CONMED CORP
Form 10-Q
October 28, 2013

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-Q

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

For the quarter ended September 30, 2013	Commission File Number 0-16093

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

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

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

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.

Yes ý No o

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for shorter period that the registrant was required to submit and post such files). ý

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer or a smaller reporting company. See definition of “accelerated filer”, “large accelerated filer” and “smaller reporting company” in Rule 12b-2 of the Exchange Act (Check one).

Large accelerated filer ý   Accelerated filer o   Non-accelerated filer o   Smaller reporting company o

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act).

Yes o No ý

The number of shares outstanding of registrant's common stock, as of October 22, 2013 is 27,614,196 shares.

CONMED CORPORATION
QUARTERLY REPORT ON FORM 10-Q
FOR THE QUARTER ENDED SEPTEMBER 30, 2013

PART I FINANCIAL INFORMATION

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PART I FINANCIAL INFORMATION
Item 1.
CONMED CORPORATION
CONSOLIDATED CONDENSED STATEMENTS OF COMPREHENSIVE INCOME
(Unaudited, in thousands except per share amounts)

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2012	2013	2012	2013
Net sales	$181,885	$179,255	$565,896	$559,262
Cost of sales	83,972	83,831	267,340	258,240
Gross profit	97,913	95,424	298,556	301,022
Selling and administrative expense	74,064	73,476	222,577	228,375
Research and development expense	7,077	7,108	21,364	19,393
Medical device excise tax	—	1,427	—	4,413
Other expense	2,658	4,608	6,421	8,514
	83,799	86,619	250,362	260,695
Income from operations	14,114	8,805	48,194	40,327
Loss on early extinguishment of debt	—	—	—	263
Interest expense	1,345	1,382	4,333	4,131
Income before income taxes	12,769	7,423	43,861	35,933
Provision for income taxes	3,449	1,736	14,277	10,221
Net income	$9,320	$5,687	$29,584	$25,712
Comprehensive income	$10,197	$7,583	$28,929	$26,337
Per share data:				
Net income				
Basic	$0.33	$0.21	$1.05	$0.93
Diluted	0.32	0.20	1.03	0.91
Dividends per share of common stock	$0.15	$0.15	$0.45	$0.45
Weighted average common shares				

Basic	28,438	27,518	28,265	27,744
Diluted	28,721	27,834	28,621	28,111

See notes to consolidated condensed financial statements.

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CONMED CORPORATION
CONSOLIDATED CONDENSED BALANCE SHEETS
(Unaudited, in thousands except share and per share amounts)

	December 31, 2012	September 30, 2013
ASSETS		
Current assets:		
Cash and cash equivalents	$23,720	$49,831
Accounts receivable, net	139,124	130,589
Inventories	156,228	150,995
Income taxes receivable	2,897	3,388
Deferred income taxes	11,931	12,124
Prepaid expenses and other current assets	14,993	16,989
Total current assets	348,893	363,916
Property, plant and equipment, net	139,041	138,505
Deferred income taxes	1,057	1,183
Goodwill	248,502	248,502
Other intangible assets, net	334,185	322,698
Other assets	7,171	9,121
Total assets	$1,078,849	$1,083,925
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current liabilities:		
Current portion of long-term debt	$1,050	$1,093
Accounts payable	23,622	27,236
Accrued compensation and benefits	33,511	26,149
Income taxes payable	2,706	311
Other current liabilities	64,325	46,090
Total current liabilities	125,214	100,879
Long-term debt	160,802	224,017
Deferred income taxes	99,199	107,187
Other long-term liabilities	86,636	59,610
Total liabilities	471,851	491,693
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 2012 and 2013, respectively	313	313
Paid-in capital	324,322	324,403
Retained earnings	377,907	391,179

Accumulated other comprehensive loss	(27,581)	(26,956)
Less: 2,925,801 and 3,716,981 shares of common stock in treasury, at cost in 2012 and 2013, respectively	(67,963)	(96,707)
Total shareholders' equity	606,998	592,232
Total liabilities and shareholders' equity	$1,078,849	$1,083,925

See notes to consolidated condensed financial statements.

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

	Nine Months Ended September 30, 2012	2013
Cash flows from operating activities:		
Net income	$29,584	$25,712
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation	14,018	13,701
Amortization	20,752	21,840
Stock-based compensation	4,115	4,102
Deferred income taxes	11,752	6,802
Loss on early extinguishment of debt	—	263
Increase (decrease) in cash flows from changes in assets and liabilities:		
Accounts receivable	6,910	8,811
Inventories	(2,436)	(5,581)
Accounts payable	1,693	2,019
Income taxes receivable (payable)	(7,996)	(3,262)
Accrued compensation and benefits	(5,235)	(7,352)
Other assets	(2,723)	(2,636)
Other liabilities	(9,171)	(10,781)
	31,679	27,926
Net cash provided by operating activities	61,263	53,638
Cash flows from investing activities:		
Purchases of property, plant and equipment	(15,969)	(13,552)
Payments related to distribution agreement	(82,843)	—
Net cash used in investing activities	(98,812)	(13,552)
Cash flows from financing activities:		
Net proceeds from common stock issued under employee plans	9,414	13,027
Repurchase of common stock	—	(44,729)
Payments on senior credit agreement	(53,588)	—
Proceeds from senior credit agreement	80,000	64,000
Payment related to distribution agreement	—	(34,000)
Payments on mortgage notes	(475)	(515)
Payment related to senior subordinated notes	—	(227)
Payments related to issuance of debt	—	(1,725)
Dividends paid on common stock	(8,590)	(12,568)
Other, net	5,533	2,975
Net cash provided by (used in) financing activities	32,294	(13,762)
Effect of exchange rate changes on cash and cash equivalents	(974)	(213)

Net increase (decrease) in cash and cash equivalents	(6,229)	26,111
Cash and cash equivalents at beginning of period	26,048	23,720
Cash and cash equivalents at end of period	$19,819	$49,831
Non-cash financing activities:		
Dividends payable	$4,272	$4,128

See notes to consolidated condensed financial statements.

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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 September 30, 2013 are not necessarily indicative of the results that may be expected for the year ending December 31, 2013.

The consolidated condensed financial statements and notes thereto should be read in conjunction with the financial statements and notes for the year ended December 31, 2012 included in our Annual Report on Form 10-K.

Income taxes receivable and income taxes payable at December 31, 2012 have been revised to conform to the current year presentation.

We have reclassified the promotional, marketing and distribution rights totaling $143.6 million at December 31, 2012 from Other Assets to Other Intangible Assets to conform to current year presentation.

Note 3 – Comprehensive Income

Comprehensive income consists of the following:

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2012	2013	2012	2013
Net income	$9,320	$5,687	$29,584	$25,712
Other comprehensive income:				
Pension liability, net of income tax	450	461	1,373	1,383
Cash flow hedging gain (loss), net of income tax	(1,607)	(2,410)	(2,876)	96
Foreign currency translation adjustment	2,034	3,845	848	(854)
Comprehensive income	$10,197	$7,583	$28,929	$26,337

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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	675	—	(854)	(179)
Amounts reclassified from accumulated other comprehensive income[b]	(579)	1,383	—	804
Net current-period other comprehensive income	96	1,383	(854)	625
Balance, September 30, 2013	$(1,034)	$(28,992)	$3,070	$(26,956)

(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 cost, respectively. The amounts recorded in the chart above are for the nine months ended September 30, 2013. For the three months ended September 30, 2013, $0.1 million of the cash flow hedging gain and $0.5 million of the pension liability were reclassified from accumulated other comprehensive income to the statement of income. 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.

Foreign Currency Forward Contracts. We hedge certain forecasted intercompany transactions 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 September 30, 2013 which have been accounted for as cash flow hedges totaled $162.2 million. Net realized gains recognized for forward contracts accounted for as cash flow hedges approximated $1.0 million and $0.1 million for the three months ended September 30, 2012 and 2013, respectively, and $3.2 million and $0.6 million for the nine months ended September 30, 2012 and 2013, 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 $1.0 million at September 30, 2013. It is expected these unrealized losses will be recognized in the consolidated statements of comprehensive income in 2013 and 2014.

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 September 30, 2013 which have not been designated as hedges totaled $41.1 million. Net realized losses recognized in connection with those forward contracts not accounted for as hedges approximated $(1.2) million and $(1.1) million for the three months ended September 30, 2012 and 2013, respectively, offsetting gains on our intercompany receivables of $1.0 million and $0.9 million for the three months ended September 30, 2012 and 2013, respectively. Net realized losses recognized in connection with those forward contracts not accounted for as hedges approximated $(1.6) million and $(0.3) million for the nine months ended September 30, 2012 and 2013, respectively, offsetting gains (losses) on our intercompany receivables of $0.7 million and $(0.7) million for the

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nine months ended September 30, 2012 and 2013, respectively. These gains and losses have been recorded in selling and administrative expense in the consolidated statements of operations.

We record these forward foreign exchange contracts at fair value; the following tables summarize the fair value for forward foreign exchange contracts outstanding at December 31, 2012 and September 30, 2013:

December 31, 2012	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	$(457)	Other current liabilities	$2,249	$1,792
Derivatives not designated as hedging instruments:					
Foreign exchange contracts	Other current liabilities	—	Other current liabilities	150	150
Total derivatives		$(457)		$2,399	$1,942

September 30, 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	$(716)	Other current liabilities	$2,356	$1,640
Derivatives not designated as hedging instruments:					
Foreign exchange contracts	Other current liabilities	(9)	Other current liabilities	33	24
Total derivatives		$(725)		$2,389	$1,664

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, 2012 and September 30, 2013 we have recorded the net fair value of $1.9 million and $1.7 million, respectively, in other current liabilities.

Fair Value Disclosure. Financial Accounting Standards Board ("FASB") guidance defines fair value and 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.

As of September 30, 2013, we do not have any significant non-recurring measurements of non-financial assets and non-financial liabilities.

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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 September 30, 2013 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 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, 2012	September 30, 2013
Raw materials	$45,115	$41,697
Work-in-process	14,229	16,198
Finished goods	96,884	93,100
Total	$156,228	$150,995

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 and nine months ended September 30, 2012 and 2013.

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2012	2013	2012	2013
Net income	$9,320	$5,687	$29,584	$25,712
Basic – weighted average shares outstanding	28,438	27,518	28,265	27,744
Effect of dilutive potential securities	283	316	356	367
Diluted – weighted average shares outstanding	28,721	27,834	28,621	28,111

Net income				
Basic (per share)	$0.33	$0.21	$1.05	$0.93
Diluted (per share)	$0.32	$0.20	$1.03	$0.91

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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 0.4 million and 0.0 million for the three months ended September 30, 2012 and 2013, respectively. Shares excluded from the calculation of diluted EPS aggregated 0.4 million and 0.0 million for the nine months ended September 30, 2012 and 2013, respectively.

Note 7 – Goodwill and Other Intangible Assets

The changes in the net carrying amount of goodwill for the nine months ended September 30, 2013 are as follows:

Balance as of December 31, 2012, as reported	$256,821
Reduction in goodwill resulting from a business acquisition purchase price allocation adjustment	(8,319)
Balance as of December 31, 2012, as revised, and September 30, 2013	$248,502

During 2013, we finalized the allocation of purchase price related to our acquisition of Viking Systems, Inc.. We recorded a deferred tax asset of $8.3 million relating to the acquired net operating losses, which resulted in a corresponding reduction to goodwill. There have been no other changes in the consideration paid, working capital, or other acquired assets and liabilities, other than those described above, since December 31, 2012.

Other intangible assets consist of the following:

	December 31, 2012		September 30, 2013	
	Gross Carrying Amount	Accumulated Amortization	Gross Carrying Amount	Accumulated Amortization
Amortized intangible assets:				
Customer relationships	$135,690	$(50,083)	$135,690	$(53,815)
Promotional, marketing & distribution rights	149,376	(6,000)	149,376	(10,500)
Patents and other intangible assets	54,412	(37,554)	52,005	(38,402)
Unamortized intangible assets:				
Trademarks and tradenames	88,344	—	88,344	—
	$427,822	$(93,637)	$425,415	$(102,717)

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, we paid $34.0 million of the additional consideration; $16.7 million of the additional consideration is due within the next fiscal year with the remainder due

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in equal installments in each year thereafter. The $50.0 million related to the remaining contingent obligation is accrued in other current and other long term liabilities as we believe it is probable MTF will meet the supply targets.

Amortization expense related to intangible assets which are subject to amortization totaled $3,429 and $10,291 in the three and nine months ended September 30, 2012 and $3,353 and $9,080 in the three and nine months ended September 30, 2013, 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 15 years.

The estimated intangible asset amortization expense for the year ending December 31, 2013, including the nine month period ended September 30, 2013 and for each of the five succeeding years is as follows:

	Amortization included in expense	Amortization recorded as a reduction of revenue	Total
2013	$7,409	$6,000	$13,409
2014	7,006	6,000	13,006
2015	6,618	6,000	12,618
2016	6,515	6,000	12,515
2017	6,503	6,000	12,503
2018	6,446	6,000	12,446

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 nine months ended September 30, are as follows:

	2012	2013
Balance as of January 1,	$3,618	$3,636
Provision for warranties	3,136	2,310
Claims made	(3,093)	(2,927)
Balance as of September 30,	$3,661	$3,019

Note 9 – Pension Plan

Net periodic pension costs consist of the following:

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	Three Months Ended September 30,		Nine Months Ended September 30,	
	2012	2013	2012	2013
Service cost	$65	$69	$195	$208
Interest cost on projected benefit obligation	860	785	2,579	2,356
Expected return on plan assets	(1,131)	(1,302)	(3,394)	(3,907)
Net amortization and deferral	731	732	2,195	2,195
Net periodic pension cost	$525	$284	$1,575	$852

We contributed $7.5 million during the first quarter of 2013 related to the 2013 plan year. We do not expect to make any further contributions during 2013.

Note 10 – Other Expense

Other expense consists of the following:

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2012	2013	2012	2013
Administrative consolidation costs	$1,940	$3,133	$3,444	$6,303
Costs associated with legal arbitration and patent dispute	—	1,475	1,555	2,211
Costs associated with purchase of a distributor	—	—	704	—
Costs associated with purchase of a business	718	—	718	—
Other expense	$2,658	$4,608	$6,421	$8,514

During 2012 and 2013, we restructured certain administrative functions. For the three and nine months ended September 30, 2012 we incurred $1.9 million and $3.4 million, respectively, in related costs and for the three and nine months ended September 30, 2013 we incurred $3.1 million and $6.3 million, respectively, in related costs consisting principally of severance charges and the write-off of certain patents.

During 2012, we incurred legal costs related to a contractual dispute with a former distributor. The dispute was resolved in the second quarter of 2012. For the nine months ended September 30, 2012, we incurred costs totaling $1.6 million.

During the third quarter of 2012, we incurred $0.7 million in costs related to the acquisition of Viking Systems Inc..

During the nine months ended September 30, 2012, we incurred $0.7 million in costs associated with the purchase of the Company's former distributor in the Nordic region of Europe.

During the three and nine months ended September 30, 2013, we incurred $1.5 million and $2.2 million, respectively, in legal costs associated with a patent infringement claim as further described in Note 12.

Note 11 — Business Segments

During 2011 and 2012, we undertook a variety of restructuring initiatives aimed at improving efficiency and internal effectiveness. These initiatives included changes in management lines of reporting and culminated in the implementation of a functional organizational structure. Under the new structure, we are now organized by function rather than by operating segment. Executives reporting in to the CEO include those responsible for operations and supply chain management, research and development, sales, marketing and certain corporate functions. Our chief operating decision maker (the CEO) evaluates the various

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global product portfolios on a net sales basis and evaluates profitability, investment and cash flow metrics on a consolidated worldwide basis due to shared infrastructure and resources. As a result, we have discontinued accounting and reporting for our businesses as five separate, operating segments. Effective January 1, 2013, we are accounting and reporting for our business as a single segment entity engaged in the development, manufacturing and sale on a global basis of surgical devices and related equipment.

As part of this reporting structure change, we also restructured our product lines. Orthopedic surgery consists of sports medicine instrumentation and small bone, large bone and specialty powered surgical instruments. 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 orthopedic and general surgery. These product lines' net sales are as follows:

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2012	2013	2012	2013