consists of an international offering outside Mexico of American Depositary Shares, or ADSs, each representing 10 of our BD Units, and a concurrent offering of BD Units in Mexico. Each BD Unit represents one of our Series B Shares, two of our Series D-B Shares and two of our Series D-L Shares.

Concurrently with the global offering, B Units are being offered in a Mexican offering. Each B Unit represents five of our Series B Shares. The B Units will be sold at the equivalent of the public offering price per BD Unit in the Mexican BD Unit offering. A voting trust that owns a substantial majority of our B Units is expected to acquire substantially all of the B Units in the Mexican B Unit offering.

Beneficial owners of outstanding ADSs as of , 2004, which is the record date, will be eligible, subject to compliance with the procedures and conditions summarized in this prospectus, to purchase up to ADSs for each ADS beneficially owned by them as of the record date through a share allocation program in the international offering. Beneficial owners of outstanding BD Units not in the form of ADSs will also be eligible, subject to compliance with the applicable procedures and conditions, to purchase BD Units through a share allocation program in the concurrent Mexican BD Unit offering. The aggregate number of ADSs and BD Units initially available under the share allocation programs will represent 50% of the BD Units, including BD Units in the form of ADSs, to be sold in the global offering.

The ADSs are listed on the New York Stock Exchange under the symbol FMX, and the BD Units are listed on the Mexican Stock Exchange under the symbol FEMSA UBD. On July 29, 2004, the last reported sale price of the ADSs on the New York Stock Exchange was US$ 43.35 per ADS, and the last reported sale price of the BD Units on the Mexican Stock Exchange was Ps. 49.32 per unit, equivalent to a price of US$ 4.31 per ADS, assuming an exchange rate of Ps. 11.439 per U.S. dollar.

Investing in the ADSs and BD Units involves risk. See Risk Factors beginning on page 14.

PRICE US$ AN AMERICAN DEPOSITARY SHARE

	Price to Public	Underwriting Discounts and Commissions	Proceeds to FEMSA
Per ADS	US$	US$	US$
Total	US$	US$	US$

We have granted options, exercisable for 30 days, to the underwriters of the global offering to purchase up to additional BD Units in the form of ADSs or BD Units to cover over-allotments, if any.

Neither the Securities and Exchange Commission nor any state securities commission has approved or disapproved of these securities or determined if this prospectus is truthful or complete. Any representation to the contrary is a criminal offense.

The underwriters expect to deliver the ADSs to purchasers on or about , 2004.

Joint Bookrunning Managers

Citigroup **Morgan Stanley**

, 2004

Table of Contents

You should rely only on the information incorporated by reference or contained in this prospectus. We have not authorized anyone to provide you with information different from that contained in this prospectus. The ADSs are being sold only in jurisdictions where sales are permitted. The information contained in this prospectus is accurate only as of the date of this prospectus, regardless of the time of delivery of this prospectus or of any sale of ADSs.

T ABLE OF CONTENTS

This prospectus relates to the offer and sale of ADSs in the international offering and the offer and sale of BD Units in the share allocation program in the concurrent Mexican BD Unit offering to beneficial owners of BD Units as of the record date who are U.S. persons or otherwise inside the United States. In addition, this prospectus relates to BD Units that are being offered in the concurrent Mexican BD Unit offering, but that may be resold from time to time in the United States in transactions requiring registration under the Securities Act of 1933.

The BD Units underlying the ADSs being sold pursuant to this prospectus will be registered in the Securities Section (*Sección de Valores*) and the Special Section (*Sección Especial*) of the National Registry of Securities (*Registro Nacional de Valores*), or Registry, maintained by the Mexican National Banking and Securities Commission (*Comisión Nacional Bancaria y de Valores*), or the CNBV. Registration of the BD Units with the Registry does not imply any certification as to the investment quality of the BD Units, our solvency

or the accuracy or completeness of the information contained or incorporated by reference in this prospectus.

Table of Contents

INCORPORATION BY REFERENCE

The Securities and Exchange Commission, or SEC, allows us to incorporate by reference information in this prospectus, which means that we can disclose important information by referring you to another document that we have filed separately with the SEC. The information incorporated by reference is considered to be part of this prospectus, and certain later information that we file with the SEC will automatically update and supersede this information. We incorporate by reference the following documents:

our annual report on Form 20-F for the fiscal year ended December 31, 2003, filed with the SEC on April 8, 2004;

the consolidated balance sheet of Corporación Interamericana de Bebidas, S.A. de C.V., formerly known as Panamerican Beverages, Inc., or Panamco, and subsidiaries, as of December 31, 2002 and 2001 and the related consolidated statements of operations, of shareholders equity and comprehensive income (loss) and of cash flows for each of the three years in the period ended December 31, 2002 included in its annual report on Form 10-K for the fiscal year ended December 31, 2002, filed with the SEC on March 28, 2003;

the condensed consolidated financial statements of Panamco included in its filing on Form 10-Q for the fiscal quarter ended March 31, 2003, filed with the SEC on May 6, 2003; and

any future filings on Form 6-K made by us with the SEC under the Securities Exchange Act of 1934, as amended, after the date of this prospectus and prior to the termination of the offering of ADSs that are identified in such forms as being incorporated into this prospectus.

You may request a copy of any and all of the information that has been incorporated by reference in this prospectus and that has not been delivered with this prospectus, at no cost, by writing to us at General Anaya No. 601 Pte., Colonia Bella Vista, Monterrey, Nuevo León 64410, Mexico, Attention: Investor Relations. Our telephone number at this location is (52-81) 8328-6000.

PRESENTATION OF FINANCIAL INFORMATION

Our audited consolidated balance sheets as of December 31, 2003 and 2002 and the related consolidated statements of income, changes in stockholders equity and changes in financial position for the years ended December 31, 2003, 2002 and 2001 are included in our annual report on Form 20-F for the year ended December 31, 2003, which is incorporated by reference in this prospectus. Our unaudited consolidated balance sheet as of March 31, 2004 and the related consolidated statement of income, changes in stockholders equity and changes in financial position for the three months ended March 31, 2004 and 2003 are included in this prospectus.

We publish our financial statements in Mexican pesos and prepare our financial statements in accordance with generally accepted accounting principles in Mexico, or Mexican GAAP. Mexican GAAP differs in certain significant respects from generally accepted accounting principles in the United States, or U.S. GAAP. Notes 25 and 26 to our audited consolidated financial statements as of and for the year ended December 31, 2003 and Notes 25 and 26 to our unaudited consolidated financial statements as of and for the three months ended March 31, 2004 provide a description of the principal differences between Mexican GAAP and U.S. GAAP as they relate to our company, and a reconciliation to U.S. GAAP of majority net income and majority stockholders equity.

Unless otherwise specified, we have presented financial data for all full-year periods included in our consolidated financial statements in constant Mexican pesos at December 31, 2003. We have presented financial data as of March 31, 2004 and for the three-month periods ended March 31, 2004 and March 31, 2003 in constant Mexican pesos at March 31, 2004. We believe that the effect of not restating the financial data for the full-year periods included in our consolidated financial statements in constant Mexican pesos at March 31, 2004 is not material, as the Mexican Consumer Price Index was 1.57% for the three-month period ended March 31, 2004.

Table of Contents

This prospectus contains translations of certain Mexican peso amounts into U.S. dollars at specified rates solely for the convenience of the reader. These translations should not be construed as representations that the Mexican peso amounts actually represent such U.S. dollar amounts or could be converted into U.S. dollars at the rate indicated. Unless otherwise indicated, these U.S. dollar amounts have been translated from Mexican pesos at an exchange rate of Ps. 11.174 to US$ 1.00, the exchange rate quoted by dealers to FEMSA for the settlement of obligations in foreign currencies on March 31, 2004. On March 31, 2004, the noon buying rate for Mexican pesos as published by the Federal Reserve Bank of New York was Ps. 11.1830 to US$ 1.00. On July 29, 2004, the noon buying rate was Ps. 11.439 to US$ 1.00.

Our subsidiary Coca-Cola FEMSA, S.A. de C.V., or Coca-Cola FEMSA, acquired Panamco on May 6, 2003. Unless otherwise indicated, our consolidated financial statements included or incorporated by reference in this prospectus include Panamco only from May 2003. As a result, our consolidated financial statements as of and for the year ended December 31, 2003 and as of and for the three months ended March 31, 2004 are not comparable to prior periods. These financial statements may also not be comparable to subsequent periods, as Panamco is only included in our consolidated financial statements for eight months in 2003. We have, however, included in this prospectus an unaudited pro forma consolidated income statement that gives effect to the acquisition of Panamco as if it had occurred on January 1, 2003. The unaudited pro forma financial information does not purport to indicate the results of operations that would actually have occurred had the transaction occurred on the dates indicated or which may be expected to be achieved in the future. The financial statements of Panamco incorporated by reference in this prospectus are prepared in accordance with U.S. GAAP and in U.S. dollars, and as such, are not comparable to our financial statements, which are presented in accordance with Mexican GAAP and in Mexican pesos.

The terms FEMSA, our company, we, us and our are used in this prospectus to refer to Fomento Económico Mexicano, S.A. de C.V., and, except where the context otherwise requires, its subsidiaries on a consolidated basis. We refer to our subsidiary FEMSA Cerveza, S.A. de C.V. as FEMSA Cerveza, our subsidiary FEMSA Comercio, S.A. de C.V. as FEMSA Comercio, and our subsidiary FEMSA Empaques, S.A. de C.V., as FEMSA Empaques. References herein to U.S. dollars, US$ or $ are to the lawful currency of the United States. References herein to Mexican pesos, Pesos or Ps. are to the lawful currency of the United Mexican States or Mexico.

SUMMARY

This summary highlights selected information from this prospectus and the documents incorporated by reference and does not contain all of the information that may be important to you. You should read carefully this entire prospectus and the documents incorporated by reference.

FEMSA

Our Company

We are the largest integrated beverage company in Latin America, based on total sales in 2003, and we have a portfolio of leading beer and soft drink brands. We are the second largest brewer in Mexico, based on sales volume in 2003, with brands that include *Tecate*, *Dos Equis* and *Sol*. Through our subsidiary, Coca-Cola FEMSA, we are the largest Coca-Cola bottler in Latin America and the second largest in the world, based on sales volumes in 2003. We sell our products through approximately two million points of sale, which serve a population of over 170 million people in nine countries, including some of the most populous metropolitan areas in Latin America, such as Mexico City, São Paulo and Buenos Aires. Our manufacturing and distribution capabilities are enhanced by our retail and packaging operations. We operate Oxxo, the largest convenience store chain in Mexico, with 2,798 stores at December 31, 2003. Our integrated business operations enable us to operate more efficiently and effectively and provide us with a platform for growth in Latin America.

The following chart provides an overview of our operations by segment:

---

(1) Expressed in millions of Mexican pesos, except for percentages. The sum of the financial data for each of our segments differs from our consolidated financial information due to intercompany transactions, which are eliminated in consolidation, and certain assets and activities of FEMSA which are not included in these four segments, including corporate services.

(2) Percentage of capital stock, equal to 53.6% of capital stock with full voting rights.

Table of Contents

Summary of Operations

Coca-Cola FEMSA s single most important brand is *Coca-Cola*, which accounted for 60.2% of its total consolidated sales volume in 2003. *Fanta*, *Sprite*, *Lift* and *Fresca* are its next largest brands and collectively accounted for 12.7% of such sales volume in 2003. Coca-Cola FEMSA s territories represented approximately 40% of *Coca-Cola* sales volume in Latin America in 2003. Coca-Cola FEMSA s Mexican territories cover central Mexico, including Mexico City, and southeast Mexico. In 2003, 66.7% of Coca-Cola FEMSA s total revenue and 84.0% of its income from operations were generated in Mexico, which is characterized by high levels of per capita consumption of soft drinks. In addition to Mexico, Coca-Cola FEMSA operates in Guatemala, Nicaragua, Costa Rica, Panama, Colombia, Venezuela, Brazil and Argentina.

Through our subsidiary FEMSA Cerveza, we produce and distribute 15 brands of beer in a variety of bottle and can presentations. The most important brands in our beer portfolio include *Tecate*, *Carta Blanca*, *Sol* and *Superior*, which together accounted for approximately 88% of our domestic beer sales volume in 2003. In 2003, we sold 91.9% of our total beer sales volume in the Mexican market, which is the eighth largest beer market in the world based on sales volume in 2003. We have a dominant sales position in the northern and southern regions of Mexico, which have higher per capita consumption rates than central Mexico. We export our beer brands to more than 70 countries worldwide, with the United States being our most important export market. Our export sales represented 8.1% of our total beer sales volume in 2003. Our principal export brands are *Tecate*, *XX Lager*, *Dos Equis (Amber)* and *Sol*.

Through FEMSA Comercio, we operated 2,798 Oxxo stores throughout Mexico at December 31, 2003. We have tripled the number of our Oxxo stores over the five years ended December 31, 2003 and expect to continue to increase the number of stores. Our total store sales increased at a compounded annual rate of 22% over the five years ended December 31, 2003. Oxxo stores exclusively sell our beer brands and are an integral part of our beer distribution strategy. Oxxo represented 5.4% of FEMSA Cerveza s domestic sales volume in 2003. Soft drinks, telephone cards and cigarettes are the other main products sold at Oxxo stores.

In order to support our beverage operations, we manufacture and distribute a wide variety of packaging products, primarily in Mexico. Our principal packaging products are aluminum beverage cans, crown caps and glass bottles. The majority of our packaging products are sold to Coca-Cola FEMSA and FEMSA Cerveza.

Competitive Strengths

We believe our integrated value chain creates a platform for growth in Latin America with the following competitive strengths:

Leading Market Position. We are among the largest beverage companies in our territories, which have a total population of approximately 170 million people in nine countries. Our markets include some of the most populous metropolitan areas in Latin America, such as Mexico City, São Paulo and Buenos Aires. Latin America s favorable demographics present us with a growing number of potential new consumers for our products. We believe that our size will allow us to realize economies of scale and take advantage of these profitable growth opportunities in our markets.

Broad Portfolio of Leading Brands. Our beverage products include 46 soft drink brands and 15 beer brands, which constitute a broad portfolio of brands designed to appeal to a wide range of consumers. *Coca-Cola* is one of the most widely recognized brands in the world and is particularly strong in the metropolitan areas of Latin America where we operate. Our beer brands include those that have been historically dominant in particular regions of Mexico, and we believe that our *Sol* brand is the fastest growing brand of beer in the Mexican market in terms of sales volume for the three years ended December 31, 2003. We believe we have the ability to introduce new brands and new presentations to target particular consumer preferences and growth opportunities in each of our territories.

Well-Developed Distribution Network. We sell our beverage products in approximately two million points of sale throughout Latin America, most of which are visited by us several times per week. We have implemented commercial practices to enable us to have additional influence over the distribution of our products and bring us closer to retailers and consumers. We have also developed long-term relationships with smaller predominately mom and pop style retailers in Mexico, who are the main sellers of our products. In recent years, our Oxxo stores, which exclusively sell our beer brands, have gained importance as an effective distribution channel for our beverage products, as well as a rapidly growing point of direct contact with our consumers.

Expanding Presence in U.S. Beer Market. Sales of Mexican beers generally in the United States continue to grow significantly faster than U.S. domestic brands. Our *Tecate* brand currently is the fourth largest import brand in the United States based on sales volume in 2003. We have recently entered into a distribution agreement with Heineken USA, Inc., or Heineken USA, which we expect will enable us to further penetrate and increase our sales volumes in the U.S. import market.

Sophisticated Information Systems. We have made significant investments in our information gathering and processing systems, to allow us to better know and understand our consumers preferences. Our information systems enable us to optimize price and to segment markets by brand, presentation, channel and consumption occasion on a point of sale basis. Our systems allow us to be more efficient and effective in production, marketing and distribution.

Proven Management Track Record. Our total sales increased over the five years ended December 31, 2003 at a compounded annual rate of 12%, while our income from operations increased by 14% during the same period. We have an experienced management team that has delivered solid financial results, and we believe that our improved profitability is attributable in large part to the strength of our management.

Strategy

We are a beverage company. Soft drinks and beer are our core businesses, which together define our identity and are the main avenues for our future growth. As a beverage company, we understand the importance of connecting with our consumers by interpreting their needs and ultimately delivering the right products to them for the right occasions. We strive to achieve this by developing superior brand equity, expanding our already significant distribution capabilities and improving the efficiency of our operations. Our ultimate objectives are achieving sustainable revenue growth, improving profitability and increasing the return on invested capital in each of our operations. We believe that by achieving these goals we will create sustainable value for our shareholders.

The following are the key elements of our strategy:

Grow Profitably in Beer. We seek to achieve profitable volume growth in our beer business ultimately to generate value for our shareholders. In order to achieve these objectives in our core Mexican markets, we are following a comprehensive strategy which seeks to:

- differentiate brand portfolios through market segmentation and brand positioning;
- develop advanced capabilities to gather information at the point of sale, by ensuring that appropriate products are being sold at the right price points;
- establish profitable, long-term relationships with retailers, by helping them to sell more products to consumers;

achieve balanced and profitable market coverage, by selecting the appropriate mix of on- and off-premise accounts; and continuously pursue the maximization of efficiencies and cost reductions along the entire value chain, from production to final distribution, by using information technology and adapting processes accordingly.

Increase Beer Sales in the United States. We seek to increase the sales of our beer brands in the United States. We have recently entered into an agreement with Heineken USA under which Heineken USA will become the exclusive distributor of our beers in the United States. We believe that our brands complement Heineken USA s existing portfolio of brands in the United States and that this arrangement will allow us to expand the geographic focus of our brands, especially in the eastern United States.

Enhance Profitability in Soft Drinks. Coca-Cola FEMSA seeks to increase its profitability by implementing well-planned product, package and pricing strategies through channel distribution and by implementing best practices in order to improve operational efficiencies across territories, including those acquired from Panamco. Coca-Cola FEMSA seeks to increase per capita consumption of soft drinks in the territories in which it operates and to develop its product portfolio to better meet market demand and maintain overall profitability. Coca-Cola FEMSA expects to pursue selective acquisition opportunities to expand its territories. In addition, because Coca-Cola FEMSA views its relationship with The Coca-Cola Company as integral to its business strategy, Coca-Cola FEMSA uses market information systems and strategies developed with The Coca-Cola Company to improve its coordination with the worldwide marketing efforts of The Coca-Cola Company.

Continued Expansion of Oxxo Chain. We plan to continue to expand the number of Oxxo stores in Mexico. Because Oxxo exclusively carries our beer brands, we believe that Oxxo expansion will contribute to increased market penetration of our beer brands in Mexico. Market segmentation is becoming an important strategic tool, and we expect that it will increasingly allow us to improve the operating efficiency of each store location and the overall profitability of the chain by providing products that customers demand. We are currently further developing our own distribution capabilities, which will permit us to expand our product offerings to include items such as fast food at a lower cost and we believe, ultimately, will enhance our profitability.

Maximizing Operating Efficiencies. We believe the size and scope of our businesses present us with opportunities to improve the efficiency of our operations and leverage our operating strengths across our company. We seek to continue to improve our production and distribution by leveraging our asset base and continuing to invest in information systems that allow us to operate more efficiently. For example, in our beer operations, unsold product returned at the end of a route decreased from 40% before the implementation of pre-sale in 2003 to 2% after its implementation. Coca-Cola FEMSA decreased the number of production facilities existing at the time of the Panamco acquisition from 52 to 32, while at the same time increasing productivity measured in terms of unit cases sold by its remaining plants by more than 50% on a company-wide basis.

Our legal name is Fomento Económico Mexicano, S.A. de C.V., and in commercial contexts we frequently refer to ourselves as FEMSA. Our principal executive offices are located at General Anaya No. 601 Pte., Colonia Bella Vista, Monterrey, Nuevo León 64410, Mexico. Our telephone number at this location is (52-81) 8328-6000. Our website is www.femsa.com. The contents of our website do not constitute part of this prospectus.

Recent Developments

Interbrew Transactions

On May 24, 2004, we entered into a series of agreements with Interbrew S.A., or Interbrew, Labatt Brewing Company Limited, or Labatt, an indirect wholly owned subsidiary of Interbrew, and certain of their affiliates to terminate the existing arrangements between FEMSA Cerveza and Labatt. Upon completion of the transactions contemplated in the agreements:

FEMSA will indirectly own 100% of FEMSA Cerveza and existing arrangements among affiliates of FEMSA and Interbrew relating to governance, transfer of ownership and other matters with respect to FEMSA Cerveza will terminate;

Interbrew will indirectly own 100% of its U.S. distribution and brewing subsidiaries, Labatt USA LLC and Latrobe Brewing Company LLC, which we collectively refer to as Labatt USA, and existing arrangements among affiliates of FEMSA and Interbrew relating to governance, transfer of ownership and other matters with respect to Labatt USA will terminate; and

Labatt USA s right to distribute the FEMSA Cerveza brands in the United States will terminate 120 days after the closing of these transactions.

The closing of these transactions is subject to certain conditions, including the availability of financing for FEMSA (if the closing has not occurred by August 31, 2004), and the consummation of the combination of Interbrew and Companhia de Bebidas das Américas, or AmBev.

Under the terms of the agreements, we have agreed to pay Interbrew US$ 1.245 billion for its affiliates 30% interest in FEMSA Cerveza, which we intend to finance as follows:

Source	Amount (U.S. dollar or equivalent)	
Cash	US$	295 million
Bridge loan to FEMSA, with tranches denominated in Mexican pesos and U.S. dollars, to be refinanced with the net proceeds of the global offering and the Mexican B Unit offering	US$	500 million
Certificados bursátiles denominated in Mexican pesos issued on July 7, 2004 by FEMSA and guaranteed by FEMSA Cerveza, with maturities of four and five years	US$	217 million
Unsecured long-term loans denominated in Mexican pesos to FEMSA and FEMSA Cerveza	US$	233 million
Total	US$	1,245 million

Heineken U.S. Distribution Agreement

On June 21, 2004, FEMSA Cerveza and two of its subsidiaries entered into distributor and sublicense agreements with Heineken USA. In accordance with these agreements, Heineken USA will be the exclusive importer, marketer and seller of FEMSA Cerveza s brands in the United States, commencing 120 days after the closing of the Interbrew transactions described above. These agreements will expire in December 2007.

5

Table of Contents

Other Recent Developments

On May 7, 2004, Coca-Cola FEMSA obtained a favorable final ruling not subject to appeal from a Mexican federal court allowing it to deduct losses in the amount of Ps. 3.049 billion arising from a sale of shares during 2002. As a result of the ruling, Coca-Cola FEMSA expects to recover approximately Ps. 1.330 billion. More than 85% of this increase will be in the form of a cash reimbursement from the Mexican government, with the balance in the form of a tax deduction.

On June 8, 2004, a group of Brazilian investors, among them Mr. José Luis Cutrale, a recently appointed member of Coca-Cola FEMSA s board of directors, made a capital contribution equivalent to approximately US$ 50 million to Coca-Cola FEMSA s Brazilian operations in exchange for a 16.9% equity stake in these operations. Mr. Cutrale is a Brazilian entrepreneur and owns businesses that are producers of fruit juices, with customers that include The Minute Maid Company, a division of The Coca-Cola Company.

On June 22, 2004, FEMSA Cerveza s brewing subsidiary and Coors Brewing Company entered into an agreement pursuant to which FEMSA Cerveza s subsidiary was appointed the exclusive importer, distributor, marketer and seller of *Coors Light* beer in Mexico. This agreement has an initial term of 10 years and is automatically renewable.

Results for Six Months Ended June 30, 2004

On July 28, 2004, FEMSA announced its results for the six months ended June 30, 2004. For the six months ended June 30, 2004, consolidated total revenues were Ps. 43.712 billion, income from operations was Ps. 6.218 billion and net income was Ps. 4.130 billion, as compared to consolidated total revenues of Ps. 33.439 billion, income from operations of Ps. 5.277 billion and net income of Ps. 1.827 billion for the six months ended June 30, 2003, in each case in constant Mexican pesos at June 30, 2004. Net income for the six months ended June 30, 2004 includes an extraordinary item of Ps. 1.175 billion resulting from the final tax ruling referred to above. As of June 30, 2004, consolidated total assets amounted to Ps. 107.383 billion and consolidated total stockholders equity was Ps. 51.247 billion, in each case in constant Mexican pesos at June 30, 2004.

Table of Contents

SUMMARY FINANCIAL INFORMATION

Historical

The following tables present summary financial information of our company. This information should be read in conjunction with, and is qualified in its entirety by reference to, our audited consolidated financial statements, and the notes thereto included in our annual report on Form 20-F for the year ended December 31, 2003, which is incorporated by reference in this prospectus, and our unaudited consolidated financial statements and notes thereto included in this prospectus. The summary financial information is presented on a consolidated basis and is not necessarily indicative of our financial position or results of operations at or for any future date or period.

Information as of and for the five years ended December 31, 2003 has been derived from our audited consolidated financial statements, and information as of and for the three months ended March 31, 2003 and March 31, 2004 has been derived from our unaudited consolidated financial statements.

	Year Ended December 31,					
	2003[1]	2003	2002	2001	2000	1999
	(in millions of U.S. dollars and constant Mexican pesos at December 31, 2003, except for per share data and the weighted average number of shares outstanding)					
Income Statement Data						
Mexican GAAP:						
Total revenues	$ 6,792	Ps. 75,891	Ps. 55,395	Ps. 52,465	Ps. 50,151	Ps. 45,463
Income from operations[2]	1,084	12,114	9,878	8,902	7,995	7,234
Taxes[3]	302	3,378	3,764	3,069	2,615	2,253
Change in accounting principle				(30)		
Net income	417	4,657	4,791	5,215	3,995	4,734
Net majority income	277	3,093	2,947	3,547	2,865	3,587
Net minority income	140	1,564	1,844	1,668	1,130	1,147
Net majority income per share:[4]						
Series B Shares	0.047	0.521	0.496	0.597	0.478	0.599
Series D Shares	0.058	0.651	0.620	0.747	0.599	0.749
Weighted average number of shares outstanding (millions):						
Series B Shares	2,737.7	2,737.7	2,737.7	2,737.8	2,745.8	2,746.5
Series D Shares	2,559.6	2,559.6	2,559.6	2,559.8	2,591.8	2,594.8
Allocations of earnings:						
Series B Shares	46.11%	46.11%	46.11%	46.11%	45.85%	45.85%
Series D Shares	53.89%	53.89%	53.89%	53.89%	54.15%	54.15%
U.S. GAAP: Other	47,135	46,310				

	current liabilities		
Total current liabilities	111,265		101,112
Long-term debt	214,435		241,435
Deferred income taxes	113,199		116,529
Other long-term liabilities	45,290		28,650
Total liabilities	484,189		487,726
Commitments and contingencies			
Shareholders' equity:			
Preferred stock, par value $ .01 per share; authorized 500,000 shares; none outstanding	—		—
Common stock, par value $ .01 per share; 100,000,000 shares authorized; 31,299,194 shares issued in 2013 and 2014, respectively	313		313
Paid-in capital	326,436		327,420
Retained earnings	395,889		399,062
Accumulated other comprehensive loss	(17,572	)	(16,621)
Less: 3,718,332 and 4,086,959 shares of common stock in treasury, at cost in 2013 and 2014, respectively	(98,747	)	(114,702)
Total shareholders' equity	606,319		595,472
Total liabilities and shareholders' equity	$ 1,090,508		$ 1,083,198

See notes to consolidated condensed financial statements.

Table of Contents

CONMED CORPORATION
CONSOLIDATED CONDENSED STATEMENTS OF CASH FLOWS
(Unaudited, in thousands)

	Three Months Ended March 31, 2013	2014
Cash flows from operating activities:		
Net income	$10,492	$8,626
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation	4,619	4,568
Amortization	7,110	6,300
Stock-based compensation	1,152	1,185
Deferred income taxes	1,914	3,325
Loss on early extinguishment of debt	263	—
Increase (decrease) in cash flows from changes in assets and liabilities:		
Accounts receivable	3,042	10,636
Inventories	(4,858)	(11,936)
Accounts payable	313	(1,151)
Income taxes receivable (payable)	244	1,826
Accrued compensation and benefits	(8,830)	(9,164)
Other assets	(2,423)	2,088
Other liabilities	(7,566)	722
	(5,020)	8,399
Net cash provided by operating activities	5,472	17,025
Cash flows from investing activities:		
Purchases of property, plant and equipment	(4,130)	(4,065)
Net cash used in investing activities	(4,130)	(4,065)
Cash flows from financing activities:		
Net proceeds from common stock issued under employee plans	7,633	729
Repurchase of common stock	(25,732)	(16,862)
Proceeds from senior credit agreement	64,000	27,000
Payment related to distribution agreement	(34,000)	(16,667)
Payments related to issuance of debt	(1,636)	—
Dividends paid on common stock	(4,256)	(5,545)
Other, net	1,625	138
Net cash provided by (used in) financing activities	7,634	(11,207)
Effect of exchange rate changes on cash and cash equivalents	(337)	122
Net increase in cash and cash equivalents	8,639	1,875
Cash and cash equivalents at beginning of period	23,720	54,443
Cash and cash equivalents at end of period	$32,359	$56,318

Non-cash financing activities:		
Dividends payable	$4,189	$5,442

See notes to consolidated condensed financial statements.

Table of Contents

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

Note 1 – 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 are used by surgeons and physicians in a variety of specialties including orthopedics, general surgery, gynecology, neurosurgery and gastroenterology.

Note 2 - Interim Financial Information

The accompanying unaudited consolidated condensed financial statements have been prepared in accordance with generally accepted accounting principles for interim financial information and with the instructions to Form 10-Q and Article 10 of Regulation S-X. Accordingly, they do not include all of the information and footnotes required by generally accepted accounting principles for annual financial statements. Results for the period ended March 31, 2014 are not necessarily indicative of the results that may be expected for the year ending December 31, 2014.

The consolidated condensed financial statements and notes thereto should be read in conjunction with the consolidated financial statements and notes for the year ended December 31, 2013 included in our Annual Report on Form 10-K.

Note 3 – Comprehensive Income

Comprehensive income consists of the following:

	Three Months Ended March 31,	
	2013	2014
Net income	$10,492	$8,626
Other comprehensive income:		
Pension liability, net of income tax	461	270
Cash flow hedging gain (loss), net of income tax	2,127	725
Foreign currency translation adjustment	(1,706)	(44)
Comprehensive income	$11,374	$9,577

Table of Contents

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

	Cash Flow Hedging Gain (Loss)[a]	Pension Liability[a]	Cumulative Translation Adjustments	Accumulated Other Comprehensive Income (Loss)
Balance, December 31, 2012	$(1,130)	$(30,375)	$3,924	$(27,581)
Other comprehensive income before reclassifications	2,166	—	(1,706)	460
Amounts reclassified from other accumulated comprehensive income before tax[b]	(62)	461	—	399
Tax expense (benefit)	23	—	—	23
Net current-period other comprehensive income	2,127	461	(1,706)	882
Balance, March 31, 2013	$997	$(29,914)	$2,218	$(26,699)

	Cash Flow Hedging Gain (Loss)[a]	Pension Liability[a]	Cumulative Translation Adjustments	Accumulated Other Comprehensive Income (Loss)
Balance, December 31, 2013	$(1,385)	$(18,918)	$2,731	$(17,572)
Other comprehensive income before reclassifications	800	—	(44)	756
Amounts reclassified from other accumulated comprehensive income before tax[b]	(119)	270	—	151
Tax expense (benefit)	44	—	—	44
Net current-period other comprehensive income	725	270	(44)	951
Balance, March 31, 2014	$(660)	$(18,648)	$2,687	$(16,621)

(a) All amounts are net of tax.
(b) The cash flow hedging gain (loss) and pension liability accumulated other comprehensive income components are included in sales or cost of sales and as a component of net periodic pension income, respectively. Refer to Note 4 and Note 9, respectively, for further details.

Note 4 – Fair Value of Financial Instruments

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.

Table of Contents

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 or cost of sales when the forecasted transaction occurs. The notional contract amounts for forward contracts outstanding at March 31, 2014 which have been accounted for as cash flow hedges totaled $119.6 million. Net realized gains (losses) recognized for forward contracts accounted for as cash flow hedges approximated $0.1 million and $(0.1) million for the three months ended March 31, 2013 and 2014, respectively. Net unrealized losses on forward contracts outstanding, net of tax, which have been accounted for as cash flow hedges and which have been included in other comprehensive income, totaled $0.7 million at March 31, 2014. It is expected these unrealized losses will be recognized in the consolidated condensed statements of comprehensive income in 2014 and 2015.

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 March 31, 2014 which have not been designated as hedges totaled $38.7 million. Net realized gains recognized in connection with those forward contracts not accounted for as hedges approximated $0.8 million and $0.2 million for the three months ended March 31, 2013 and 2014, respectively, offsetting losses on our intercompany receivables of $(1.5) million and $(0.3) million for the three months ended March 31, 2013 and 2014, respectively. These gains and losses have been recorded in selling and administrative expense in the consolidated condensed statements of comprehensive income.

We record these forward foreign exchange contracts at fair value; the following tables summarize the fair value for forward foreign exchange contracts outstanding at December 31, 2013 and March 31, 2014:

December 31, 2013	Asset Balance Sheet Location	Fair Value	Liabilities Balance Sheet Location	Fair Value	Net Fair Value
Derivatives designated as hedged instruments:					
Foreign exchange contracts	Other current liabilities	$(975)	Other current liabilities	$3,172	$2,197
Derivatives not designated as hedging instruments:					
Foreign exchange contracts	Other current liabilities	(52)	Other current liabilities	78	26
Total derivatives		$(1,027)		$3,250	$2,223

6

Table of Contents

March 31, 2014	Asset Balance Sheet Location	Fair Value	Liabilities Balance Sheet Location	Fair Value	Net Fair Value
Derivatives designated as hedged instruments:					
Foreign exchange contracts	Other current liabilities	$(1,503)	Other current liabilities	$2,550	$1,047
Derivatives not designated as hedging instruments:					
Foreign exchange contracts	Other current liabilities	(3)	Other current liabilities	36	33
Total derivatives		$(1,506)		$2,586	$1,080

Our forward foreign exchange contracts are subject to a master netting agreement and qualify for netting in the consolidated balance sheets. Accordingly, at December 31, 2013 and March 31, 2014 we have recorded the net fair value of $2.2 million and $1.1 million, respectively, in other current liabilities.

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 March 31, 2014 consist of forward foreign exchange contracts. The Company values its forward foreign exchange contracts using quoted prices for similar assets. The most significant assumption is quoted currency rates. 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 consolidated condensed balance sheets for cash and cash equivalents, accounts receivable, accounts payable and long-term debt approximate fair value.

Note 5 - Inventories

Inventories consist of the following:

	December 31, 2013	March 31, 2014
Raw materials	$39,029	$43,865
Work-in-process	14,736	16,193
Finished goods	89,446	92,115
Total	$143,211	$152,173

7

Table of Contents

Note 6 – Earnings Per Share

Basic earnings per share ("basic EPS") is computed by dividing net income by the weighted average number of common shares outstanding for the reporting period. Diluted earnings per share ("diluted EPS") gives effect to all dilutive potential shares outstanding resulting from employee stock options, restricted stock units, performance share units and stock appreciation rights ("SARs") during the period. The following table sets forth the computation of basic and diluted earnings per share for the three months ended March 31, 2013 and 2014.

	Three Months Ended March 31,	
	2013	2014
Net income	$10,492	$8,626
Basic – weighted average shares outstanding	28,127	27,349
Effect of dilutive potential securities	373	505
Diluted – weighted average shares outstanding	28,500	27,854
Net income		
Basic (per share)	$0.37	$0.32
Diluted (per share)	$0.37	$0.31

The shares used in the calculation of diluted EPS exclude options and SARs to purchase shares where the exercise price was greater than the average market price of common shares for the period. Shares excluded from the calculation of diluted EPS aggregated 0.3 million and 0.0 million for the three months ended March 31, 2013 and 2014, respectively.

Note 7 – Goodwill and Other Intangible Assets

The changes in the net carrying amount of goodwill for the three months ended March 31, 2014 are as follows:

Balance as of December 31, 2013	$248,428
Foreign currency translation	(5)
Balance as of March 31, 2014	$248,423

Other intangible assets consist of the following:

8

	December 31, 2013		March 31, 2014	
	Gross Carrying Amount	Accumulated Amortization	Gross Carrying Amount	Accumulated Amortization
Amortized intangible assets:				
Customer relationships	$135,690	$(54,982)	$135,690	$(56,189)
Promotional, marketing & distribution rights	149,376	(12,000)	149,376	(13,500)
Patents and other intangible assets	53,903	(39,091)	53,905	(39,704)
Unamortized intangible assets:				
Trademarks and tradenames	86,544	—	86,544	—
	$425,513	$(106,073)	$425,515	$(109,393)

Customer relationships, trademarks, tradenames, patents and other intangible assets primarily represent allocations of purchase price to identifiable intangible assets of acquired businesses. Promotional, marketing and distribution rights represent intangible assets created under our Sports Medicine Joint Development and Distribution Agreement (the "JDDA") with Musculoskeletal Transplant Foundation (“MTF”).

On January 3, 2012, the Company entered into the JDDA with MTF to obtain MTF's worldwide promotion rights with respect to allograft tissues within the field of sports medicine and related products. The initial consideration from the Company included a $63.0 million up-front payment for the rights and certain assets, with an additional $84.0 million contingently payable over a four year period depending on MTF meeting supply targets for tissue. On January 3, 2013 and January 3, 2014, we paid $34.0 million and $16.7 million, respectively, of the additional consideration; $16.7 million of the additional consideration is due within the next fiscal year with the remainder due in 2016. The $33.3 million related to the remaining contingent obligation as of March 31, 2014 is accrued in other current and other long term liabilities as we believe it is probable MTF will meet the supply targets.

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

Amortization expense related to intangible assets which are subject to amortization totaled $3,488 and $3,320 in the three months ended March 31, 2013 and 2014, respectively, and is included as a reduction of revenue (for amortization related to our promotional, marketing and distribution rights) and in selling and administrative expense (for all other intangible assets) on the consolidated condensed statements of comprehensive income. The weighted average amortization period for intangible assets which are amortized is 27 years. Customer relationships are being amortized over a weighted average life of 33 years. Promotional, marketing and distribution rights are being amortized over a weighted average life of 25 years. Patents and other intangible assets are being amortized over a weighted average life of 14 years.

The estimated intangible asset amortization expense for the year ending December 31, 2014, including the three month period ended March 31, 2014 and for each of the five succeeding years is as follows:

Table of Contents

	Amortization included in expense	Amortization recorded as a reduction of revenue	Total
2014	$7,134	$6,000	$13,134
2015	6,670	6,000	12,670
2016	6,567	6,000	12,567
2017	6,543	6,000	12,543
2018	6,498	6,000	12,498
2019	6,498	6,000	12,498

Note 8 – 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 three months ended March 31, are as follows:

	2013	2014
Balance as of January 1,	$3,636	$2,422
Provision for warranties	908	828
Claims made	(1,113)	(873)
Balance as of March 31,	$3,431	$2,377

Note 9 – Pension Plan

Net periodic pension (income) costs consist of the following:

	Three Months Ended March 31,	
	2013	2014
Service cost	$68	$72
Interest cost on projected benefit obligation	769	877
Expected return on plan assets	(1,319)	(1,496)
Net amortization and deferral	732	427
Net periodic pension (income) cost	$250	$(120)

We do not expect to make any pension contributions during 2014.

Note 10 – Other Expense

10

Table of Contents

Other expense consists of the following:

	Three Months Ended March 31,	
	2013	2014
Administrative consolidation costs	$1,604	$713
Costs associated with patent dispute, and other matters	209	2,484
Other expense	$1,813	$3,197

During 2013 and 2014, we restructured certain administrative functions. For the three months ended March 31, 2013 and 2014, we incurred $1.6 million and $0.7 million, respectively, in related costs consisting principally of severance charges.

During the three months ended March 31, 2013 and 2014, we incurred $0.2 million and $1.9 million, respectively, in legal costs associated with a patent infringement claim, and in 2014, it also included $0.9 million in settlement costs as further described in Note 12. In addition, 2014 also included $0.6 million in consulting fees.

Note 11 — Business Segments

Our product lines consist of orthopedic surgery, general surgery and surgical visualization. Orthopedic surgery consists of sports medicine instrumentation and small bone, large bone and specialty powered surgical instruments and service fees related to the promotion and marketing of sports medicine allograft tissue. General surgery consists of a complete line of endo-mechanical instrumentation for minimally invasive laparoscopic and gastrointestinal procedures, a line of cardiac monitoring products as well as electrosurgical generators and related instruments. Surgical visualization consists of 2D and 3D video systems for use in minimally invasive orthopedic and general surgery. These product lines' net sales are as follows:

	Three Months Ended March 31,	
	2013	2014
Orthopedic surgery	$105,013	$105,948
General surgery	66,849	63,460
Surgical visualization	15,152	12,533
Consolidated net sales	$187,014	$181,941

Note 12 – Legal Proceedings

From time to time, we are subject to claims alleging product liability, patent infringement, corrupt practices or other claims incurred in the ordinary course of business. These may involve our United States or foreign operations, or sales by foreign distributors. Likewise, from time to time, the Company may receive an information request or subpoena from a government agency such as the Securities and Exchange Commission, Department of Justice, 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 information requests or 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 as required as a matter of law. In some cases we may be entitled to indemnification by third parties. We establish reserves sufficient to cover probable losses associated with 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 financial 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.

In September 2012, Bonutti Skeletal Innovations, LLC, an affiliate of Acacia Research Group, filed a complaint in the United States District Court for the Middle District of Florida against CONMED and certain of its subsidiaries. The Complaint asserts that select CONMED products infringe patents allegedly owned by Bonutti Skeletal Innovations. On the same day that it sued CONMED, Bonutti Skeletal Innovations sued several other orthopedic companies. The Company believed, and continues to believe, that the products in question do not infringe the patents-in-suit, and the Company vigorously defended the claims. In an order and decision dated March 25, 2014, the Court construed eight of the claims asserted in the case in a manner largely adverse to the plaintiff. In addition, on March 11 and March 28, 2014, the United States Patent Office granted CONMED's petitions for inter partes review with respect to two of the patents-in-suit. On April 3, 2014, CONMED and Acacia agreed to settle the claims for a payment by CONMED of $0.9 million. This amount was accrued at March 31, 2014.

During the third quarter of 2013, the FDA inspected our Centennial, CO manufacturing facility and issued a Form 483 with observations on September 20, 2013. The Company subsequently submitted responses to the observations, and the FDA issued a Warning Letter on January 30, 2014 relating to the inspection and the responses to the Form 483 Observations. Accordingly, we are undertaking corrective actions that may involve additional costs for the Company. These remediation costs are not expected to be material, however there can be no assurance that the actions undertaken by the Company will ensure that the Company will not undertake recalls, voluntary or otherwise, nor can there be any assurance that a future inspection by the FDA will not result in an additional Form 483 or warning letter, or other regulatory actions which may include consent decrees or fines.

Note 13 – New Accounting Pronouncements

There were no new accounting pronouncements that impacted our financial statements during the first quarter of 2014.

Note 14 – Restructuring

We incurred the following restructuring costs:

	Three Months Ended March 31,	
	2013	2014
Restructuring costs included in cost of sales	$1,622	$948
Restructuring costs included in other expense	$1,604	$713

During 2013 and 2014, we continued our operational restructuring plan which includes the transfer of additional production lines from manufacturing facilities located in the United States to our manufacturing facility in Chihuahua, Mexico; the consolidation of our Finland operations into our Largo, Florida and Utica, New York manufacturing facilities; the consolidation of our Westborough, Massachusetts operations into our Largo, Florida and Chihuahua, Mexico facilities; and the consolidation of our Centennial, Colorado manufacturing operations into other existing CONMED manufacturing facilities. We believe the consolidation of our Finland and Westborough, Massachusetts operations are substantially complete and our Centennial, Colorado consolidation is to be completed over the next 24 months. We incurred $1.6 million and $0.9 million in costs associated with the operational restructuring during the three months ended March 31, 2013 and 2014, respectively. These costs were charged to cost of goods sold and include severance and other charges associated with the transfer of production to Mexico and consolidation of our Finland, Westborough, Massachusetts and Centennial, Colorado operations.

Table of Contents

Restructuring costs included in other expense are described more fully in Note 10.

We have recorded an accrual in current liabilities of $1.7 million at March 31, 2014 mainly related to severance and lease impairment costs associated with the restructuring. Below is a rollforward of the accrual:

Balance as of January 1, 2014	$3,128	
Expenses incurred	365	
Payments made	(1,817	)
Balance at March 31, 2014	$1,676	

Note 15 - Income Taxes

A provision for income taxes has been recorded at an effective tax rate of 45.6% for the quarter ended March 31, 2014 compared to the 26.3% effective tax rate recorded in the same period a year ago due to tax legislation changes. In New York State, corporate tax reform enacted in March 2014 changed the tax rate of a manufacturing company such as CONMED to essentially 0%. While this will be positive for the future, previously recorded New York State deferred tax assets of $2.3 million that would have been used to offset taxes otherwise payable, no longer have value due to a zero percent tax rate. Accordingly, we have written off these New York State tax assets as a non-cash charge to income tax expense.

13

Table of Contents

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

Forward-Looking Statements

In this Report on Form 10-Q, we make forward-looking statements about our financial condition, results of operations and business. Forward-looking statements are statements made by us concerning events that may or may not occur in the future. These statements may be made directly in this document or may be "incorporated by reference" from other documents. Such statements may be identified by the use of words such as "anticipates", "expects", "estimates", "intends" and "believes" and variations thereof and other terms of similar meaning.

Forward-Looking Statements are not Guarantees of Future Performance

Forward-looking statements involve known and unknown risks, uncertainties and other factors, including those that may cause our actual results, performance or achievements, or industry results, to be materially different from any future results, performance or achievements expressed or implied by such forward-looking statements. Such factors include those identified under "Risk Factors" in our Annual Report on Form 10-K for the year-ended December 31, 2013 and the following, among others:

- 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 tissue 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; and
- changes in regulatory requirements.

See "Management's Discussion and Analysis of Financial Condition and Results of Operations" below and "Risk Factors" and "Business" in our Annual Report on Form 10-K for the year-ended December 31, 2013 for a further discussion of these factors. You are cautioned not to place undue reliance on these forward-looking statements, which speak only as of the date hereof. We do not undertake any obligation to publicly release any revisions to these forward-looking statements to reflect events or circumstances after the date of this Quarterly Report on Form 10-Q or to reflect the occurrence of unanticipated events.

Overview:

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 are used by surgeons and physicians in a variety of specialties including orthopedics, general surgery, gynecology, neurosurgery and gastroenterology. These product lines as a percentage of consolidated net sales are as follows:

14

	Three Months Ended March 31,			
	2013		2014	
Orthopedic surgery	56.2	%	58.2	%
General surgery	35.7	%	34.9	%
Surgical visualization	8.1	%	6.9	%
Consolidated net sales	100.0	%	100.0	%

A significant amount of our products are used in surgical procedures with the majority of our revenues derived from the sale of single-use 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 and Mexico. We market our products both domestically and internationally directly to customers and through distributors. International sales represent a significant portion of our business. During the three months ended March 31, 2014 international sales approximated 52.0% of total net sales.

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 Y-Knot® Flex System for instability repairs featuring the smallest double-loaded (1.8mm) anchors available and curved, flexible instrumentation to help surgeons achieve ideal anchor placement and the Y-Knot® RC anchors for rotator cuffs are the world's only self-punching all-suture anchors which helps simplify techniques while its small size is designed to improve placement options; the new D4000 Resection System featuring an intuitive touchscreen display and direct pump integration for a seamless clinical experience; the IM8000 2DHD Camera System can be used in multi-specialty procedures and includes a new autoclavable camera head featuring proprietary CMOS technology for clear, crisp imagery and a new LS8000 LED light source providing improved light sensitivity for clearer visualization; the new Hall 50™ Powered Instrument System can be used in total joint replacements featuring lighter, ergonomically-designed handpieces to provide a comfortable, high-performance clinical experience while the new Hall UL-approved autoclavable lithium batteries deliver dependable, long-lasting power and the unique, multi-tray system also provides hospitals with new levels of sterilization convenience; the new GS2000 50L Insufflator features the market's fastest flow rate and a dual-tank shuttle valve system to help provide clear and consistent laparoscopic visualization; the EntriPort line of trocars help deliver effective sealing and clear visualization in a wide range of sizes optimal for nearly every minimally invasive abdominal surgical application; our new D-Flex probes were designed for use with the da Vinci® Surgical System and enable non-contact hemostasis with argon gas and our DetachaTip® III Multi-Use Endosurgery Instruments offer the optimal blend of performance and cost efficiency - combining precise, reliable, and comfortable performance with dramatically reduced procedural costs.

Business Challenges

Significant volatility in the financial markets and foreign currency exchange rates as well as 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 2011 and 2012, we experienced a sales decline during 2013 and the first quarter of 2014. We are cautiously optimistic that the world's economic environment is improving, but 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. During the third quarter of 2013, the FDA inspected our Centennial, CO manufacturing facility and issued a Form 483 with observations on September 20, 2013. The Company subsequently submitted responses to the observations, and the FDA issued a Warning Letter on January 30, 2014 relating to the inspection and the responses to the Form 483 Observations. Accordingly, we are undertaking corrective actions that may involve additional costs for the Company. These remediation costs are not expected to be material, however there can be no assurance that the actions undertaken by the Company will ensure that the Company will not undertake recalls, voluntary or otherwise, nor can there be any assurance that a future inspection by the FDA will not result in an additional Form 483 or warning letter, or other regulatory actions which may include consent decrees or fines.

Critical Accounting Policies

Preparation of our financial statements requires us to make estimates and assumptions which affect the reported amounts of assets, liabilities, revenues and expenses. Note 1 to the Consolidated Financial Statements in our Annual Report on Form 10-K for the year-ended December 31, 2013 describes 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. There have been no significant changes in our critical accounting estimates during the three months ended March 31, 2014.

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 and collectability is reasonably assured.

- We place certain of our capital equipment with customers on a loaned basis in return for commitments to purchase related single-use 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.

- We recognize revenues related to the promotion and marketing of sports medicine allograft tissue in accordance with the contractual terms of our agreement with Musculoskeletal Transplant Foundation ("MTF") on a net basis as our role is limited to that of an agent earning a commission or fee. MTF records revenue when the tissue is shipped to the customer. Our services are completed at this time and net revenues for the "Service Fee" for our promotional and marketing efforts are then recognized based on a percentage of the net amounts billed by MTF to its customers. The timing of revenue recognition is determined through review of the net billings made by MTF each month. Our net commission Service Fee is based on the contractual terms of our agreement and is currently 50%. This percentage can vary over the term of the agreement but is contractually determinable. Our Service Fee revenues are recorded net of amortization of the acquired assets, which are being expensed over the expected useful life of 25 years.

- 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.

16

Table of Contents

- 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 are included in selling and administrative expense.
- 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 $1.5 million at March 31, 2014 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. Customer relationships, trademarks, tradenames, patents, and other intangible assets primarily represent allocations of purchase price to identifiable intangible assets of acquired businesses. Promotional, marketing and distribution rights represent intangible assets created under our Sports Medicine Joint Development and Distribution Agreement (the "JDDA") with Musculoskeletal Transplant Foundation (“MTF”). We have accumulated goodwill of $248.4 million and other intangible assets of $316.1 million as of March 31, 2014.

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 business. 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. During 2013, we completed our goodwill impairment testing with data as of October 1, 2013. We performed a Step 1 impairment test in accordance with ASC 350 utilizing the market capitalization approach to determine whether the fair value of a reporting unit is less than its carrying amount. Based upon our assessment, we believe the fair value continues to exceed carrying value by 99%.
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 useful life 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.

For all other indefinite lived intangible assets, we perform a qualitative impairment test in accordance with ASC 350. Based upon this assessment, we have determined that it is unlikely that our indefinite lived intangible assets are impaired.

Pension Plan

We sponsor a defined benefit pension plan (the "pension plan") that was frozen in 2009. It covered substantially all our United States based employees at the time it was frozen. Major assumptions used in accounting for the plan include the discount rate, expected return on plan assets, rate of increase in employee compensation levels and expected mortality. Assumptions are determined based on Company data and appropriate market indicators, and are evaluated annually as of the plan's measurement date. A change in any of these assumptions would have an effect on net periodic pension costs reported in the consolidated financial statements.

The weighted-average discount rate used to measure pension liabilities and costs is set by reference to the Citigroup Pension Liability Index. However, this index gives only an indication of the appropriate discount rate because the cash flows of the bonds comprising the index do not match precisely the projected benefit payment stream of the plan. 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 2013 and 2014 pension expense are 3.90% and 4.75%, 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.

For the three months ending March 31, 2014 we recorded pension income of $0.1 million. Pension income in 2014 is expected to be $0.5 million compared to expense of $2.6 million in 2013. We do not expect to make any contributions during 2014.

See Note 9 to the Consolidated Condensed 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.

Table of Contents

Income Taxes

The recorded future tax benefit arising from deductible temporary differences and tax carryforwards is approximately $33.0 million at March 31, 2014. 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 2012. Tax years subsequent to 2012 are subject to future examination.

Results of Operations

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

	Three Months Ended March 31,			
	2013		2014	
Net sales	100.0	%	100.0	%
Cost of sales	45.1		43.6	
Gross profit	54.9		56.4	
Selling and administrative expense	41.6		40.6	
Research and development expense	3.0		3.8	
Medical device excise tax	0.8		0.7	
Other expense	1.0		1.8	
Income from operations	8.5		9.5	
Loss on early extinguishment of debt	0.1		—	
Interest expense	0.7		0.8	
Income before income taxes	7.7		8.7	
Provision for income taxes	2.0		4.0	
Net income	5.7	%	4.7	%

Quarter ended March 31, 2014 compared to quarter ended March 31, 2013

Sales for the quarter ended March 31, 2014 were $181.9 million, a decrease of $5.1 million (-2.7%) compared to sales of $187.0 million in the same period a year ago with decreases in the visualization and general surgery product lines. Sales of capital equipment decreased $3.7 million (-9.4%) to $35.5 million in the quarter ended March 31, 2014 from $39.2 million in the same period a year ago; sales of single-use products decreased $1.4 million (-0.9%) to $146.4 million in the quarter ended March 31, 2014 from $147.8 million in the same period a year ago. On a local currency basis, excluding the effects of our hedging program, sales of capital equipment decreased 8.9% and single-use products decreased 0.1%.

- Orthopedic surgery sales increased $0.9 million (0.9%) in the quarter ended March 31, 2014 to $105.9 million from $105.0 million in the same period a year ago mainly due to higher sales in our soft tissue fixation products and large bone handpieces. In local currency, excluding the effects of the hedging program, sales increased 1.9%.

•

General surgery sales decreased $3.3 million (-4.9%) in the quarter ended March 31, 2014 to $63.5 million from $66.8 million in the same period a year ago mainly due to lower sales in our advanced energy, gastrointestinal & pulmonary and patient monitoring products. In local currency, excluding the effects of the hedging program, sales decreased 4.6%.

- Surgical visualization sales decreased $2.7 million (-17.8%) in the quarter ended March 31, 2014 to $12.5 million from $15.2 million in the same period a year ago due to lower video system product sales. In local currency, excluding the effects of the hedging program, sales decreased 17.1%.

Cost of sales decreased to $79.4 million in the quarter ended March 31, 2014 as compared to $84.3 million in the same period a year ago. Gross profit margins increased 1.5 percentage points to 56.4% in the quarter ended March 31, 2014 as compared to 54.9% in the same period a year ago. The increase in gross profit margins of 1.5 percentage points is primarily a result of the lower costs resulting from the restructuring initiatives we have completed throughout our operations.

Selling and administrative expense decreased to $73.8 million in the quarter ended March 31, 2014 as compared to $77.7 million in the same period a year ago. Selling and administrative expense as a percentage of net sales decreased to 40.6% in the quarter ended March 31, 2014 as compared to 41.6% in the same period a year ago. The current quarter expense is consistent with historic spending levels including full year 2013 selling and administrative expense of 40.6% of sales.

Research and development expense increased to $6.9 million in the quarter ended March 31, 2014 as compared to $5.7 million in the same period a year ago. As a percentage of net sales, research and development expense increased to 3.8% in the quarter ended March 31, 2014 compared to 3.0% in the same period a year ago. The increase of 0.8 percentage points is mainly a result of the timing of development projects.

The medical device excise tax expense decreased to $1.3 million in the quarter ended March 31, 2014 as compared to $1.6 million in the same period a year ago due to lower domestic sales associated with the tax.

As discussed in Note 10 to the Consolidated Condensed Financial Statements, other expense in the quarter ended March 31, 2014 consisted of a $0.7 million charge related to administrative consolidation expenses, $1.9 million in legal and related settlement costs associated with a patent infringement claim as further described in Note 12 and $0.6 million in consulting charges. Other expense in the quarter ended March 31, 2013 consisted of a $1.6 million charge related to administrative consolidation expenses and $0.2 million in legal costs associated with a patent infringement claim as further described in Note 12.

During the quarterly period ending March 31, 2013, we recorded a $0.3 million loss on early extinguishment of debt related to the write-off of unamortized deferred financing costs under the previously existing senior credit agreement.

Interest expense was $1.5 million in the quarter ended March 31, 2014 compared to $1.4 million in the same period a year ago. Interest expense increased due to the cost associated with higher weighted average borrowings offset by lower weighted average interest rates on those borrowings in the quarter ended March 31, 2014 as compared to the same period a year ago. The weighted average interest rates on our borrowings decreased to 2.36% in the quarter ended March 31, 2014 as compared to 2.43% in the same period a year ago.

A provision for income taxes has been recorded at an effective tax rate of 45.6% for the quarter ended March 31, 2014 compared to the 26.3% effective tax rate recorded in the same period a year ago due to tax legislation changes. In New York State, corporate tax reform enacted in March 2014 changed the tax rate of a manufacturing company such as CONMED to essentially 0%. While this will be positive for the future, previously recorded New York State deferred tax assets of $2.3 million that would have been used to offset taxes otherwise payable, no longer have value due to a zero percent tax rate. Accordingly, we have written off these New York State tax assets as a non-cash charge to income tax expense. The effective tax rate is also higher for the quarter ended March 31, 2014 compared to the same period a year ago due to legislation enacted in the quarter ended March 31, 2013 that retroactively reinstated the 2012 federal research and development credit. A reconciliation of the United States statutory income tax rate to our effective tax rate is included in our Annual Report on Form 10-K for the year-ended December 31, 2013, Note 6 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 amended and restated senior credit agreement, described below. 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 amended and restated senior credit agreement and borrowings under separate loan facilities, in the case of real property purchases, to finance our acquisitions. We also have the ability to raise funds through the sale of stock or we may issue debt through a private placement or public offering. We believe that our cash on hand, cash from operating activities and proceeds from our amended and restated senior credit agreement provide us with sufficient financial resources to meet our anticipated capital requirements and obligations as they come due.

Table of Contents

Operating cash flows

Our net working capital position was $266.7 million at March 31, 2014. Net cash provided by operating activities was $17.0 million in the three months ended March 31, 2014 and $5.5 million in the same period a year ago generated on net income of $8.6 million and $10.5 million for the three months ended March 31, 2014 and 2013, respectively.

The increase in cash provided by operating activities is primarily the result of 2013 including a large contribution to the pension plan and no such contributions were made in 2014 as well as changes in working capital accounts in 2014.

Investing cash flows

Net cash used in investing activities in the three months ended March 31, 2014 consisted of capital expenditures. Capital expenditures were $4.1 million for both the three month periods ended March 31, 2013 and 2014 and are expected to approximate $20.0 million in 2014.

Financing cash flows

Financing activities in the first quarter of 2014 resulted in a use of cash of $11.2 million compared to proceeds of cash of $7.6 million in the same period a year ago. We had proceeds from the issuance of common stock under our equity compensation plans and employee stock purchase plan of $0.7 million in 2014 compared to $7.6 million in 2013. Dividend payments related to our common stock were $5.5 million in 2014 compared to $4.3 million in 2013. Cash from borrowings on our revolving credit facility under our amended and restated senior credit agreement were $27.0 million in 2014 compared to $64.0 million in 2013. These amounts were offset by lower repurchases of common stock totaling $16.9 million in 2014 compared to $25.7 million in 2013; and we made a $16.7 million payment in 2014 compared to a $34.0 million payment in 2013 associated with the distribution and development agreement with MTF.

On January 17, 2013, we entered into an amended and restated $350.0 million senior credit agreement (the "amended and restated senior credit agreement"). The amended and restated senior credit agreement consists of a $350.0 million revolving credit facility expiring on January 17, 2018. The amended and restated senior credit agreement was used to repay borrowings outstanding on the revolving credit facility under the then existing senior credit agreement. In connection with the refinancing, we recorded a $0.3 million loss on the early extinguishment of debt related to the write-off of unamortized deferred financing costs under the then existing senior credit agreement. Interest rates are at LIBOR plus 1.50% (1.79% at March 31, 2014) or an alternative base rate. For those borrowings where we elect to use the alternative base rate, the base rate will be the greater of the Prime Rate, the Federal Funds Rate in effect on such date plus 0.50%, or the one month Eurocurrency rate plus 1%, plus an additional margin of 0.625%.

There were $235.0 million in borrowings outstanding on the $350.0 million revolving credit facility of the amended and restated senior credit agreement as of March 31, 2014. Our available borrowings on the revolving credit facility of the amended and restated senior credit agreement at March 31, 2014 were $107.9 million with approximately $7.1 million of the facility set aside for outstanding letters of credit.

The amended and restated 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 March 31, 2014. 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 Largo, Florida property and facilities 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 $7.6 million at March 31, 2014. The mortgage note is collateralized by the Largo, Florida property and facilities.

Our Board of Directors authorized a $200.0 million share repurchase program. Through March 31, 2014, we have repurchased a total of 6.1 million shares of common stock aggregating $162.6 million under this program and have $37.4 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 $16.9 million under the share repurchase program during the first three months of 2014. We have financed the repurchases and

Table of Contents

may finance additional repurchases through operating cash flow and from available borrowings under our amended and restated senior credit agreement.

During 2012, the Board of Directors adopted a cash dividend policy. The $0.20 per share dividend for the first quarter of 2014 was paid on April 7, 2014 to shareholders of record as of March 17, 2014. The total dividend payable at March 31, 2014 was $5.4 million and is included in other current liabilities in the consolidated condensed balance sheet.

Management believes that cash flow from operations, including cash and cash equivalents on hand and available borrowing capacity under our amended and restated 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.

Restructuring

During 2013 and 2014, we continued our operational restructuring plan which includes the transfer of additional production lines from manufacturing facilities located in the United States to our manufacturing facility in Chihuahua, Mexico; the consolidation of our Finland operations into our Largo, Florida and Utica, New York manufacturing facilities; the consolidation of our Westborough, Massachusetts operations into our Largo, Florida and Chihuahua, Mexico facilities; and the consolidation of our Centennial, Colorado manufacturing operations into other existing CONMED manufacturing facilities. We believe the consolidation of our Finland and Westborough, Massachusetts operations are substantially complete and our Centennial, Colorado consolidation is to be completed over the next 24 months. We incurred $1.6 million and $0.9 million in costs associated with the operational restructuring during the three months ended March 31, 2013 and 2014, respectively. These costs were charged to cost of goods sold and include severance and other charges associated with the transfer of production to Mexico and consolidation of our Finland, Westborough, Massachusetts and Centennial, Colorado operations.

During 2013 and 2014, we restructured certain administrative functions throughout the Company. For the three months ended March 31, 2013 and 2014 we incurred $1.6 million and $0.7 million, respectively, in related costs consisting principally of severance charges. These costs were charged to other expense.

We have recorded an accrual in current liabilities of $1.7 million at March 31, 2014 mainly related to severance and lease impairment costs associated with the restructuring.

We plan to 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 costs and other exit costs. We estimate restructuring costs and other costs will approximate $7.5 million to $8.5 million for the remainder of 2014 and will be recorded to cost of goods sold and other expense.

See Note 14 to the Consolidated Condensed Financial Statements for further discussions regarding restructuring.

New accounting pronouncements

See Note 13 to the Consolidated Condensed Financial Statements for a discussion of new accounting pronouncements.

Item 3. Quantitative and Qualitative Disclosures About Market Risk

There have been no significant changes in our primary market risk exposures or in how these exposures are managed during the three months ended March 31, 2014. Reference is made to Item 7A. of our Annual Report on Form 10-K for the year-ended December 31, 2013 for a description of Qualitative and Quantitative Disclosures About Market Risk.

Item 4. Controls and Procedures

An evaluation of the effectiveness of the design and operation of the Company's disclosure controls and procedures (as defined in Rules 13a-15(e) and 15d-15(e) under the Securities Exchange Act of 1934, as amended ("Exchange Act")) was carried out under the supervision and with the participation of the Company's management, including the President and Chief Executive Officer and the Executive Vice President, Finance and Chief Financial Officer ("the Certifying Officers") as of March 31, 2014. Based on that evaluation, the Certifying Officers concluded that the Company's disclosure controls and procedures are effective. There have been no changes in the Company's internal control over financial reporting (as such term is defined in Rules 13a-15(f) and 15d-15(f) under the Exchange Act) during the quarter ended March 31, 2014 that have materially affected, or are reasonably likely to materially affect, the Company's internal control over financial reporting.

Table of Contents

PART II OTHER INFORMATION

Item 1. Legal Proceedings

Reference is made to Item 3 of the Company's Annual Report on Form 10-K for the year-ended December 31, 2013 and to Note 12 of the Notes to Consolidated Condensed Financial Statements included in Part I of this Report for a description of certain legal matters.

Item 2. Issuer Purchase of Equity Securities

The following table provides information about Company purchases of equity securities that are registered by the Company pursuant to Section 12 of the Exchange Act during the quarter ended March 31, 2014:

ISSUER PURCHASES OF EQUITY SECURITIES

Period	(a) Total Number of Shares Purchased	(b) Average Price Paid per Share[1]	(c) Total Number of Shares Purchased as Part of Publicly Announced Program[2]	(d) Approximate Dollar Value of Shares That May Yet Be Purchased Under the Program
January 1, 2014 January 31, 2014	213,690	$41.98	213,690	$45,331,008
February 1, 2014 February 28, 2014	188,726	$41.81	188,726	37,439,769
March 1, 2014 March 31, 2014	—	$—	—	37,439,769
Total	402,416		402,416	

[1]Average price paid per share includes cash paid for commissions.

[2]Our Board of Directors authorized a $200.0 million share repurchase program. There is no expiration date governing the period over which the Company can make its share repurchases under the share repurchase program.

23

Item 6. Exhibits

Exhibit No.	Description of Exhibit
31.1	Certification of Joseph J. Corasanti pursuant to Rule 13a-14(a) or Rule 15d-14(a), of the Securities Exchange Act, as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
31.2	Certification of Robert D. Shallish, Jr. pursuant to Rule 13a-14(a) or Rule 15d-14(a), of the Securities Exchange Act, as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
32.1	Certification of Joseph J. Corasanti and Robert D. Shallish, Jr. pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 (Subsections (a) and (b) of Section 1350, Chapter 63 of Title 18, United States Code)
101	The following materials from CONMED Corporation's Quarterly Report on Form 10-Q for the three months ended March 31, 2014 formatted in XBRL (Extensible Business Reporting Language): (i) Consolidated Condensed Statements of Comprehensive Income for the three months ended March 31, 2013 and 2014, (ii) the Consolidated Condensed Balance Sheets at December 31, 2013 and March 31, 2014, (iii) Consolidated Condensed Statements of Cash Flows for the three months ended March 31, 2013 and 2014, and (iv) Notes to Consolidated Condensed Financial Statements for the three months ended March 31, 2014. In accordance with Rule 406T of Regulation S-T, the XBRL related information in Exhibit 101 to this Quarterly Report on Form 10-Q shall not be deemed to be “filed” for purposes of Section 18 of the Exchange Act, or otherwise subject to the liability of that section, and shall not be part of any registration statement or other document filed under the Securities Act or the Exchange Act, except as shall be expressly set forth by specific reference in such filing.

Table of Contents

SIGNATURES

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

CONMED CORPORATION
(Registrant)

Date: April 25, 2014

/s/ Robert D. Shallish, Jr.
Robert D. Shallish, Jr.
Executive Vice President, Finance and
Chief Financial Officer

25

Table of Contents

Exhibit Index

Exhibit		Sequential Page Number
31.1	Certification of Joseph J. Corasanti pursuant to Rule 13a-14(a) or Rule 15d-14(a) of the Securities Exchange Act, as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.	E-1
31.2	Certification of Robert D. Shallish, Jr. pursuant to Rule 13a-14(a) or Rule 15d-14(a) of the Securities Exchange Act, as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.	E-2
32.1	Certification of Joseph J. Corasanti and Robert D. Shallish, Jr. pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 (Subsections (a) and (b) of Section 1350, Chapter 63 of Title 18, United States Code)	E-3
101	The following materials from CONMED Corporation's Quarterly Report on Form 10-Q for the three months ended March 31, 2014 formatted in XBRL (Extensible Business Reporting Language): (i) Consolidated Condensed Statements of Comprehensive Income for the three months ended March 31, 2013 and 2014, (ii) the Consolidated Condensed Balance Sheets at December 31, 2013 and March 31, 2014, (iii) Consolidated Condensed Statements of Cash Flows for the three months ended March 31, 2013 and 2014, and (iv) Notes to Consolidated Condensed Financial Statements for the three months ended March 31, 2014. In accordance with Rule 406T of Regulation S-T, the XBRL related information in Exhibit 101 to this Quarterly Report on Form 10-Q shall not be deemed to be "filed" for purposes of Section 18 of the Exchange Act, or otherwise subject to the liability of that section, and shall not be part of any registration statement or other document filed under the Securities Act or the Exchange Act, except as shall be expressly set forth by specific reference in such filing.	

26