Symmetry Medical Inc.
Form 424B4
December 10, 2004
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Prospectus

Filed Pursuant to Rule 424(b)(4)

Registration No. 333-116038

8,000,000 Shares

Common Stock

Symmetry Medical Inc. is offering 8,000,000 shares of common stock. This is our initial public offering, and no public market currently exists for our shares.

Our common stock has been approved for listing, subject to official notice of issuance, on the New York Stock Exchange under the symbol SMA.

Investing in our common stock involves a high degree of risk. See Risk Factors beginning on page 9.

	Per Share	Total
Offering price	$ 15.00	$ 120,000,000
Discount and commissions to underwriters	$ 1.05	$ 8,400,000
Offering proceeds to Symmetry Medical, before expenses	$ 13.95	$ 111,600,000

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

We have granted the underwriters the right to purchase up to 1,200,000 additional shares of common stock to cover any over-allotments. The underwriters can exercise this right at any time within 30 days after the offering. The underwriters expect to deliver the shares of common stock

to investors on or about December 14, 2004.

Banc of America Securities LLC **Credit Suisse First Boston**

Piper Jaffray **Wachovia Securities**

December 8, 2004

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You should rely only on the information contained in this prospectus. We have not, and the underwriters have not, authorized anyone to provide you with different information. We are not making an offer to sell these securities in any jurisdiction where the offer or sale is not permitted. You should assume that the information contained in this prospectus is accurate as of the date on the front of this prospectus only. Our business, financial condition, results of operations and prospects may have changed since that date.

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Financial Information

We operate on a 52- or 53- week year ending on the Saturday closest to December 31. Our fiscal years 1999, 2000, 2001, 2002 and 2003 ended on January 1, 2000, December 30, 2000, December 29, 2001, December 28, 2002 and January 3, 2004, respectively. Our fiscal years in 2000, 2001 and 2002 contained 52 weeks and our 1999 and 2003 fiscal years contained 53 weeks. Fiscal years are identified in this prospectus according to the calendar year that they most accurately represent. For example, the fiscal year ended January 3, 2004 is referred to herein as fiscal 2003 or fiscal year 2003. The first quarter of fiscal 2003 ended on March 29, 2003, and contained 13 weeks and the first quarter of fiscal 2004 ended on April 3, 2004 and contained 13 weeks. The second quarter of fiscal 2003 ended on June 28, 2003, and contained 13 weeks and the second quarter of fiscal 2004 ended on July 3, 2004 and contained 13 weeks. The third quarter of fiscal 2003 ended on October 4, 2003, and contained 14 weeks and the third quarter of fiscal 2004 ended on October 2, 2004 and contained 13 weeks.

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SUMMARY

This summary highlights information contained elsewhere in this prospectus. This summary does not contain all of the information that you should consider before investing in our common stock. You should read the entire prospectus carefully, including the section entitled Risk Factors and the consolidated financial statements and accompanying notes included elsewhere in this prospectus, before making an investment decision. Unless the context requires otherwise, as used in this prospectus (i) the terms Symmetry, Symmetry Medical, we, us and our refer to Symmetry Medical Inc., a Delaware corporation, and all of its consolidated subsidiaries and (ii) the term Mettis refers to Mettis (UK) Limited, a United Kingdom corporation, and its consolidated subsidiaries, which we acquired on June 11, 2003. Unless the context otherwise requires, all pro forma data presented gives effect to the Mettis acquisition as if it occurred at the beginning of fiscal year 2003. Our statement of operations data for fiscal year 2003 only includes the results of Mettis since its acquisition date.

Our Business

We are the world s largest independent provider of implants and related instruments and cases to orthopedic device manufacturers. We also design, develop and produce these products for companies in other segments of the medical device market, including the dental, osteobiologic and endoscopy sectors, and we provide limited specialized products and services to non-healthcare markets, such as the aerospace market. Through our Total Solutions approach, we offer our customers a broad range of products, as well as comprehensive services and production capabilities to help them bring their implant systems to market quickly and efficiently. We believe that our Total Solutions approach will provide us with a competitive advantage in the market place.

We market our Total Solutions approach through our experienced sales force that operates in the United States, Europe and Japan. During fiscal year 2003, we generated pro forma revenues of $158.4 million, serving approximately 500 customers, including 72 new customers added during the year. Our broad customer base includes every major orthopedic device company, such as Biomet Inc., DePuy Inc. (a subsidiary of Johnson & Johnson), Kyocera Corporation, Medtronic Sofamor Danek, Smith & Nephew plc, Stryker Corporation, Synthes, Inc. (formerly Synthes-Stratec, Inc.) and Zimmer Holdings, Inc. We typically serve several product teams and facilities within each of our largest customers, and during the nine months ended October 2, 2004 and fiscal 2003, no single customer represented more than 22.6% of our revenue.

We offer a broad range of products in the following categories:

- implants, including forged, cast and machined products for the global orthopedic device market, which represented 36.3% and 27.3% of our revenue in the nine months ended October 2, 2004 and fiscal 2003, respectively;
- instruments used in the placement and removal of orthopedic implants and in other surgical procedures, which represented 33.0% and 37.4% of our revenue in the nine months ended October 2, 2004 and fiscal 2003, respectively;
- cases, including plastic, metal and hybrid cases used to organize, secure and transport medical devices for orthopedic and other surgical procedures, which represented 23.3% and 29.6 % of our revenue in the nine months ended October 2, 2004 and fiscal 2003, respectively; and
- other specialized products and services for non-healthcare markets, primarily the aerospace market, which represented 7.4% and 5.7 % of our revenue in the nine months ended October 2, 2004 and fiscal 2003, respectively.

We believe that we are well positioned to grow our business as a result of the expected expansion of the overall orthopedic device market. In addition, we believe that our Total Solutions approach provides us with significant opportunities to increase our sales by expanding the types of products and services we provide to our existing customers and by adding new customers in other medical device market segments.

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Market Opportunity

The global medical device market was estimated to be approximately $207 billion in 2003. The orthopedic device segment of the medical device market was estimated to be approximately $16 billion in 2003, and is expected to grow approximately 12% annually to greater than $25 billion by 2007.

Orthopedic devices principally consist of reconstructive implants used to replace or repair knees, hips, shoulders and other joints, as well as other orthopedic devices to repair bone fractures and the spine. There were approximately 1.5 million reconstructive orthopedic implant procedures performed globally in 2003, an increase of 13% over the previous year. We expect continued growth in the orthopedic device market to be driven by a number of trends including:

growing elderly population;

aging, affluent and active baby boomers ;

improving technologies that expand the market, including minimally invasive surgery;

successful clinical outcomes increasing patient confidence;

increasing patient awareness through orthopedic device companies direct marketing programs;

increasing volume of procedures to replace older implants (or revision procedures); and

developing international markets.

Our Total Solutions Approach

We believe that we have created a distinctive competitive position in the orthopedic device market based upon our Total Solutions approach. Our acquisition of Mettis in June 2003 expanded our products and services, enabling us to offer an integrated outsourcing solution. Our Total Solutions approach presents our customers with a broad range of products, as well as comprehensive design, engineering and project management services and state of the art production capabilities to help them bring their implant systems to market quickly and efficiently. We believe that our Total Solutions approach will be an increasing competitive advantage in the future. Our Total Solutions offering is based on:

Comprehensive services. We can support our customers new product offerings from product concept through market introduction and thereafter, by providing seamless design, engineering, prototyping and manufacturing services.

Single source for complete systems. We assist customers in developing new implants, and we design and produce instruments for implant-specific surgical procedures. We also provide customized cases that provide a secure, clearly labeled and well organized arrangement of instruments and devices.

Proprietary Symmetry instruments and cases. Our established lines of proprietary products allow our customers to complete their proprietary implant systems and bring them to market sooner.

Precision manufacturing expertise. Our extensive expertise and know-how enable us to produce large volumes of specialized products to our customers precise standards, which we believe makes us a supplier of choice to the largest orthopedic companies. Our core production competencies include net shaped forging, precision casting, thermo forming, precision sheet metal working and machining/finishing.

Quality and regulatory compliance. Our quality systems are based upon and in compliance with ISO requirements and, where applicable, United States Food and Drug Administration, or FDA, regulations. We believe our level of quality and regulatory compliance systems meet our customers expectations.

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Global reach. Our manufacturing capabilities in the United States and Europe allow us to offer single-source products and services to our multinational customers, and the geographic breadth of our experienced sales force effectively brings our Total Solutions approach to customers globally.

We believe that our Total Solutions approach offers a number of benefits to our customers, including:

Shorter time to market. Our design, engineering and prototyping skills, as well as our ability to transition seamlessly from product development to production of implants, instruments and cases, enable our customers to reduce time to market for their new products.

Reduced total product acquisition costs. Our comprehensive services, including design, engineering, prototyping, project management, production and inventory control, allow our customers to reduce their procurement costs and inventory levels, resulting in lower product acquisition costs.

Increased focus on marketing and research and development efforts. Our extensive production capabilities and comprehensive services offer a one-stop outsourcing solution and allow our customers to focus their resources on their design, development and marketing efforts.

Rationalized and reliable supply chain. Our scale, scope of products and services and Total Solutions approach allow large orthopedic companies to reduce the number of their independent suppliers and streamline their operations.

Enhanced product consistency on a global basis. Our extensive production platform, Total Solutions approach and international presence allow us to meet global demand for orthopedic devices, which is expected to increase.

Our Strategy

Our goal is to increase our share of the orthopedic device market and to leverage our strengths to expand in other medical device market segments. The key elements of our business strategy are to:

Develop strategic relationships with our customers through access to key decision makers. Our scale, scope of products and services and Total Solutions approach position us as an important partner to our customers. This position gives us access to key decision makers, with whom we intend to continue to build strategic relationships.

Capitalize on our Total Solutions approach. We believe that our Total Solutions approach shortens product development cycles, reduces design and manufacturing costs and simplifies purchasing and logistics, and we intend to aggressively market these benefits to our customers.

Increase sales to existing customers by cross selling products and services. Our cases are currently sold in nearly every segment of the medical device market. We believe that our diverse customer base offers us a natural entry point to new orthopedic and non-orthopedic customers for our implants and instruments.

Leverage manufacturing skills. We intend to leverage our investments in sophisticated equipment and manufacturing know-how to expand our existing customer relationships and to obtain new customers.

Increase new product development. Our Design and Development Center provides expertise and coordination for our design, engineering and prototyping services. We intend to use the dedicated expertise of our Design and Development Center to generate additional development projects with our customers and to expand our line of innovative and independently developed instruments and cases.

Collaborate with emerging companies. We believe that new and innovative medical device companies are creating a meaningful market presence and that our Total Solutions approach positions us to help these companies, many of which may have limited resources.

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History

We were established in 1976 as a supplier of instruments to orthopedic device manufacturers. During the 1990 s, we made several acquisitions, which expanded our customer base, enhanced our instrument product offerings and extended our product line to include cases designed for various medical devices and their related instruments. In October 2000, investment funds affiliated with Olympus Partners acquired control of our company through a recapitalization. In this transaction, the Olympus funds invested a total of $40.5 million in cash to acquire securities representing approximately 94% of our then outstanding voting stock. At that time, all of our stockholders entered into a stockholders agreement that provided for, among other things, customary tag-along, drag-along, preemptive and registration rights. On June 11, 2003, we acquired Mettis, a leading manufacturer of forged, cast and machined implants for the global orthopedic device market. This acquisition significantly expanded our product offerings and increased our European presence, allowing us to develop and manufacture a broad range of implants, instruments and cases for orthopedic device manufacturers on a global basis. In connection with the Mettis acquisition, the Olympus funds collectively invested an additional $63.0 million in equity and loaned us $8.0 million through the purchase of senior subordinated notes and stock purchase warrants. See Certain Relationships and Related Transactions.

Olympus Partners

Olympus Partners is a private asset management firm headquartered in Stamford, Connecticut, with assets under management of approximately $1.7 billion. Through its affiliated entity, OGP III, LLC, Olympus Partners is the general partner of Olympus Growth Fund III, L.P., a $505 million private equity fund dedicated to leveraged buyouts, recapitalizations and growth capital investments in middle-market companies throughout the United States and Western Europe. Since 1989, Olympus Partners has invested in more than 50 portfolio companies. Olympus Co-Investment Growth Fund III, L.P. and Olympus Executive Fund, L.P., funds affiliated with Olympus Partners, are also investors in our company both directly and indirectly through Olympus/Symmetry Holdings LLC, an affiliate of Olympus Partners that directly holds common stock and preferred stock of our company. For ease of reference, we sometimes refer to Olympus Growth Fund III, L.P., Olympus Co-Investment Growth Fund III, L.P., Olympus Executive Fund, L.P. and Olympus/Symmetry Holdings LLC in this prospectus as the Olympus funds. Prior to this offering, the Olympus funds beneficially owned an aggregate of approximately 82.1% of our common stock. See Principal Stockholders.

Risks Affecting Us

Our business is subject to numerous risks, as discussed more fully in the section entitled Risk Factors immediately following this prospectus summary. We depend on a limited number of customers, and if we lost a significant customer we could lose a material portion of our revenue. In addition, we operate in an industry that presents potential regulatory and product liability risks.

Corporate and Other Information

Our principal executive offices are located at 220 West Market Street, Warsaw, Indiana 46580, and our telephone number is (574) 268-2252. Our website is located at *www.symmetrymedical.com*. The information contained in, or that can be accessed through, our website is not part of this prospectus.

Symmetry Medical Inc.® and PolyVac®, among others, are registered trademarks of Symmetry Medical Inc. We have trademark rights in these marks in the United States and other countries. We have an application for trademark registration pending with respect to Total Solutions. This prospectus also refers to brand names, trademarks, service marks, and trade names of other companies and organizations, and these brand names, trademarks, service marks, and trade names are the property of their respective holders.

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Market, Ranking and Other Data

The data included in this prospectus regarding markets and ranking, including the size of certain markets and our position within these markets, are based on independent industry publications, security analyst research reports or other published industry sources and estimates based on our management s knowledge and experience in the markets in which we operate. Our management s estimates have been based on information obtained from our customers, distributors, suppliers, trade and business organizations and other contacts in the markets in which we operate. We believe these estimates to be accurate as of the date of this prospectus. However, this information may prove to be inaccurate because of the method by which some of the data were obtained or because this information cannot always be verified with complete certainty due to the limits on availability and reliability of raw data, the voluntary nature of the date gathering process and other limitations and uncertainties inherent in a survey of market size. Except as noted below, none of these publications, reports or other published industry sources were commissioned by us or prepared at our request and we have not sought or obtained the consent from any of these sources to include such market data in this prospectus.

Our belief that we are the world s largest independent developer of implants and related instruments and cases to orthopedic device manufacturers is supported by a report prepared in August 2004 by Knowledge Enterprises, Inc. at our request. Knowledge Enterprises is a strategic services firm focused on the global orthopedic market and has consented to our use of this report. This report identifies the key orthopedic suppliers and the total estimated 2003 orthopedic sales for such suppliers.

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The Offering

Common stock offered by Symmetry	8,000,000 shares
Common stock outstanding after this offering	31,853,432 shares
Use of proceeds	We intend to use approximately $36.4 million of the net proceeds from this offering to repay all of our existing subordinated indebtedness, of which $8.0 million is held by the Olympus funds, and approximately $45.8 million to repay a portion of our existing senior indebtedness. We also intend to use approximately $22.9 million of the net proceeds to repurchase a portion of our outstanding preferred stock and preferred stock warrants, approximately 93% of which are held by our affiliates. In the aggregate, we expect that our affiliates will receive approximately $29.3 million of the net proceeds from this offering, including $0.1 million that will be paid to some of our directors and senior officers. See Use of Proceeds and Certain Relationships and Related Transactions.
Proposed NYSE symbol	SMA

The number of shares of our common stock to be outstanding immediately after this offering excludes:

- 836,868 shares of our common stock issuable upon the exercise of outstanding warrants at a weighted average exercise price of $0.01 per share;
- 830,955 shares of our common stock issuable upon the exercise of outstanding stock options at a weighted average exercise price of $3.05 per share;
- 2,293,526 shares of our common stock reserved for future issuance under our stock option and stock purchase plans; and
- 124,486 shares of our common stock to be issued upon the conversion of our preferred stock and warrants to purchase shares of our preferred stock that reflect accrued and unpaid dividends thereon from October 2, 2004 to the date of repurchase.

Except as otherwise indicated, all of the information presented in this prospectus assumes the following:

- the repurchase of 18,361 shares of our outstanding preferred stock and warrants to purchase 639 shares of our preferred stock, approximately 93% of which are held by our affiliates, including 15,531 shares and warrants held by the Olympus funds, in connection with this offering;
- the conversion of the 83,229 shares of our outstanding preferred stock and warrants to purchase 2,892 shares of our preferred stock not repurchased into 7,894,507 shares of our common stock and warrants to purchase 251,491 shares of our common stock prior to the completion of the offering;

the effectiveness of a 7.241-for-1 stock split of our common stock, which will occur prior to the offering;

the initial public offering price of $15.00 per share;

the effectiveness of our restated certificate of incorporation and restated by-laws, which will become effective prior to the completion of the offering; and

no exercise of the underwriters over-allotment option.

Unless otherwise indicated, all of our calculations involving the repurchase or conversion of shares of our outstanding preferred stock and warrants to purchase shares of our preferred stock in connection with this offering are based on the amount of accrued and unpaid dividends thereon through October 2, 2004. The actual number of shares of our preferred stock and warrants to purchase shares of our preferred stock to be repurchased and the number of shares of our common stock and warrants to purchase shares of our common stock issued upon the conversion of the remaining shares of our preferred stock and warrants to purchase shares of our preferred stock will differ based on the amount of accrued and unpaid dividends through the closing date.

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Summary Consolidated Financial Data

The following tables summarize our consolidated financial data for the periods presented. We have derived the summary consolidated financial data as of and for fiscal years 2001, 2002 and 2003 from our audited consolidated financial statements included elsewhere in this prospectus. Our consolidated financial statements as of and for fiscal years 2002 and 2003 have been audited by Ernst & Young LLP, and our consolidated financial statements as of and for fiscal year 2001 have been audited by Arthur Andersen LLP. For more information, see Experts. The financial data as of October 2, 2004 and for the nine months ended October 4, 2003 and October 2, 2004, are derived from our unaudited consolidated financial statements, which in the opinion of management, contain all adjustments necessary for a fair presentation of the consolidated financial data. Operating results for these periods are not necessarily indicative of the results of operations for a full year.

The summary pro forma as adjusted consolidated statement of operations data for the fiscal year 2003 and nine months ended October 4, 2003 give effect to the Mettis acquisition, the sale of 8,000,000 shares of our common stock and the application of the net proceeds therefrom as described under Use of Proceeds, the conversion of all of our remaining shares of preferred stock into common stock and the refinancing of our remaining senior indebtedness under a new senior credit facility as if such transactions occurred on December 29, 2002. The summary pro forma as adjusted consolidated statements of operations data for the nine months ended October 2, 2004 give effect to the same transactions, other than the Mettis acquisition, which is already reflected in such financial data.

You should read the following information together with the information under Selected Consolidated Financial Data, Unaudited Pro Forma Consolidated Statement of Operations, Management s Discussion and Analysis of Financial Condition and Results of Operations and the consolidated financial statements and the related notes included elsewhere in this prospectus.

	Fiscal Year				(unaudited) Nine Months Ended			
	2001	2002	2003(1)	Pro Forma As Adjusted 2003	October 4, 2003	Pro Forma As Adjusted October 4, 2003	October 2, 2004	Pro Forma As Adjusted October 2, 2004
	(dollars in thousands, except share and per share data)							
Consolidated Statement of Operations Data:								
Revenue	$ 66,495	$ 65,395	$ 122,029	$ 158,355	$ 84,736	$ 121,062	$ 153,053	$ 153,053
Cost of revenue	48,205	47,859	86,124	112,389	59,011	85,276	108,363	108,363
Gross profit	18,290	17,536	35,905	45,966	25,725	35,786	44,690	44,690
Selling, general and administrative expenses	10,494	9,440	17,115	23,508	11,893	18,286	16,975	16,975
Operating income	7,796	8,096	18,790	22,458	13,832	17,500	27,715	27,715
Interest expense	5,070	4,968	10,172	5,102	6,607	4,116	10,852	4,244
Loss on debt extinguishment(2)			1,436	1,436	1,436	1,436		
Interest rate swap valuation(3)	847	979	(1,358)	(1,272)	(857)	(771)	(809)	(809)
Other expense (income)	290	(42)	(374)	(411)	(171)	(208)	(230)	(230)
	1,589	2,191	8,914	17,603	6,817	12,927	17,902	24,510

Income (loss) before income taxes and cumulative effect of accounting change								
Income tax expense	1,400	841	3,009	5,949	2,302	4,371	6,108	8,361
Net income (loss) before cumulative effect of accounting change	189	1,350	5,905	11,654	4,515	8,556	11,794	16,149
Cumulative effect of accounting change(4)	(293)	(1,146)						
Net income (loss)	(104)	204	5,905	11,654	4,515	8,556	11,794	16,149

Financial data continues on the next page

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	Fiscal Year				(unaudited) Nine Months Ended			
	2001	2002	2003(1)	Pro Forma As Adjusted 2003	October 4, 2003	Pro Forma As Adjusted October 4, 2003	October 2, 2004	Pro Forma As Adjusted October 2, 2004
Preferred stock dividends	(3,185)	(4,410)	(7,028)		(4,757)		(7,069)	
Net income (loss) applicable to common shareholders	$ (3,289)	$ (4,206)	$ (1,123)	$ 11,654	$ (242)	$ 8,556	$ 4,725	$ 16,149
Net income (loss) per share:								
Basic	$ (0.48)	$ (0.61)	$ (0.10)	$ 0.37	$ (0.02)	$ 0.27	$ 0.30	$ 0.51
Diluted	(0.48)	(0.61)	(0.10)	0.35	(0.02)	0.26	0.28	0.49
Weighted average common shares and equivalent shares outstanding:								
Basic	6,854,736	6,905,800	11,797,842	31,853,432	9,699,423	31,853,432	15,789,486	31,853,432
Diluted	6,854,736	6,905,800	11,797,842	32,843,044	9,699,423	32,843,044	16,605,221	32,843,044

	As of October 2, 2004	
	Actual	As Adjusted (5)
	(dollars in thousands) (unaudited)	
Consolidated Balance Sheet Data:		
Cash and cash equivalents	$ 1,980	$ 1,980
Working capital	37,425	41,150
Total assets	287,252	283,902
Long-term debt and capital lease obligations less current portion	128,740	56,254
Total shareholders equity	112,330	185,189

(1) Includes the results of Mettis since its acquisition on June 11, 2003.

(2) In fiscal 2003, we refinanced substantially all of our existing indebtedness as part of the financing of the acquisition of Mettis, resulting in a loss on debt extinguishment of $1,436.

(3) We enter into interest rate swap agreements to offset against changes in interest rates on our variable rate long-term debt. In accordance with Statement of Financial Accounting Standards (SFAS) No. 133, as amended, *Accounting for Derivative Instruments and Hedging Activities,* these agreements do not qualify for hedge accounting and accordingly, changes in the fair market value of these agreements are recorded each period in earnings.

(4) For fiscal 2001, reflects the cumulative effect of change in accounting principles resulting in the adoption of SFAS No. 133. For fiscal 2002, reflects a write-off of goodwill in connection with the adoption of SFAS No. 142, *Goodwill and Other Intangible Assets.* Upon completion of the adoption of SFAS No. 142, we determined that the fair market value of the goodwill was lower than book value for one reporting unit, which resulted in an impairment charge.

(5) The As Adjusted column in the consolidated balance sheet data as of October 2, 2004 gives effect to the sale of 8,000,000 shares of our common stock and the application of the net proceeds therefrom as described under Use of Proceeds, the conversion of our outstanding shares of preferred stock not repurchased into 7,894,507 shares of our common stock and the refinancing of our remaining senior indebtedness under a new senior credit facility.

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RISK FACTORS

An investment in our common stock involves a high degree of risk. You should carefully consider the risks described below, together with all of the other information in this prospectus, before making a decision to invest in our common stock. If any of the following risks actually occur, our business, financial condition, results of operations and our future growth prospects could suffer. Under these circumstances, the trading price of our common stock could decline, and you may lose all or part of your investment in our common stock.

Risks Related to Our Business

We depend heavily on sales to our significant customers, and our business could be adversely affected if any of them reduced or terminated its purchases from us.

A limited number of large orthopedic device manufacturers, all of whom are our customers, control the predominate share of the orthopedic device market. We depend heavily on sales to these large companies. Sales to our ten largest customers represented approximately 77.7% and 68.3% of our revenue in the nine months ended October 2, 2004 and fiscal 2003, respectively. Our four largest customers accounted for approximately 22.6%, 15.2%, 14.7% and 10.3% of our revenue in the nine months ended October 2, 2004 and our three largest customers accounted for approximately 19.5%, 14.7% and 10.5% of our revenue in fiscal 2003.

We expect that we will continue to depend on a limited number of large companies for a significant portion of our revenue. In addition, our customer base could become more concentrated if, among other things, there is further consolidation among orthopedic device manufacturers. If a significant customer reduces or delays orders from us, terminates its relationship with us or fails to pay its obligations to us, our revenues could decrease significantly.

If we are unable to continue to improve our products and to develop new products, we may experience a decrease in demand for our products or our products could become obsolete, and our business would suffer.

We sell our products to customers in markets that are characterized by technological change, product innovation and evolving industry standards. We are continually engaged in product development and improvement programs, both in collaboration with our customers and independently. Our customers may engage in additional in-house development and manufacturing, and we may be unable to compete effectively with our independent competitors, unless we can continue to develop and assist our customers in developing innovative products. Our competitors product development capabilities could become more effective than ours, and their new products may get to market before our products, may be more effective or less expensive than our products or render our products obsolete. If one or more of these events were to occur, our business, financial condition and results of operation could be adversely affected. See Business Competition for more information about our principal competitors.

We face competition from our customers in-house capabilities, established independent suppliers and potential new market entrants, and if we lose customers it could have an adverse effect on our revenue and operating results.

Our customers have varying degrees of development and manufacturing capabilities and one or more of them may seek to expand their in-house capabilities in the future. Many of our customers are larger and have greater financial and other resources than we do and can commit significant resources to product development and manufacturing. Most of our independent competitors are smaller companies, many of which have close customer relationships and either a low cost structure or highly specialized design or production capabilities. Our independent competitors may consolidate and some of our current and future competitors, either alone or in conjunction with their respective parent corporate groups, may have financial resources and research and development, sales and marketing and manufacturing capabilities or brand recognition that are greater than ours. In addition, the innovative nature of our markets may attract new entrants to the field. Our products may not be able to compete successfully with the products of other companies, which could result in the loss of customers and, as a result, decreased revenue and operating results.

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If product liability lawsuits are brought against us or our customers our business may be harmed.

The manufacture and sale of our healthcare and other products, including our aerospace products, expose us to potential product liability claims and product recalls, including those which may arise from misuse or malfunction of, or design or manufacturing flaws in, our products, or use of our products with components or systems not manufactured by us. Future product liability claims or product recalls, regardless of their ultimate outcome, could require us to spend significant time or money in litigation or otherwise require us to pay significant damages, which could adversely affect our earnings and financial condition.

We carry product liability insurance which is limited in scope and amount and may not be adequate to protect us against product liability claims that arise in the future. We may be unable to maintain this insurance at reasonable costs and on reasonable terms, if at all.

Our business strategy is based on certain assumptions about the orthopedic device market and the acceptance by our customers of our Total Solutions offering, which, if incorrect, may adversely affect our growth and profitability.

We believe that the aging of the general population and increasingly active lifestyles and other trends in the industry will increase the need for orthopedic implant products, which we expect to increase demand for our products. Our expectations regarding demand for our products could materially differ from actual demand if our assumptions regarding these trends and continued acceptance of our products by orthopedic device manufacturers and the end-user market prove to be incorrect.

Prior to our acquisition of Mettis we provided instruments and cases. The acquisition of Mettis, on June 11, 2003, enabled us to offer our customers complete implant systems implants, instruments and cases. Our revenue to date have been derived primarily from the sale of implants, instruments and cases separately, or instruments and cases together, and we have derived relatively little revenue from sales of our Total Solutions offering. We cannot assure you that we will realize the expected benefits of our Total Solutions offering. Customers may not embrace our Total Solutions approach for a number of reasons, including a desire to maintain relationships with multiple outside suppliers or to rely on their in-house capabilities to develop and produce significant elements of their implant systems. In addition, we may not effectively implement our Total Solutions approach, including by not effectively managing our marketing, design, development or manufacturing activities across multiple product lines. Finally, if our competitors successfully replicate our products and services, then our Total Solutions approach may not provide us with a competitive advantage in the market. If we do not realize the expected benefits of our Total Solutions approach, we may not achieve our growth and profit goals.

Our operating results are subject to significant potential fluctuation and you should not rely on historical results as an indication of our future results.

Our operating results have fluctuated in the past and may vary significantly from quarter to quarter or year to year in the future due to a combination of factors, many of which are beyond our control. These factors include:

- the timing of significant orders and shipments, including the effects of changes in inventory management practices by our customers;

the number, timing and significance of new products and product introductions and enhancements by us, our customers and our competitors;

changes in pricing policies by us and our competitors;

changes in treatment practices;

restrictions and delays caused by regulatory review of our customers products;

recalls of our customers products;

availability and cost of raw materials; and

general economic factors.

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Our recent acquisition of Mettis may make it more difficult for us to evaluate and predict our future operating performance because our historical results of operations as a combined entity are limited and our audited financial statements only reflect the operations of Mettis since we acquired it in June 2003. Consequently, our historical results of operations may not give you an accurate indication of how we, together with the former Mettis operations, will perform in the future.

Our quarterly revenue and operating results may vary significantly in the future and period-to-period comparisons of our results of operations are not necessarily meaningful and should not be relied upon as indications of our future performance. We cannot assure you that our revenue will increase or be sustained in future periods or that we will be profitable in any future period. Any shortfalls in revenue or earnings from levels expected by securities or industry analysts could have an immediate and significant adverse effect on the trading price of our common stock in any given period.

If we do not retain key individuals and retain and attract skilled manufacturing workers, we may not be able to operate successfully, and we may not be able to meet our strategic objectives.

Our success depends in part upon the retention of key managerial, sales and technical personnel, particularly skilled manufacturing workers. We compete for such personnel with other companies and other organizations, many of which are larger and have greater name recognition and financial and other resources than we do. There can be no assurance that we will be successful in retaining our current personnel or in hiring or retaining qualified personnel in the future. The loss of key personnel or the inability to hire or retain qualified personnel in the future could have a material adverse effect on our ability to operate successfully.

We compete with numerous precision manufacturing companies to attract and retain qualified and highly skilled manufacturing employees. Our Warsaw, Indiana facilities, in particular, face significant competition, including from certain of our customers and other companies located in or near Warsaw that are larger and have greater financial and other resources than we do, for skilled production employees. If we are not able to retain and attract skilled manufacturing employees, we may be unable to support our anticipated growth, which could adversely affect our profitability.

A significant shift in technologies or methods used in the treatment of damaged or diseased bone and tissue could make our products obsolete or less attractive.

The development of new technologies could reduce demand for our products. For example, pharmaceutical advances could result in non-surgical treatments gaining more widespread acceptance as a viable alternative to orthopedic implants. The emergence of new biological tissue-based or synthetic materials to regenerate damaged or diseased bone and to repair damaged tissue could increasingly minimize or delay the need for implant surgery and provide other biological alternatives to orthopedic implants. New surgical procedures could diminish demand for our instruments. A significant shift in technologies or methods used in the treatment of damaged or diseased bone and tissue could adversely affect demand for our products.

We depend on various third party suppliers, and in some cases a single third party supplier, for key components and raw materials used in our manufacturing processes and the loss of these sources could harm our business.

We use a number of raw materials, including titanium, cobalt chrome, stainless steel and nickel alloys, and various other components in our products. Although we generally believe these materials are readily available from multiple sources, from time to time we rely on a limited number of suppliers and in some cases on a single source vendor. For example, we obtain patented Radel R plastic, which is designed to withstand intense heat produced during frequent sterilizations, for use in our instrument handles and plastic cases from a single supplier. Any supply interruption in a limited or sole-sourced component or raw material could materially harm our ability

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to manufacture our products until a new source of supply, if any, could be found. We may be unable to find a sufficient alternative supply channel in a reasonable time period or on commercially reasonable terms if at all. This could interrupt our business or reduce the quality of our products.

If we are unable to manage changes in our business and our anticipated growth, our business could be harmed.

Our acquisition of Mettis on June 11, 2003 significantly increased the size and scope of our operations. Our business has continued to grow at a fast pace since the acquisition, and we believe we will continue to grow at a significant rate. Rapid growth of our business may place a strain on our managerial, operational and financial resources and systems. We are still in the process of completing our integration of Mettis business, and we cannot assure you that we will be successful in our integration efforts. We are also currently implementing new management information systems to assist us in consolidating our enterprise-wide operating and financial performance information. To execute our anticipated growth successfully, we must attract and retain qualified personnel and manage and train them effectively. Any failure by us to implement our new management information systems, to integrate Mettis successfully, to develop our management, expand our work force or otherwise manage our growth effectively could have an adverse effect on our ability to achieve our business strategy. Our growth may be impaired if we are unable to meet the demands of our customers, which could result in our customers turning to alternative suppliers.

We require a significant amount of cash to service our indebtedness, which reduces the cash available to finance our organic growth and strategic acquisitions, alliances and collaborations.

We have a significant amount of indebtedness. As of October 2, 2004, on an as adjusted basis giving effect to this offering and the application of proceeds herefrom, our total indebtedness, including current maturities, would have been $62.0 million, and we would have been able to borrow an additional $25.7 million under our new senior credit facility that we will enter into in connection with this offering. As of October 2, 2004, on an as adjusted basis, our required debt service obligations under the new senior credit facility would have been $3.5 million, $5.2 million, $7.0 million, $8.8 million and $24.8 million during the following five fiscal years, respectively.

Our indebtedness could:

- make us more vulnerable to unfavorable economic conditions;
- make it more difficult to obtain additional financing in the future for working capital, capital expenditures or other general corporate purposes;
- require us to dedicate or reserve a large portion of our cash flow from operations for making payments on our indebtedness, which would prevent us from using it for other purposes;
- make us susceptible to fluctuations in market interest rates that affect the cost of our borrowings to the extent that our variable rate debt is not covered by interest rate derivative agreements; and
- make it more difficult to pursue strategic acquisitions, alliances and collaborations.

Our ability to service our indebtedness will depend on our future performance, which will be affected by prevailing economic conditions and financial, business, regulatory and other factors. Some of these factors are beyond our control. We believe that, based upon current levels of operations, we will be able to meet our debt service obligations when due. Significant assumptions underlie this belief including, among other things, that we will continue to be successful in implementing our business strategy and that there will be no material adverse developments in our business, liquidity or capital requirements. If we cannot generate sufficient cash flow from operations to service our indebtedness and to meet our other obligations and commitments, we might be required to refinance our debt or to dispose of assets to obtain funds for such purpose. We cannot assure you that refinancings or asset dispositions could be effected on a timely basis or on satisfactory terms, if at all, or would be permitted by the terms of our debt instruments.

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Our new senior credit facility will contain restrictions that limit our ability to pay dividends, incur additional debt, make acquisitions and make other investments.

In connection with this offering, we will enter into a new senior credit facility. The new senior credit facility will contain covenants that restrict our ability to make distributions to stockholders or other payments unless we satisfy certain financial tests and comply with various financial ratios. If we do not satisfy these tests or comply with these ratios, our creditors could declare a default under our debt instruments, and our indebtedness could be declared immediately due and payable. Our ability to comply with the provisions of our new senior credit facility may be affected by changes in economic or business conditions beyond our control.

Our new senior credit facility will also contain covenants that limit our ability to incur indebtedness, acquire other businesses, make capital expenditures and impose various other restrictions. These covenants could affect our ability to operate our business and may limit our ability to take advantage of potential business opportunities as they arise. We may be unable to comply with the forgoing financial ratios or covenants and, if we fail to do so, we may be unable to obtain waivers from our lenders. See Management s Discussion and Analysis of Financial Condition and Results of Operations Liquidity and Capital Resources.

Our future capital needs are uncertain and we may need to raise additional funds in the future.

Our future capital needs are uncertain and we may need to raise additional funds in the future through debt or equity offerings. Our future capital requirements will depend on many factors, including:

- revenue generated by sales of our products;
- expenses incurred in manufacturing and selling our products;
- costs of developing new products or technologies;
- costs associated with capital expenditures;
- costs associated with our expansion;
- costs associated with regulatory compliance, including maintaining compliance with the quality system regulations imposed by the FDA; and
- the number and timing of acquisitions and other strategic transactions.

As a result of these factors, we may need to raise additional funds, and these funds may not be available on favorable terms, or at all. Furthermore, if we issue equity or convertible debt securities to raise additional funds, our existing stockholders may experience dilution, and the new equity or convertible debt securities may have rights, preferences and privileges senior to those of our existing stockholders. If we

cannot raise funds on acceptable terms, we may not be able to develop or enhance our products, execute our business strategy, take advantage of future opportunities, or respond to competitive pressures or unanticipated customer requirements.

We may not realize all of the sales expected from new product development programs.

We incur substantial expenses in developing and testing new products and related devices. The realization of additional revenue from new product development efforts is inherently subject to a number of important risks and uncertainties, including, directly or indirectly, end-user acceptance of the product, reimbursement approval of third-party payors such as Medicaid, Medicare and private insurers and, in some cases, FDA or comparable foreign regulatory approval of the product. In addition, our customers typically have no contractual requirement to purchase from us the products that we develop for their medical devices, and they could seek to have another supplier or in-house facilities manufacture products that we have developed for their medical devices. We also incur costs and make capital expenditures for new product development and production based upon certain estimates of production volumes for our existing and anticipated products. If the actual demand for our products is less than planned, our revenue and net income may decline.

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Our earnings could decline if we write off goodwill or intangible assets created as a result of our various acquisitions.

As a result of our various acquisitions we have accumulated a substantial amount of goodwill, amounting to $125.5 million as of October 2, 2004, or approximately 43.7% of our total assets as of such date. Goodwill and certain intangible assets are not amortized but rather are tested for impairment by us annually or more frequently if an event occurs or circumstances develop that would likely result in impairment. Examples of such events or circumstances include, but are not limited to, a significant adverse change in legal or business climate, an adverse regulatory action or unanticipated competition. We completed annual impairment tests as of October 1, 2003 and 2002 and concluded at those dates that no impairment of goodwill or intangible assets existed. During 2002, in connection with the adoption of SFAS No. 142, *Goodwill and Other Intangible Assets,* we recognized impairment of approximately $1.1 million, which is reflected as a cumulative effect of an accounting change in our statement of operations. In the future, we could recognize impairment of our goodwill or other intangible assets and that impairment could result in a charge to our results of operation and have an adverse effect on our financial condition.

We had net losses in fiscal years 2000 and 2001, and we may not be profitable in the future.

We experienced net losses of $5.9 million and $0.1 million in fiscal years 2000 and 2001, respectively. These net losses resulted primarily from interest expense on funds borrowed in connection with our 2000 recapitalization and other expenses related to the recapitalization. There can be no assurance that we will be profitable in the future.

We anticipate incurring a pre-tax charge of approximately $9.3 million on the early extinguishment of debt in the quarter this offering is completed. As a result of this charge, it is likely we will report a net loss in that quarter.

If we are unable to protect our intellectual property and property rights, or are subject to intellectual property claims by third parties, our business could be harmed.

We rely on a combination of patents, trade secrets, copyrights, know-how, trademarks, license agreements and contractual provisions to establish and protect our proprietary rights to our technologies and products. We cannot guarantee that the steps we have taken or will take to protect our intellectual property rights will be adequate or that they will deter infringement, misappropriation or violation of our intellectual property. Litigation may be necessary to enforce our intellectual property rights and to determine the validity and scope of our proprietary rights. Any litigation could result in substantial expenses and may not adequately protect our intellectual property rights. In addition, the laws of some of the countries in which our products are or may be sold may not protect our products and intellectual property to the same extent as U.S. laws, or at all. We may be unable to protect our rights in trade secrets and unpatented proprietary technology in these countries. If our trade secrets become known, we may lose our competitive advantages.

We seek to protect our trade secrets, know-how and other unpatented proprietary technology, in part, with confidentiality agreements with our employees, independent distributors and customers. We cannot assure you, however, that:

these agreements will not be breached;

we will have adequate remedies for any breach; or

trade secrets, know-how and other unpatented proprietary technology will not otherwise become known to or independently developed by our competitors.

We hold licenses with third parties that are necessary to utilize certain technologies used in the design and manufacturing of some of our products. The loss of such licenses would prevent us from manufacturing, marketing and selling these products, which could harm our business.

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In addition, third parties may claim that we are infringing, misappropriating or violating their intellectual property rights. We could be found to infringe those intellectual property rights, which could affect our ability to manufacture any affected product. In addition, any protracted litigation to defend or prosecute our intellectual property rights could drain our financial resources, divert the time and effort of our management and cause customers to delay or limit their purchases of the affected product until resolution of the litigation.

Any litigation or claims against us, whether or not successful, could result in substantial costs and harm our reputation. In addition, intellectual property litigation or claims could force us to do one or more of the following:

- cease selling or using any of our products that incorporate the challenged intellectual property, which could adversely affect our revenue;
- obtain a license from the holder of the intellectual property right alleged to have been infringed, which license may not be available on reasonable terms, if at all; and
- redesign or, in the case of trademark claims, rename our products to avoid infringing the intellectual property rights of third parties, which may not be possible and could be costly and time-consuming if it is possible to do so.

Efforts to acquire other companies or product lines may divert our managerial resources away from our business operations, and if we complete an acquisition, we may incur or assume additional liabilities or experience integration problems.

We may seek to acquire businesses or product lines for various reasons, including to provide new product manufacturing and service capabilities, add new customers, increase penetration with existing customers or expand into new geographic markets. Our ability to successfully grow through acquisitions depends upon our ability to identify, negotiate, complete and integrate suitable acquisitions and to obtain any necessary financings. These efforts could divert the attention of our management and key personnel from our business operations. If we complete acquisitions, we may also experience:

- difficulties in integrating any acquired companies, personnel and products into our existing business;
- delays in realizing the benefits of the acquired company or products;
- diversion of our management s time and attention from other business concerns;
- limited or no direct prior experience in new markets or countries we may enter;
- higher costs of integration than we anticipated;
- difficulties in retaining key employees of the acquired business who are necessary to manage these businesses;

difficulties in maintaining uniform standards, controls, procedures and policies throughout our acquired companies; or

adverse customer reaction to the business combination.

In addition, an acquisition could materially impair our operating results by causing us to incur debt or requiring us to amortize acquisition expenses and acquired assets.

We are subject to certain risks associated with our foreign operations.

We have significant international operations, specifically in the United Kingdom and France. Certain risks are inherent in international operations, including:

difficulties in enforcing agreements and collecting receivables through certain foreign legal systems;

foreign customers who may have longer payment cycles than customers in the United States;

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tax rates in certain foreign countries that may exceed those in the United States and foreign earnings that may be subject to withholding requirements or the imposition of tariffs, exchange controls or other restrictions including transfer pricing restrictions when products produced in one country are sold to an affiliated entity in another country;

general economic and political conditions in countries where we operate or where end-users of orthopedic devices reside may have an adverse effect on our operations;

difficulties associated with managing a large organization spread throughout various countries;

difficulties in enforcing intellectual property rights; and

required compliance with a variety of foreign laws and regulations.

If we continue to expand our business globally, our success will depend, in part, on our ability to anticipate and effectively manage these and other risks. We cannot assure you that these and other factors will not have a material adverse effect on our international operations or our business as a whole.

Currency exchange rate fluctuations could have an adverse effect on our revenue and financial results.

We generate a significant portion of our revenue and incur a significant portion of our expenses in currencies other than U.S. dollars. To the extent that we are unable to match revenue received in foreign currencies with costs incurred in the same currency, exchange rate fluctuations in any such currency could have an adverse effect on our financial results.

We may be adversely affected as a result of the long lead times required for sales of certain new products.

We often compete for business at the beginning of the development of new medical devices or upon customer redesign of existing medical devices. Our customers generally must obtain clearance or approval from the FDA before commercially distributing their products. Unless exempt, a new medical device must be approved for commercial distribution in the United States by the FDA through the 510(k) pre-market Notification Process or, in some cases, through the more burdensome pre-market approval, or PMA, process. It generally takes three to six months from the date of submission to the FDA to obtain 510(k) clearance and one to three years from the date of submission to the FDA to obtain approval through the PMA process, but in each case may take significantly longer. This results in long lead times for some of our customers new products, which may make it difficult in the short term for us to obtain sales of new products to replace any unexpected decline in sales of existing products.

We may be adversely impacted by work stoppages and other labor matters.

Currently, none of our employees are unionized. However, from time to time some of our employees have attempted to unionize at two of our facilities. In addition, some of our orthopedic device customers have unionized work forces. While we have not experienced any adverse effects

from work stoppages or slow-downs at our customers facilities, work stoppages or slow-downs experienced by us, our suppliers or our customers or their suppliers could result in slow-downs or closures of facilities where our products are made or used. We cannot assure you that we will not encounter strikes, further unionization efforts or other types of conflicts with labor unions or our employees, which could have an adverse effect on our financial results.

If a natural or man-made disaster strikes one or more of our manufacturing facilities, we may be unable to manufacture certain products for a substantial amount of time and our revenue could decline.

We have ten manufacturing facilities, which are located in the United States, the United Kingdom and France. These facilities and the manufacturing equipment and personnel know-how that we use to produce our products would be difficult to replace and could require substantial lead-time to repair or replace. Our facilities

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may be affected by natural or man-made disasters. In the event that one of our facilities was affected by a disaster, we would be forced to attempt to shift production to our other manufacturing facilities or rely on third-party manufacturers, and our other facilities or a third-party manufacturer may not have the capability to effectively supply the affected products. Although we have insurance for damage to our property and the interruption of our business, this insurance may not be sufficient in scope or amount to cover all of our potential losses and may not continue to be available to us on acceptable terms, or at all.

Our former independent public accountant, Arthur Andersen LLP, has ceased operations, and you may be unable to exercise effective remedies against it in any legal action.

Our former independent public accountant, Arthur Andersen LLP, provided us with auditing services for fiscal year 2001, including issuing an audit report with respect to our audited consolidated financial statements as of and for fiscal 2001 included elsewhere in this prospectus. On June 15, 2002, a jury in Houston, Texas found Arthur Andersen LLP guilty of a federal obstruction of justice charge arising from the federal government s investigation of Enron Corp. On August 31, 2002, Arthur Andersen LLP ceased practicing before the United States Securities and Exchange Commission, or SEC.

Arthur Andersen LLP has not reissued its audit report with respect to the audited consolidated financial statements included in this prospectus covered by such report. Furthermore, Arthur Andersen LLP has not consented to the inclusion or incorporation by reference of its audit report in the registration statement of which this prospectus forms a part or in any other filings we may make with the SEC. As a result, you may not have an effective remedy against Arthur Andersen LLP in connection with a material misstatement or omission with respect to our audited consolidated financial statements that are included elsewhere in this prospectus, the registration statement of which this prospectus forms a part or any other filing we may make with the SEC, including any claim under Sections 11 and 12 of the Securities Act of 1933, as amended, or the Securities Act. In addition, even if you were able to assert such a claim, as a result of its conviction and other lawsuits, Arthur Andersen LLP may fail or otherwise have insufficient assets to satisfy claims made by investors or by us that might arise under federal securities laws or otherwise relating to any alleged material misstatement or omission with respect to our audited consolidated financial statements. In addition, in connection with any future capital markets transaction in which we are required to include financial statements that were audited by Arthur Andersen LLP, as a result of the foregoing investors may elect not to participate in any such offering or, in the alternate, may require us to obtain a new audit with respect to previously audited financial statements. Consequently, our financing costs may increase or we may miss attractive capital market opportunities.

Risks Related to Our Industry

Orthopedic device manufacturers have significant leverage over their independent suppliers and consolidation could increase their leverage, which could result in the loss of customers or force us to reduce our prices.

We compete with many distributors and manufacturers to develop and supply implants, surgical instruments and cases to a limited number of large orthopedic device manufacturers. As a result, orthopedic device manufacturers have historically had significant leverage over their independent suppliers. For example, independent suppliers like us are subject to continuing pressure from the major orthopedic device manufacturers to reduce the cost of products and services while maintaining quality levels. In recent years, the medical device industry has experienced substantial consolidation. If the medical device industry, and the orthopedic device industry in particular, continues to consolidate, competition to provide products and services to orthopedic device manufacturers may become more intense. Orthopedic device manufacturers may seek to use their market power to negotiate price or other concessions for our products. If we are forced to reduce prices or if we lose customers because of competition, our revenue and results of operations would suffer.

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Our business is indirectly subject to healthcare industry cost containment measures that could result in reduced sales of or prices for our products.

Acceptance of our customers products by hospitals, outpatient centers and physicians depend on, among other things, reimbursement approval of third-party payors such as Medicaid, Medicare and private insurers. The continuing efforts of government, insurance companies and other payors of healthcare costs to contain or reduce those costs could lead to lower reimbursement rates or non-reimbursement for medical devices that use our products. If that were to occur, medical device manufacturers might insist that we lower prices on products related to the affected medical device or they might significantly reduce or eliminate their purchases from us of these related products, which could affect our profitability.

We and our customers are subject to substantial government regulation that is subject to change and could force us to make modifications to how we develop, manufacture and price our products.

The medical device industry is regulated extensively by governmental authorities, principally the FDA and corresponding state and foreign regulatory agencies. Some of our manufacturing processes are required to comply with quality systems regulations, including current good manufacturing practice requirements that cover the methods and documentation of the design, testing, production, control, quality assurance, labeling, packaging and shipping of our products. Further, some of our facilities, records and manufacturing processes are subject to periodic unscheduled inspections by the FDA or other agencies. Failure to comply with applicable medical device regulatory requirements could result in, among other things, warning letters, fines, injunctions, civil penalties, repairs, replacements, refunds, recalls or seizures of products, total or partial suspensions of production, refusal of the FDA or other regulatory agencies to grant future pre-market clearances or approvals, withdrawals or suspensions of current clearances or approvals and criminal prosecution.

In addition, orthopedic implants and other medical devices produced by our customers are subject to intensive regulation and potential pre-approval requirements by the FDA and similar international agencies that govern a wide variety of product activities from design and development to labeling, manufacturing, promotion, sales and distribution. Compliance with these regulations may be time consuming, burdensome and expensive for our customers and, indirectly, for us to the extent that our customers compliance depends on our operations. These regulations could negatively affect our customers abilities to sell their products, which in turn would adversely affect our ability to sell our products. This may result in higher than anticipated costs or lower than anticipated revenue.

The regulations that we and our customers are subject to are complex, change frequently and have tended to become more stringent over time. Federal and state legislatures have periodically considered programs to reform or amend the U.S. healthcare system at both the federal and state levels. In addition, these regulations may contain proposals to increase governmental involvement in healthcare, lower reimbursement rates or otherwise change the environment in which healthcare industry participants operate. Foreign governmental authorities that regulate the manufacture and sale of medical devices have become increasingly stringent and, to the extent we sell our products in foreign countries, we may be subject to rigorous regulation in the future. Regulatory changes could result in restrictions on our ability to carry on or expand our operations, higher than anticipated costs or lower than anticipated revenue.

If our customers fail to obtain, or experience significant delays in obtaining, FDA clearances or approvals to commercially distribute our future products our ability to sell our products could suffer.

Some of our medical devices are subject to rigorous regulatory pre-approval by the FDA and other federal, state and foreign governmental authorities. Our customers are typically responsible for obtaining the applicable regulatory approval for the commercial distribution of our

products. The process of obtaining this approval, particularly from the FDA, can be costly and time consuming, and there can be no assurance that our customers will obtain the required approvals on a timely basis, if at all. The FDA, for example, assigns medical devices to one of three classes which determines, among other things, the type and degree of FDA approval required to

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commercially distribute the device in the United States. We produce Class I, II and III devices. Class I devices are deemed to present little risk to patients and are generally exempt from FDA approval requirements. Class II devices can generally be commercially distributed only after the device has received 510(k) clearance . The FDA will clear marketing of a medical device through the 510(k) process if certain design, testing and validation requirements are met and it is demonstrated that the device is substantially equivalent to a device that was legally marketed prior to May 28, 1976, or to another commercially available device subsequently cleared through the 510(k) Pre-Market Notification process. This process generally takes three to six months, but may take substantially longer. Before a Class III device can be commercially distributed in the United States, a pre-market approval, or PMA, must be obtained from the FDA. The PMA process can be expensive and uncertain, requires detailed and comprehensive scientific and other data and generally takes between one and three years, but may take significantly longer. The commercial distribution of any products we develop that require regulatory clearance may be delayed. In addition, because we cannot assure you that any new products or any product enhancements we develop for commercial distribution in the United States will be exempt from the FDA market clearance requirements or subject to the shorter 510(k) clearance process, the regulatory approval process for our products or product enhancements may take significantly longer than anticipated by us or our customers.

We may be adversely affected by the impact of environmental and safety regulations.

We are subject to foreign, federal, state, local and foreign laws and regulations governing the protection of the environment and occupational health and safety, including laws regulating air emissions, wastewater discharges, and the management and disposal of hazardous materials and wastes; and the health and safety of our employees. We are also required to obtain permits from governmental authorities for certain operations. If we violate or fail to comply with these laws, regulations or permits, we could incur fines, penalties or other sanctions, which could have a material adverse effect on us. Environmental laws tend to become more stringent over time, and we could incur material expenses in the future relating to compliance with future environmental laws. In addition, we could be held responsible for costs and damages arising from any contamination at our past or present facilities or at third-party waste disposal sites. Such costs could be material. We cannot completely eliminate the risk of contamination or injury resulting from hazardous materials, and we may incur material liability as a result of any contamination or injury.

Risks Relating to this Offering

The price of our common stock may be volatile and you may not be able to sell your shares at or above the initial offering price.

Prior to this offering, there has been no public market for our common stock. An active and liquid trading market for our common stock may not develop or be sustained following this offering. We will establish the initial public offering price through negotiations with the representatives of the underwriters. You should not view the price they and we establish as any indication of the price that will prevail in the trading market. The market price for our common stock may decline below the initial public offering price and our stock price is likely to be volatile. You may not be able to sell your shares at or above the initial public offering price.

There has been significant volatility in the market price and trading volume of securities of companies operating in the medical device industry, which has often been unrelated to the operating performance of particular companies. These broad market fluctuations may adversely affect the trading price of our common stock. Price declines in our common stock could result from general market and economic conditions and a variety of other factors, including:

- actual or anticipated fluctuations in our operating results;

our announcements or our competitors announcements regarding new products, significant contracts, acquisitions or strategic investments;

loss of any of our key management or technical personnel;

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conditions affecting orthopedic device manufacturers or the medical device industry generally;

clinical trial results with respect or our customers medical devices;

changes in our growth rates or our competitors growth rates;

developments regarding our patents or proprietary rights, or those of our competitors;

FDA and international actions with respect to the government regulation of medical devices and third-party reimbursement practices;

public concern as to the safety of our products;

changes in health care policy in the United States and internationally;

conditions in the financial markets in general or changes in general economic conditions;

our inability to raise additional capital;

changes in stock market analyst recommendations regarding our common stock, other comparable companies or the medical device industry generally, or lack of analyst coverage of our common stock;

sales of our common stock by our executive officers, directors and five percent stockholders or sales of substantial amounts of common stock; and

changes in accounting principles.

In the past, following periods of volatility in the market price of a particular company s securities, litigation has often been brought against that company. If litigation of this type is brought against us, it could be extremely expensive and divert management s attention and the company s resources.

If you purchase our common stock in this offering, you will incur immediate and substantial dilution in the book value of your shares.

If you purchase shares in this offering, the value of your shares based on our actual book value will immediately be less than the offering price you paid. This reduction in the value of your equity is known as dilution. This dilution occurs in large part because our earlier investors paid substantially less than the initial public offering price when they purchased their shares. Investors purchasing common stock in this offering will, incur immediate dilution of $13.67 in net tangible book value per share of common stock, based on the initial public offering price of $15.00 per share. Investors will incur additional dilution upon the exercise of outstanding stock options and outstanding warrants. In addition, if we raise funds by issuing additional securities, the newly issued shares will further dilute your percentage ownership of our company.

Requirements associated with being a public company will require significant company resources and management attention.

Prior to this offering, we have not been subject to the reporting requirements of the Securities Exchange Act of 1934, as amended, or the Exchange Act, or the other rules and regulations of the SEC or any securities exchange relating to public companies. We are working with our independent legal, accounting and financial advisors to identify those areas in which changes should be made to our financial and management control systems to manage our growth and our obligations as a public company. These areas include corporate governance, corporate control, internal audit, disclosure controls and procedures and financial reporting and accounting systems. We have made, and will continue to make, changes in these and other areas. However, we cannot assure you that these and other measures we may take will be sufficient to allow us to satisfy our obligations as a public company on a timely basis.

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Following this offering, at the end of our 2005 fiscal year, we will be required to satisfy the requirements of Section 404 of the Sarbanes-Oxley Act, which requires annual management assessments of the effectiveness of our internal controls over financial reporting and a report by our independent auditors addressing these assessments. We may identify deficiencies which we may not be able to remediate in time to meet the deadline imposed by the Sarbanes-Oxley Act for compliance with the requirements of Section 404. In addition, if we fail to achieve and maintain the adequacy of our internal controls, as such standards are modified, supplemented or amended from time to time, we may not be able to ensure that we can conclude on an ongoing basis that we have effective internal controls over financial reporting in accordance with Section 404 of the Sarbanes-Oxley Act. Moreover, effective internal controls, particularly those related to revenue recognition, are necessary for us to produce reliable financial reports and are important to helping prevent financial fraud. If we cannot provide reliable financial reports or prevent fraud, our business and operating results could be harmed, investors could lose confidence in our reported financial information, and the trading price of our stock could drop significantly.

In addition, compliance with the various reporting and other requirements applicable to public companies will create additional costs for us and will require the time and attention of management. We cannot predict or estimate the amount of the additional costs we may incur, the timing of such costs or the degree of impact that our management s attention to these matters will have on our business.

In addition, being a public company could make it more difficult or more costly for us to obtain certain types of insurance, including directors and officers liability insurance, and we may be forced to accept reduced policy limits and coverage or incur substantially higher costs to obtain the same or similar coverage. The impact of these events could also make it more difficult for us to attract and retain qualified persons to serve on our board of directors, our board committees or as executive officers.

Our voting stock is controlled by one principal stockholder whose interests may conflict with those of our other stockholders.

Upon completion of this offering, the Olympus funds will own in excess of 50% of our outstanding shares of voting stock. As a result of this ownership, the Olympus funds will be able to direct our affairs and to approve any matter requiring the approval of our stockholders. Such matters include the election of directors, the adoption of amendments to our certificate of incorporation and by-laws and approval of mergers or sales of substantially all our assets. This concentration of ownership may also have the effect of delaying or preventing a change in control of our company or discouraging others from making tender offers for our shares, which could prevent stockholders from receiving a premium for their shares. The Olympus funds may cause corporate actions to be taken even if the interests of the Olympus funds conflict with the interests of our other stockholders. See Principal Stockholders.

We are a controlled company within the meaning of the New York Stock Exchange rules and as a result will qualify for, and intend to rely on, exemptions from certain corporate governance requirements.

Because the Olympus funds will own in excess of 50% of our outstanding shares of voting stock after the completion of this offering, we will be deemed a controlled company under the rules of the New York Stock Exchange, or the NYSE. As a result, we will qualify for, and intend to rely upon, the controlled company exception to the board of directors and committee requirements under the rules of the NYSE. Pursuant to this exception, we will be exempt from the rules that would otherwise require that our board of directors be comprised of a majority of independent directors, and that our compensation committee and nominating and corporate governance committee be comprised solely of independent directors (as defined under the rules of the NYSE), so long as the Olympus funds continue to own more than 50% of our outstanding shares of voting stock. Upon completion of this offering, our board of directors will be comprised of seven persons, three of which will be representatives of the Olympus funds and a fourth will be our current chief executive officer and, therefore, will not be independent. Furthermore, our compensation and nominating and corporate governance

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committees will not consist of a majority of independent directors. Accordingly, our stockholders will not have the same protections afforded to stockholders of companies that are subject to all of the NYSE corporate governance requirements. See Management Board and Committee Composition.

A significant portion of our total outstanding shares are restricted from immediate resale but may be sold into the market in the near future. If there are substantial sales of our common stock or the perception that these sales could occur, the price of our common stock could decline.

Sales of substantial amounts of our common stock in the public market after this offering, or the perception that these sales could occur, could adversely affect the price of our common stock and could impair our ability to raise capital through the sale of additional equity securities. Upon completion of this offering, we will have outstanding 31.9 million shares of common stock, assuming no exercise of the underwriters over-allotment option. Of these shares, the 8.0 million shares of common stock sold in this offering will be freely tradable, without restriction, in the public market. After the lockup agreements pertaining to this offering expire 180 days from the date of this prospectus, an additional 23.9 million shares will be eligible for sale in the public market, subject to applicable manner of sale and other limitations under Rule 144 under the Securities Act. Following the expiration of the lock up period, parties to our stockholders agreement holding more than 50% of the shares subject to that agreement will be entitled, subject to certain exceptions, to demand registration rights with respect to the registration of shares under the Securities Act. If this right is exercised, holders of all shares subject to the stockholders agreement will be entitled to participate in such registration. By exercising their registration rights, and selling a large number of shares, these holders could cause the price of our common stock to decline. An estimated 23.9 million shares of common stock will be subject to our stockholders agreement upon completion of the offering. See Shares Eligible for Future Sale, Principal Stockholders and Underwriting.

Our certificate of incorporation, our by-laws and Delaware law contain provisions that could discourage another company from acquiring us and may prevent attempts by our stockholders to replace or remove our current management.

Provisions of the Delaware General Corporation Law, our certificate of incorporation and our by-laws may discourage, delay or prevent a merger or acquisition that stockholders may consider favorable, including transactions in which you might otherwise receive a premium for your shares. In addition, these provisions may frustrate or prevent any attempts by our stockholders to replace or remove our current management by making it more difficult for stockholders to replace or remove our board of directors. These provisions include:

- providing for a classified board of directors with staggered terms;
- requiring supermajority stockholder voting to effect certain amendments to our certificate of incorporation and by-laws;
- eliminating the ability of stockholders to call special meetings of stockholders;
- prohibiting stockholder action by written consent;
- establishing advance notice requirements for nominations for election to the board of directors or for proposing matters that can be acted on by stockholders at stockholder meetings.

limitations on the ability of stockholders to amend, alter or repeal the by-laws; and

the authority of the board of directors to issue, without stockholder approval, up to shares of preferred stock with such terms as the board of directors may determine and an additional shares of our common stock.

We will also be afforded the protections of Section 203 of the Delaware General Corporation Law, which would prevent us from engaging in a business combination with a person who becomes a 15.0% or greater stockholder for a period of three years from the date such person acquired such status unless certain board or stockholder approvals were obtained. See Description of Capital Stock.

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CAUTIONARY NOTICE REGARDING FORWARD-LOOKING STATEMENTS

This prospectus contains forward-looking statements that are based on our management s beliefs and assumptions and on information currently available to us. These statements may be found throughout this prospectus, particularly under the headings Summary, Risk Factors, Dividend Policy, Management s Discussion and Analysis of Financial Condition and Results of Operations and Business, among others. Forward-looking statements typically are identified by the use of terms such as may, will, should, expect, anticipate, believe, could, estimate, intend words, although some forward-looking statements are expressed differently. You should consider statements that contain these words carefully because they describe our expectations, plans, strategies and goals and beliefs concerning future business conditions, our results of operations, financial position, and our business outlook or state other forward-looking information based on currently available information. The factors listed above under the heading Risk Factors and in the other sections of this prospectus provide examples of risks, uncertainties and events that could cause our actual results to differ materially from the expectations expressed in our forward-looking statements. These factors include, among other things, the following:

changes in general economic conditions in the United States and Europe;

our ability to retain existing customers and attract new customers;

the competitive nature of the orthopedic device market;

the pursuit of strategic acquisitions or encountering unforeseen difficulties in integrating acquisitions;

the degree to which we are leveraged and our significant debt service obligations;

the impact of work stoppages and other labor matters;

general economic or business conditions affecting the orthopedic device market being less favorable than expected;

our ability to anticipate changes in technology and regulatory standards and to successfully develop and introduce new and enhanced products on a timely basis;

the unpredictability of intellectual property protection and maintenance and other intellectual property issues;

any future changes in management or loss of key personnel;

unforeseen problems associated with international sales and operations, including gains and losses from foreign currency exchange; and

implementation of or changes in laws, regulations or policies that could negatively affect the orthopedic device market.

The forward-looking statements made in this prospectus relate only to events as of the date on which the statements are made. Except as required by law, we undertake no obligation to update any forward-looking statement to reflect events or circumstances after the date on which the statement is made or to reflect the occurrence of unanticipated events, even if new information becomes available in the future. We note that the safe harbor for forward-looking statements provided by the Private Securities Litigation Reform Act of 1995 does not apply to statements made in connection with an initial public offering.

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USE OF PROCEEDS

We estimate that our net proceeds from the sale of 8,000,000 shares of common stock in this offering, after deducting underwriting discounts and commissions and estimated offering costs payable by us, will be approximately $105.1 million, based on the initial public offering price of $15.00 per share. We intend to use approximately $36.4 million of the net proceeds from this offering to repay all of our existing subordinated indebtedness, $45.8 million to repay a portion of our existing senior indebtedness and $22.9 million to repurchase a portion of our outstanding shares of our preferred stock and preferred stock warrants. We are repurchasing these shares of preferred stock and preferred stock warrants in order to eliminate the liquidation preference and other rights of such shares and warrants and to provide additional liquidity to the holders of such shares and warrants. Our estimated offering costs include $2.0 million that we will pay Olympus Advisory Partners, Inc. as compensation for financial advisory services rendered by Olympus Advisory Partners to us in connection with the offering. We intend to use the net proceeds from the underwriters over-allotment option, to the extent exercised, to further reduce our borrowings under the new senior credit facility.

As of October 2, 2004, the existing indebtedness to be repaid from a portion of the net proceeds from this offering and the preferred stock and preferred stock warrants to be repurchased from a portion of the net proceeds consisted of the following:

- approximately $36.4 million of our subordinated indebtedness, which bears interest at a rate of 12.0% per annum and has a final maturity of June 11, 2011;
- approximately $45.8 million under our term loans, which bear interest at a variable rate (5.5% weighted average interest rate at October 2, 2004) and have a final maturity of March 31, 2008 and March 31, 2009; and
- approximately $22.9 million in aggregate liquidation value, including accrued but unpaid dividends which accrue at a rate of 8% per annum on the sum of the liquidation value plus all accumulated and unpaid dividends, of convertible preferred stock outstanding or issuable upon the exercise of preferred stock warrants.

As of October 2, 2004, the Olympus funds held subordinated indebtedness with an aggregate principal balance of $8.0 million.

As of October 2, 2004, the number, aggregate liquidation value, including accrued but unpaid dividends, and holders of shares of our preferred stock outstanding or issuable upon the exercise of preferred stock warrants that we will repurchase with a portion of the net proceeds of this offering were as follows:

- approximately 15,531 shares of preferred stock outstanding or issuable upon the exercise of preferred stock warrants with an aggregate liquidation value, including accrued but unpaid dividends, of $19.0 million held by the Olympus funds;
- approximately 983 shares of preferred stock outstanding or issuable upon the exercise of preferred stock warrants with an aggregate liquidation value, including accrued but unpaid dividends, of $1.1 million held by Windjammer Mezzanine & Equity Fund II, L.P.;
- approximately 1,883 shares of preferred stock with an aggregate liquidation value, including accrued but unpaid dividends, of $2.1 million held by Mettis Group Limited;

approximately 110 shares of preferred stock with an aggregate liquidation value, including accrued but unpaid dividends, of $0.1 million held by certain of our senior officers and directors; and

approximately 1,476, shares of preferred stock outstanding or issuable upon the exercise of preferred stock warrants with an aggregate liquidation value, including accrued but unpaid dividends, of $1.7 million held by persons who are not affiliates of Symmetry.

In the aggregate, we expect that Olympus and its affiliates will receive approximately $27.0 million of the net proceeds from this offering. See Certain Relationships and Related Transactions. All of our outstanding preferred stock and preferred stock warrants not repurchased will be converted into shares of our common stock or warrants to purchase our common stock prior to the completion of this offering.

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CAPITALIZATION

The following table sets forth our consolidated capitalization as of October 2, 2004 on an actual basis and on a pro forma as adjusted basis giving effect to:

- the sale of 8,000,000 shares of common stock pursuant to this offering and the application of proceeds therefrom as described in Use of Proceeds ;
- the conversion of our outstanding shares of preferred stock not repurchased into an aggregate of 7,894,507 shares of our common stock; and
- the refinancing of our remaining senior indebtedness under a new senior credit facility.

You should read the following table in conjunction with the Selected Consolidated Financial Data, Management s Discussion and Analysis of Financial Condition and Results of Operations and our consolidated financial statements and related notes included elsewhere in this prospectus.

	As of October 2, 2004	
	Actual	Pro Forma As Adjusted
	(dollars in thousands, except share and per share data)	
Long-term debt (including current maturities):		
Existing senior credit facility:		
Revolving credit facility	$ 2,302	$
Term loan facility	92,025	
New senior credit facility(1):		
Revolving credit facility		14,303
Term loan facility		35,000
Senior subordinated notes(2)	31,186	
Capital lease obligations	12,681	12,681
Other long-term debt	4	4
Total long-term debt	138,198	61,988
Shareholders equity:		
Class A convertible preferred stock, $.01 par value per share; 150,000 shares authorized, actual; 101,590 shares issued and outstanding, actual; no shares issued and outstanding, pro forma as adjusted(2)	122,863	
Preferred stock, $.01 par value per share; no shares authorized, no shares issued and outstanding, actual; 5,000,000 shares authorized, no shares issued and outstanding, pro forma as adjusted		
Common stock, $.0001 par value per share; 72,410,000 shares authorized, actual; 75,000,000 shares authorized, pro forma as adjusted; 15,789,486 shares issued and outstanding, actual; 31,853,432 shares issued and outstanding, as adjusted	2	3
Additional paid-in capital	31,651	236,697
Unearned compensation	(14)	(14)

Retained earnings (deficit)(3)	(47,171)	(56,496)
Accumulated other comprehensive income	4,999	4,999
Total shareholders equity	112,330	185,189
Total capitalization	$ 250,528	$ 247,177

(1) Our new senior credit facility will provide for a $35 million term loan and a revolving credit facility that will provide for borrowings up to $40 million. We intend to use the net proceeds from the underwriters over-allotment option, to the extent exercised, to further reduce our borrowings under the new senior credit facility.

(2) See Certain Relationships and Related Transactions Repurchase of Preferred Stock, Subordinated Debt and Preferred Stock Warrants for a description of the net proceeds being used to repay subordinated indebtedness and repurchase of shares of preferred stock or preferred stock warrants held by our directors, executive officers and principal stockholders.

(3) A charge of approximately $9.3 million will be incurred upon the early extinguishment of debt. This charge includes $5.2 million of unamortized discount recorded upon the issuance of the subordinated notes and $4.1 million of deferred debt issuance costs.

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The number of shares of common stock to be outstanding after this offering is based on shares outstanding as of October 2, 2004. This number excludes, as of October 2, 2004 on an as adjusted basis:

836,868 shares of our common stock issuable upon the exercise of outstanding warrants at a weighted average exercise price of $0.01 per share;

830,955 shares of our common issuable upon the exercise of outstanding options at a weighted average exercise price of $3.05 per share;

2,293,526 shares of our common stock reserved for future issuance under our stock option and stock purchase plan; and

124,486 shares of our common stock to be issued upon the conversion of our preferred stock and warrants to purchase shares of our preferred stock that reflect accrued and unpaid dividends thereon from October 2, 2004 to the date of repurchase.

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DILUTION

Our pro forma net tangible book value (deficit) as of October 2, 2004 was $(30.4) million, or $(1.27) per share of common stock. Pro forma net tangible book value per share represents, prior to the sale of the 8,000,000 shares of common stock offered in this offering, the amount of our total tangible assets less the amount of our total liabilities, divided by the pro forma number of shares of common stock outstanding at October 2, 2004 after giving effect to the conversion of our outstanding shares of preferred stock not repurchased in connection with this offering into 7,894,507 shares of our common stock. Dilution in pro forma net tangible book value per share represents the difference between the amount per share paid by investors in this offering and the pro forma net tangible book value per share of our common stock immediately after this offering.

After giving effect to our sale of the 8,000,000 shares of common stock offered in this offering, based upon the initial public offering price of $15.00 per share, our pro forma as adjusted net tangible book value as of October 2, 2004 would have been approximately $42.5 million, or $1.33 per share of common stock. This represents an immediate increase in pro forma net tangible book value to our existing stockholders of $2.60 per share and an immediate dilution to new investors in this offering of $13.67 per share. The following table illustrates this per share dilution in pro forma net tangible book value to new investors:

Assumed initial public offering price per share		$ 15.00
Pro forma net tangible book value (deficit) per share as of October 2, 2004 after giving effect to conversion of our outstanding shares of preferred stock not repurchased	(1.27)	
Increase per share attributable to new investors	2.60	
Pro forma as adjusted net tangible book value per share after this offering		1.33
Dilution per share to new investors		$ 13.67

The following table summarizes, as of October 2, 2004 on an as adjusted basis, the differences between our existing stockholders and investors in this offering with respect to the total number of shares of common stock purchased from us, the aggregate cash consideration paid to us, the average price per share paid by existing stockholders and the average price per share paid by new investors purchasing shares of common stock in this offering before deducting estimated underwriting discounts and commissions and our estimated offering expenses. The calculation below is based on an offering price of $15.00 per share before deducting estimated underwriting and offering expenses payable by us:

	Shares Purchased		Total Consideration		
	Number	Percent	Amount	Percent	Average Price Per Share
Existing stockholders	23,853,432	75%	$ 131,600,000	52%	$ 5.52
New public investors	8,000,000	25	120,000,000	48	15.00
Total	31,853,432	100%	$ 251,600,000	100%	

The foregoing discussion and tables assume no exercise of the following warrants and options outstanding as of October 2, 2004 on an as adjusted basis:

836,868 shares of our common stock issuable upon the exercise of outstanding warrants at a weighted average exercise price of $0.01 per share;

830,955 shares of our common issuable upon the exercise of outstanding options at a weighted average exercise price of $3.05 per share; and

2,293,526 shares of our common stock reserved for future issuance under our stock option and stock purchase plans.

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The foregoing discussion and tables also do not include 124,486 shares of our common stock to be issued upon the conversion of our preferred stock and warrants to purchase shares of our preferred stock that reflect accrued and unpaid dividends thereon from October 2, 2004 to the date of repurchase.

To the extent that all outstanding options and warrants are exercised, your investment will be further diluted by an additional $0.07 per share. In that event, the total number of shares of common stock purchased from us by our existing stockholders would be 25,521,255 the aggregate cash consideration paid to us by our existing stockholders would be $134,142,782 and the average price per share paid by existing stockholders would be $5.26 per share. In addition, you will incur additional dilution if we grant more options or warrants in the future with exercise prices below the initial public offering price.

If the underwriters exercise their over-allotment option in full, our existing stockholders would own approximately 72% and our new investors would own approximately 28% of the total number of shares of our common stock outstanding after this offering.

DIVIDEND POLICY

We have not in the past paid, and do not expect for the foreseeable future, to pay dividends on our common stock. Instead, we anticipate that all of our earnings in the foreseeable future will be used in the operation and growth of our business. We expect that the payment of dividends by us to holders of our common stock will be prohibited by our new senior credit facility. Any future determination to pay dividends will be at the discretion of our board of directors and will depend upon, among other factors, our results of operations, financial condition, capital requirements and contractual restrictions.

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SELECTED CONSOLIDATED FINANCIAL DATA

Symmetry Medical Inc.

The following table sets forth our selected consolidated financial data as of and for the periods indicated. We derived the consolidated statement of operations data for fiscal years 2001, 2002 and 2003 and the consolidated balance sheet data as of the last day of fiscal years 2002 and 2003 from our audited consolidated financial statements for such periods and dates, which appear elsewhere in this prospectus. Our consolidated financial statements as of and for fiscal years 2002 and 2003 have been audited by Ernst & Young LLP, and our consolidated financial statements as of and for fiscal year 2001 have been audited by Arthur Andersen LLP. For more information, see Experts. We derived the consolidated statement of operations data for fiscal years 1999 and 2000 and the consolidated balance sheet data as of the last day of fiscal years 1999, 2000 and 2001 from our audited consolidated financial statements for such periods and dates, which are not included in this prospectus. The financial information for the nine months ended October 4, 2003, and as of and for the nine months ended October 2, 2004, was derived from our unaudited consolidated financial statements for such periods and dates, which appear elsewhere in this prospectus, and in the opinion of management, contains all adjustments necessary for a fair presentation of the consolidated financial data. Our historical results are not necessarily indicative of the operating results that may be expected in the future. You should read the following information together with the information under Management s Discussion and Analysis of Financial Condition and Results of Operations, our consolidated financial statements and the related notes included elsewhere in this prospectus.

						(unaudited)	
	Fiscal Year					Nine Months Ended	
	1999	2000	2001	2002	2003(1)	October 4, 2003	October 2, 2004
	(dollars in thousands, except share and per share data)						
Consolidated Statements of Operations Data:							
Revenue	$ 47,912	$ 61,203	$ 66,495	$ 65,395	$ 122,029	$ 84,736	$ 153,053
Cost of revenue	34,036	43,005	48,205	47,859	86,124	59,011	108,363
Gross profit	13,876	18,198	18,290	17,536	35,905	25,725	44,690
Selling, general and administrative expenses	8,328	9,862	10,494	9,440	17,115	11,893	16,975
Operating income	5,548	8,336	7,796	8,096	18,790	13,832	27,715
Interest expense, net	2,134	2,835	5,070	4,968	10,172	6,607	10,852
Loss on debt extinguishment					1,436(2)	1,436(2)	
Interest rate swap valuation(3)			847	979	(1,358)	(857)	(809)
Expenses related to recapitalization		14,179					
Other expense (income)	(173)	28	290	(42)	(374)	(171)	(230)
Income (loss) before income taxes and cumulative effect of change in accounting	3,587	(8,706)	1,589	2,191	8,914	6,817	17,902
Provision (benefit) for income taxes	1,978	(2,775)	1,400	841	3,009	2,302	6,108
Net income (loss) before cumulative effect of accounting change	1,609	(5,931)	189	1,350	5,905	4,515	11,794
			(293)	(1,146)			

Cumulative effect of change in accounting(4)							
Net income (loss)	1,609	(5,931)	(104)	204	5,905	4,515	11,794
Preferred stock dividends		(683)	(3,185)	(4,410)	(7,028)	(4,757)	(7,069)
Net income (loss) applicable to common shareholders	$ 1,609	$ (6,614)	$ (3,289)	$ (4,206)	$ (1,123)	$ (242)	$ 4,725

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	Fiscal Year					(unaudited) Nine Months Ended	
	1999	2000	2001	2002	2003(1)	October 4, 2003	October 2, 2004
	(dollars in thousands, except share and per share data)						
Basic per share:							
Net income (loss) applicable to common shareholders before cumulative effect of accounting change	$ 0.48	$ (1.59)	$ (0.44)	$ (0.44)	$ (0.10)	$ (0.02)	$ 0.30
Cumulative effect of accounting change, net of tax			(0.04)	(0.17)			
Net income (loss)	$ 0.48	$ (1.59)	$ (0.48)	$ (0.61)	$ (0.10)	$ (0.02)	$ 0.30
Diluted per share:							
Net income (loss) applicable to common shareholders before cumulative effect of accounting change	$ 0.44	$ (1.59)	$ (0.44)	$ (0.44)	$ (0.10)	$ (0.02)	$ 0.28
Cumulative effect of accounting change, net of tax			(0.04)	(0.17)			
Net income (loss)	$ 0.44	$ (1.59)	$ (0.48)	$ (0.61)	$ (0.10)	$ (0.02)	$ 0.28
Weighted average common shares outstanding:							
Basic	3,326,816	4,157,787	6,854,736	6,905,800	11,797,842	9,699,423	15,789,486
Diluted	3,688,866	4,157,787	6,854,736	6,905,800	11,797,842	9,699,423	16,605,221
Consolidated Balance Sheet Data (at end of period):							
Cash and cash equivalents	$ 279	$ 642	$ 835	$ 781	$ 2,348	N/A	$ 1,980
Working capital	1,044	5,006	10,533	9,587	36,064	N/A	37,425
Total assets	55,120	62,091	59,714	63,554	266,597	N/A	287,252
Long-term debt and capital lease obligations less current portion	19,509	46,244	48,641	47,234	129,696	N/A	128,740
Redeemable preferred stock	5,428			3,530		N/A	
Total stockholders equity (deficit)	16,465	(1,630)	(1,629)	(1,121)	100,390	N/A	112,330
Other Financial Data:							
Depreciation and amortization	$ 3,789	$ 4,311	$ 4,151	$ 2,744	$ 6,662	$ 4,041	$ 8,167

(1) Includes the results of Mettis since its acquisition on June 11, 2003.

(2) In fiscal 2003, we refinanced substantially all of our existing indebtedness as part of the financing of the acquisition of Mettis, resulting in a loss on debt extinguishment of $1,436.

(3) We enter into interest rate swap agreements to offset against changes in interest rates on our variable rate long-term debt. In accordance with SFAS No. 133, as amended, *Accounting For Derivative Instruments and Hedging Activities*, these agreements do not qualify for hedge accounting and accordingly, changes in the fair market value of such agreements are recorded each period in earnings.

(4) For fiscal 2001, reflects the cumulative effect of change in accounting principles resulting in the adoption of SFAS No. 133. For fiscal 2002, reflects a write-off of goodwill in connection with the adoption of SFAS No. 142, *Goodwill and Other Intangible Assets*. Upon completion of the adoption of SFAS

No. 142, we determined that the fair market value of the goodwill was lower than book value for one reporting unit, which resulted in an impairment charge.

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Mettis (UK) Limited

The following table sets forth selected consolidated financial data of Mettis as of and for the periods indicated. We derived the consolidated statements of operations data for the fiscal years ended March 31, 2001, 2002 and 2003 and the consolidated balance sheet data as of March 31, 2002 and 2003 from Mettis audited consolidated and combined financial statements for such periods and dates, which appear elsewhere in this prospectus. Mettis consolidated and combined financial statements as of March 31, 2002 and 2003 and for the fiscal years ended March 31, 2001, 2002 and 2003 have been audited by PricewaterhouseCoopers LLP. You should read the following together with Mettis consolidated financial statements and the related notes included elsewhere in this prospectus.

	Fiscal Year Ended March 31,		
	2001	2002	2003
	(dollars in thousands)		
Consolidated Statements of Operations Data:			
Revenue	$ 64,978	$ 71,556	$ 84,466
Cost of revenue	44,175	50,723	60,307
Gross profit	20,803	20,833	24,159
Research and development	12	8	186
Sales and marketing	1,856	2,166	2,394
General and administrative expenses	4,262	4,649	6,131
Amortization of goodwill	6,488	6,372	
Operating income	8,185	7,638	15,448
Interest expense	(14,093)	(14,125)	(15,239)
Interest income	1,746	762	720
Other income (expense)	(2)	2	165
Net income (loss) before income taxes and change in accounting principle	(4,164)	(5,723)	1,094
Provision for income taxes	2,597	1,754	1,504
Income (loss) before change in accounting principle	(6,761)	(7,477)	(410)
Net effect of change in accounting principle		(2,039)	
Net income (loss)	$ (6,761)	$ (9,516)	$ (410)
Consolidated Balance Sheet Data (at end of period):			
Cash and cash equivalents	N/A	$ 1,125	$ 2,496
Working capital	N/A	9,570	12,328
Total assets	N/A	124,365	134,494
Long-term obligations less current portion	N/A	130,430	138,315
Total Shareholder s net investment	N/A	(27,236)	(28,546)
Other Financial Data:			
Depreciation and amortization	$9,488	$ 10,284	$ 4,684

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UNAUDITED PRO FORMA CONSOLIDATED STATEMENTS OF OPERATIONS

We derived the following unaudited pro forma consolidated statements of operations by applying pro forma adjustments to our historical consolidated financial statements included elsewhere in this prospectus. The unaudited pro forma consolidated statements of operations for fiscal year 2003 and the nine months ended October 4, 2003 give effect to the acquisition of Mettis, the sale of 8,000,000 shares of common stock pursuant to this offering and the application of proceeds therefrom as described in Use of Proceeds, the conversion of our outstanding shares of preferred stock not repurchased into an aggregate of 7,894,507 shares of our common stock and the refinancing of our remaining senior indebtedness under a new senior credit facility, as if such transactions had been completed at the beginning of the earliest period presented. We completed the Mettis acquisition on June 11, 2003. The unaudited pro forma consolidated statement of operations for the nine months ended October 2, 2004, give effect to the same transactions other than the Mettis acquisition, which is already reflected in our consolidated statement of operations for such period. We describe the assumptions underlying the pro forma adjustments in the accompanying notes, which should be read in conjunction with these unaudited pro forma consolidated statements of operations.

The following unaudited pro forma consolidated statements do not give effect to an anticipated pre-tax charge of approximately $9.3 million related to the early extinguishment of debt. This anticipated charge includes $4.1 million from the write-off of unamortized debt issuance costs and $5.2 million from the write-off of the unamortized amount of the discount recorded upon the issuance of our senior subordinated notes.

The unaudited pro forma consolidated statements of operations should not be considered indicative of actual results that would have been achieved had the acquisition of Mettis been consummated at the beginning of the periods indicated and do not purport to indicate consolidated results of operations as of any future period. The unaudited pro forma consolidated statements of operations should be read in conjunction with the information contained in Selected Historical Financial Data, Management s Discussion and Analysis of Financial Condition and Results of Operations and the consolidated financial statements of Symmetry and Mettis appearing elsewhere in this prospectus.

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SYMMETRY MEDICAL INC.

UNAUDITED PRO FORMA CONSOLIDATED STATEMENTS OF OPERATIONS

(dollars in thousands, except per share data)

	Nine Months Ended October 4, 2003						
	Symmetry Medical Inc.	Mettis (UK) Limited(a) January 1 to March 31, 2003	Mettis (UK) Limited(a) April 1 to June 11, 2003	Acquisition Adjustments	Pro Forma Combined	Offering Adjustments	Pro Forma As Adjusted
Consolidated Statements of Operations:							
Revenue	$ 84,736	$ 22,401	$ 13,925	$	121,062	$	$ 121,062
Cost of revenue	59,011	15,976	9,841	448(b)	85,276		85,276
Gross profit	25,725	6,425	4,084	(448)	35,786		35,786
Selling, general and administrative expenses	11,893	2,883	3,237	273(c)	18,286		18,286
Operating income	13,832	3,542	847	(721)	17,500		17,500
Other (income) expense:							
Interest expense	6,607	3,423	2,855	(2,613)(d)	10,272	(6,156)(f)	4,116
Loss on debt extinguishment	1,436				1,436		1,436
Interest rate swap valuation	(857)	86			(771)		(771)
Other expense (income)	(171)	(37)			(208)		(208)
Income before income taxes	6,817	70	(2,008)	1,892	6,771	6,156	12,927
Income tax expense	2,302	95	(682)	575(e)	2,290	2,081(e)	4,371
Net income (loss)	4,515	(25)	(1,326)	1,317	4,481	4,075	8,556
Preferred stock dividends	(4,757)				(4,757)	4,757(g)	
Net income (loss) applicable to common shareholders	$ (242)	$ (25)	$ (1,326)	$ 1,317	(276)	$ 8,832	$ 8,556
Net income (loss) per share:							
Basic	$ (0.02)				(0.03)		$ 0.27
Diluted	$ (0.02)				(0.03)		$ 0.26

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SYMMETRY MEDICAL INC.

UNAUDITED PRO FORMA CONSOLIDATED STATEMENTS OF OPERATIONS

(dollars in thousands, except per share data)

	Fiscal Year 2003						
	Symmetry Medical Inc.	Mettis (UK) Limited(a) January 1 to March 31, 2003	Mettis (UK) Limited April 1 to June 11, 2003	Acquisition Adjustments	Pro Forma Combined	Offering Adjustments	Pro Forma As Adjusted
Consolidated Statements of Operations:							
Revenue	$ 122,029	$ 22,401	$ 13,925	$	$ 158,355	$	$ 158,355
Cost of revenue	86,124	15,976	9,841	448(b)	112,389		112,389
Gross profit	35,905	6,425	4,084	(448)	45,966		45,966
Selling, general and administrative expenses	17,115	2,883	3,237	273(c)	23,508		23,508
Operating income	18,790	3,542	847	(721)	22,458		22,458
Other (income) expense:							
Interest expense	10,172	3,423	2,855	(2,613)(d)	13,837	(8,735)(f)	5,102
Loss on debt extinguishment	1,436				1,436		1,436
Interest rate swap valuation	(1,358)	86			(1,272)		(1,272)
Other expense (income)	(374)	(37)			(411)		(411)
Income (loss) before income taxes	8,914	70	(2,008)	1,892	8,868	8,735	17,603
Income tax expense (benefit)	3,009	95	(682)	575(e)	2,997	2,952(e)	5,949
Net income (loss)	5,905	(25)	(1,326)	1,317	5,871	5,783	11,654
Preferred stock dividends	(7,028)				(7,028)	7,028(g)	
Net income (loss) applicable to common shareholders	$ (1,123)	$ (25)	$ (1,326)	$ 1,317	$ (1,157)	$ 12,811	$ 11,654
Net income (loss) per share:							
Basic	$ (0.10)				$ (0.10)		$ 0.37
Diluted	$ (0.10)				$ (0.10)		$ 0.35

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SYMMETRY MEDICAL INC.

UNAUDITED PRO FORMA CONSOLIDATED STATEMENTS OF OPERATIONS

(dollars in thousands, except per share data)

	Nine Months Ended October 2, 2004		
	Symmetry Medical Inc.	**Offering Adjustments**	**Pro Forma As Adjusted**
Consolidated Statement to Operations:			
Revenue	$ 153,053	$	$ 153,053
Cost of revenue	108,363		108,363
Gross profit	44,690		44,690
Selling, general and administrative expenses	16,975		16,975
Operating income	27,715		27,715
Other (income) expense:			
Interest expense	10,852	(6,608)(f)	4,244
Loss on debt extinguishment			
Interest rate swap valuation	(809)		(809)
Other expense (income)	(230)		(230)
Income (loss) before income taxes	17,902	6,608	24,510
Income tax expense	6,108	2,253(e)	8,361
Net income (loss)	11,794	4,355	16,149
Preferred stock dividends	(7,069)	7,069(g)	
Net income (loss) applicable to common shareholders	$ 4,725	$ 11,424	$ 16,149
Net income (loss) per share:			
Basic	$ 0.30		$ 0.51
Diluted	$ 0.28		$ 0.49

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SYMMETRY MEDICAL INC.

NOTES TO UNAUDITED PRO FORMA CONSOLIDATED STATEMENTS OF OPERATIONS

The unaudited pro forma consolidated statements of operations give effect to the following adjustments:

(a) Mettis fiscal year ended on March 31 of each year. The unaudited pro forma consolidated statement of operations for the nine months ended October 4, 2003 and the unaudited consolidated pro forma statements of operations for fiscal 2003 includes the results of operations for Mettis for the period from January 1, 2003 to March 31, 2003 and April 1, 2003 to June 11, 2003, the date of its acquisition.

(b) Reflects the adjustment to cost of revenue to reflect the write-up of inventory and property, plant and equipment of Mettis related to the application of purchase accounting in connection with the Mettis acquisition.

(c) Reflects the adjustment to historical selling, general and administrative expenses to reflect amortization expense related to the finite life intangible assets recorded in connection with the Mettis acquisition.

(d) Reflects the net change in interest expense as a result of the new financing arrangements entered into to fund the Mettis acquisition including the incurrence of $98.0 million of term loan indebtedness under our senior credit facility with a variable interest rate based upon LIBOR plus 400 to 450 basis points, as defined, the issuance of $36 million of senior subordinated notes at a fixed interest rate of 12%, offset by the removal of historical interest expense related to Mettis and our prior senior credit facility and subordinated notes.

The individual components of the net change in interest expense are as follows:

	Nine Months Ended October 4, 2003	Fiscal Year 2003
Interest expense as reported for Symmetry Medical Inc. and Mettis (UK) Limited	$ 12,885	$ 16,450
Removal of Mettis (UK) Limited historical interest expense	(6,278)	(6,278)
Removal of prior senior credit facility and subordinated note interest	(794)	(794)
Pro forma interest expense associated with the issuance of $98.0 million of term debt (reduced for monthly principal payments) for the period from January 1 to June 11, 2003 at an assumed rate of 5.44%.	2,366	2,366
Pro forma interest expense associated with the issuance of $36.0 million of senior subordinated notes for the period from January 1 to June 11, 2003 at a rate of 12% (including amortization of discount of $0.2 million and $0.2 million, respectively).	2,093	2,093
Net adjustment	(2,613)	(2,613)
Pro forma combined interest expense	$ 10,272	$ 13,837

(e) Reflects the income tax adjustment required to reflect the pro forma income tax provision at an effective tax rate of 33.8% for the nine months ended October 4, 2003 and the fiscal year 2003 and 34.1% for the nine months ended October 2, 2004.

(f) The adjustment reflects the removal of interest expenses, including amortization of deferred debt issuance costs and discounts, associated with the $36.0 million of senior subordinated notes and borrowings under the existing senior credit facility as these borrowings will be repaid from the net proceeds of the offering and borrowings under a $35.0 million term loan under our new senior credit facility. This reduction of expense is offset by the inclusion of interest expense, including amortization of deferred debt issuance costs, related

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to the new $35 million term loan. For fiscal year 2003, the net of these adjustments results in $5.1 million of pro forma as adjusted interest expense, which consists of $2.8 million of historical interest expense on capital leases, interest rate swaps and the revolving line of credit combined with the addition of interest expense on the new term loan and incremental borrowings on the revolving line of credit of $2.3 million at an assumed annual interest rate of 4.29%.

The individual components of the net change in interest expense are as follows:

	Nine Months Ended October 4, 2003	Fiscal Year 2003	Nine Months Ended October 2, 2004
Pro forma combined interest expense	$ 10,272	$ 13,837	$ 10,852
Removal of prior senior credit facility and subordinated note interest	(7,891)	(11,030)	(8,202)
Pro forma interest expense associated with the new term loan and incremental borrowings on the revolving line of credit	1,735	2,295	1,594
Net adjustment	(6,156)	(8,735)	(6,608)
Pro forma as adjusted interest expense	$ 4,116	$ 5,102	$ 4,244

(g) Reflects the elimination of dividends associated with our Class A preferred stock. All of our existing Class A preferred stock will be repurchased or converted into shares of common stock in connection with this offering. Each share of preferred stock that is not repurchased will be converted into that number of shares of our new common stock determined by dividing its liquidation value of $1,000 per share plus all accumulated and unpaid dividends through the conversion date by 85% of the initial public offering price We intend to use approximately $22.9 million of the net proceeds from this offering to repurchase a portion of our outstanding Class A preferred stock and preferred stock warrants. The per share purchase price for each share of Class A preferred stock or preferred stock warrant will be equal to the liquidation value of the preferred stock of $1,000 per share plus all accumulated and unpaid dividends through the repurchase date minus, in the case of the preferred stock warrants, the exercise price thereof of $.01 per share. Based on the foregoing, we expect that we will repurchase approximately 18.1% of the outstanding Class A preferred stock and preferred stock warrants on a combined basis. As of October 2, 2004, as adjusted to reflect the repurchase of 35 shares of our preferred stock from an employee who retired, there were outstanding 101,590 shares of Class A preferred stock and warrants to purchase 3,530 shares of Class A preferred stock. Based on the initial public offering price of $15.00 per share and an estimated closing date of December 14, 2004, we expect that the Class A preferred stock and preferred stock warrants not repurchased will be converted into an aggregate of 7,894,507 shares of common stock and warrants to purchase 251,491 shares of common stock.

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MANAGEMENT S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

You should read the following discussion in conjunction with the Selected Consolidated Financial Data section and the Unaudited Pro Forma Consolidated Statements of Operations section of this prospectus and the consolidated financial statements of each of Symmetry and Mettis, and the notes to those statements, included elsewhere in this prospectus. The statements in this discussion regarding industry outlook, our expectations regarding our future performance, liquidity and capital resources and other non-historical statements in this discussion are forward-looking statements. These forward-looking statements are subject to numerous risks and uncertainties, including, but not limited to, the risks and uncertainties described in the Risk Factors and Cautionary Notice Regarding Forward Looking Statements sections of this prospectus. Our actual results may differ materially from those contained in or implied by any forward-looking statements.

Overview

We are the world s largest independent provider of implants and related instruments and cases to orthopedic device manufacturers. We also design, develop and produce these products for companies in other segments of the medical device market, including dental, osteobiologic and endoscopy sectors, and provide limited specialized products and services to non-healthcare markets.

We acquired Mettis on June 11, 2003 for aggregate consideration of approximately $164 million. Mettis is a leading manufacturer of forged, cast and machined implants for global orthopedic device manufacturers. This acquisition added implants to our product offerings and increased our European presence. We now offer a comprehensive line of implants, surgical instruments and cases for orthopedic device manufacturers on a global basis. In fiscal 2003 on a pro forma basis for the Mettis acquisition, we had revenue of $158.4 million, operating income of $22.5 million and net income of $5.9 million.

Our acquisition of Mettis enabled us to offer our customers Total Solutions for complete implant systems implants, instruments and cases. While our revenue to date have been derived primarily from the sale of implants, instruments and cases separately, or instruments and cases together, our ability to provide Total Solutions for complete implant systems has already proven to be attractive to our customers and we expect this capability will provide us with growth opportunities. In addition, we expect that our Total Solutions capability will increase the relative percentage of value added products that we supply to our customers.

Our revenue from the sale of implants, instruments, cases and other products and services represented 36.3%, 33.0%, 23.3% and 7.4%, respectively, of our revenue in the nine months ended October 2, 2004 and 27.3%, 37.4%, 29.6% and 5.7%, respectively, of our revenue in fiscal 2003.

During fiscal 2003, we sold our products and services to approximately 500 customers, including 72 new customers. Our four largest customers accounted for approximately 22.6%, 15.2%, 14.7% and 10.3% of our revenue in the nine months ended October 2, 2004 and our three largest customers accounted for 19.5%, 14.7% and 10.5% of our revenue in fiscal 2003. Our ten largest customers collectively accounted for approximately 77.7% and 68.3% of our revenue in the nine months ended October 2, 2004 and fiscal 2003, respectively. Within each of our largest customers, we typically serve several product teams and facilities, which diminishes our reliance on any single purchasing decision. Approximately 67.6%, 12.5% and 19.9% of our revenue in the nine months ended October 2, 2004 and approximately 73.2%, 16.1% and 10.7% of our revenue in fiscal 2003 was from sales to customers in the United States, United Kingdom and other foreign countries, respectively.

We have well-established relationships with our major customers and these relationships to a significant extent involve the sale of products that we have developed or modified specifically for our customers particular product lines. In connection with the launch of a new implant system, our customers typically provide a customized implant-specific instrument set in cases to end users (hospitals, outpatient centers and physicians) for use with the new implant system. As a result, our sales of instruments and cases in any particular period are significantly impacted by the amount of new product launch activity by our customers.

As a result of the Mettis acquisition, we have significant operations in the United Kingdom. Consequently, a significant portion of our operating results are generated in currencies other than the U.S. dollar, principally the

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pound sterling and euro. Our operating results are therefore impacted by exchange rate fluctuations to the extent we are unable to match revenue received in such currencies with costs incurred in such currencies. We intend to manage our exposure to exchange rate fluctuations through the use of foreign currency exchange contracts.

Historically, we have had a significant amount of variable rate long-term indebtedness. We have managed our exposure to changes in interest rates by entering into interest rate swap agreements. These agreements do not qualify for hedge accounting under the applicable accounting guidelines and, as a result, we are required to record changes to the fair market value of these agreements in our statement of operations for each period. We recorded interest rate swap valuation expense (income) of $(0.8) million, ($1.4) million, $1.0 million and $0.8 million for the nine months ended October 2, 2004, fiscal 2003, fiscal 2002 and fiscal 2001, respectively. For additional information regarding our interest rate swap agreements, see Quantitative and Qualitative Disclosures about Market Risks Interest Rate Risk.

Our management reviews and analyzes several trends and key performance indicators in order to manage our business. To assist us in evaluating our capacity, we monitor long-term trends in the orthopedic industry, which currently includes the growing elderly population, general aging of the population, affluent and active baby boomers , improving technologies that expand the market, including minimally invasive surgeries, and other factors. Further, we consider the information obtained from discussions with our customers on the upcoming demand for our products, including new product launches. We use this information to determine an appropriate level of capital expenditures to meet the anticipated demand for our products. To this end, we recently finished construction and began operations at our new UK facility and we are expanding our facility located in Avilla, Indiana.

On an ongoing basis, our management considers several variables associated with the ongoing operations of the business, including scheduled production, utilization of machinery and equipment, monitoring purchasing activity and inventory levels and associated costs, headcount, overhead costs, and selling and general and administrative expenses. Although we are currently focused on increasing the size, level and effectiveness of our sales force and marketing expenses, we do not expect these investments to negatively impact our ongoing operating margins or liquidity.

Our revenues are affected by changes in the number and size of orders and the timing of delivery dates. Our revenues have fluctuated in the past and may vary in the future due to the effects of changes in inventory management practices and new product introductions by our customers.

Results of Operations

The table below sets forth certain operating data expressed as a percentage of revenue for the periods indicated. Fiscal 2003 operating data in the table below includes the results of Mettis since its acquisition on June 11, 2003. The pro forma operating data shown in the table below for the nine months ended October 4, 2003 gives effect to the Mettis acquisition as if it had been consummated on December 29, 2002, the first day of such period. We have included this pro forma operating data for the nine months ended October 4, 2003 to better facilitate a comparison to our operating results for the nine months ended October 2, 2004, which include the results of operations for Mettis for the entire period. See Unaudited Pro Forma Consolidated Statements of Operations for further information regarding the calculation of this pro forma financial information. Interest expense for the periods presented is primarily attributable to indebtedness incurred in connection with our October 2000 recapitalization and our June 2003 acquisition of Mettis. Our historical results are not necessarily indicative of the operating results that may be expected in the future.

We use the term Symmetry in this section to refer to Symmetry s business on a stand alone basis without giving effect to the Mettis acquisition, in order to distinguish changes in Symmetry s business on a stand alone basis without giving effect to the Mettis acquisition from changes in our

business attributable to the Mettis acquisition.

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	Fiscal Year			Nine Months Ended			Three Months Ended	
					Pro Forma			
	2001	2002	2003	October 4, 2003	October 4, 2003	October 2, 2004	October 4, 2003	October 2, 2004
Statement of Operations Data:								
Revenue	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%
Cost of revenue	72.5	73.2	70.6	69.6	70.4	70.8	71.1	70.4
Gross profit	27.5	26.8	29.4	30.4	29.6	29.2	28.9	29.6
Selling, general and administrative expenses	15.8	14.4	14.0	14.1	15.1	11.1	13.3	10.4
Operating income	11.7	12.4	15.4	16.3	14.5	18.1	15.6	19.2
Interest expense	7.6	7.6	8.3	7.8	8.5	7.1	9.3	6.8
Loss on debt extinguishment			1.2	1.7	1.2			
Interest rate swap valuation expense (income)	1.3	1.5	(1.1)	(1.0)	(0.6)	(0.5)	(1.6)	
Other expense (income)	0.4	(0.1)	(0.3)	(0.2)	(0.2)	(0.2)	0.2	
Income before income taxes and cumulative effect of change in accounting principle	2.4	3.4	7.3	8.0	5.6	11.7	7.7	12.4
Provision for income taxes	2.1	1.3	2.5	2.7	1.9	4.0	2.6	4.2
Net income before cumulative effect of change in accounting principle	0.3	2.1	4.8	5.3	3.7	7.7	5.1	8.2
Cumulative effect of change in accounting principle	(0.4)	(1.8)						
Net income (loss)	(0.1%)	0.3%	4.8%	5.3%	3.7%	7.7%	5.1%	8.2%

Quarter Ended October 2, 2004 Compared to Quarter Ended October 4, 2003

Revenue. Revenue increased $13.5 million, or 33.3%, to $54.1 million in the quarter ended October 2, 2004 from $40.6 million in the quarter ended October 4, 2003. Revenue for each of our principal product categories in these periods were as follows:

	2003	2004
Product Category	(in millions)	
Implants	$ 15.3	$ 19.8
Instruments	13.3	18.4
Cases	9.1	12.1
Non-healthcare and other	2.9	3.8
Total	$ 40.6	$ 54.1

This $13.5 million increase in revenue primarily resulted from increases of $4.5 million of implant sales, $5.1 million of instrument sales, and $3.0 million of case sales in the quarter ended October 2, 2004 driven by increased demand from customers due primarily to their launches of new implant systems.

Gross Profit. Gross profit increased $4.3 million, or 36.8%, to $16.0 million in the quarter ended October 2, 2004 from $11.7 million in the quarter ended October 4, 2003. This increase was primarily due to higher sales and comparable gross profit percentages. As a percentage of revenue, gross profit increased to 29.6% of revenues in the quarter ended October 2, 2004 from 28.9% of revenue in the quarter ended October 4, 2003. This increase reflects improved absorption of fixed costs due to higher volumes.

Selling, General and Administrative Expenses. Selling, general and administrative expenses increased $0.2 million, or 4.2%, to $5.6 million in the quarter ended October 2, 2004 from $5.4 million in the quarter ended October 4, 2003. Approximately $0.3 million of this increase was due to increases in selling expenses by

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Symmetry consistent with the overall increase in its revenue. As a percentage of revenue, selling, general and administrative expenses declined to 10.4% of revenues in the quarter ended October 2, 2004 from 13.3% of revenue in the quarter ended October 4, 2003. The decline in these expenses as a percentage of revenue is reflective of our distributing these costs over an increased revenue base.

Interest Expense. Interest expense decreased $0.1 million, or 2.4%, to $3.7 million in the quarter ended October 2, 2004 from $3.8 million in the quarter ended October 4, 2003. This decrease primarily reflects lower average borrowings during the quarter ended October 2, 2004 as compared to the quarter ended October 4, 2003.

Provision for Income Taxes. Our effective tax rate was 34.0% in the quarter ended October 2, 2004 as compared to 33.8% in the quarter ended October 4, 2003. Provision for income taxes increased by $1.2 million, or 115.2%, to $2.3 million in the quarter ended October 2, 2004 from $1.1 million in the quarter ended October 4, 2003. The increase in provision for income taxes in the third quarter of 2004 is primarily due to our higher pre-tax earnings in that period.

Nine Months Ended October 2, 2004 Compared to Nine Months Ended October 4, 2003

Revenue. Revenue increased $68.3 million, or 80.6%, to $153.1 million in the nine months ended October 2, 2004 from $84.7 million in the nine months ended October 4, 2003. Revenue for each of our principal product categories in these periods was as follows:

	2003	2004
Product Category	**(in millions)**	
Implants	$ 20.1	$ 55.6
Instruments	33.0	50.6
Cases	27.7	35.6
Non-healthcare and other	3.9	11.3
Total	$ 84.7	$ 153.1

This $68.3 million increase in revenue resulted primarily from implant, instrument and non-healthcare sales generated from the operations acquired in the Mettis acquisition. The sales from these operations are included in the full nine months for 2004, while the 2003 period only includes sales from the date of acquisition, June 11, 2003.

Gross Profit. Gross profit increased $19.0 million, or 73.7%, to $44.7 million in the nine months ended October 2, 2004 from $25.7 million in the nine months ended October 4, 2003. The increase in gross profit is primarily attributable to the 80.6% increase in revenue over the comparable period in the prior year. As a percentage of revenue, gross profit decreased to 29.2% in the nine months ended October 2, 2004 compared to 30.4% in the nine months ended October 4, 2003. This decrease reflects lower margins being realized on certain revenue attributable to the Mettis acquisition, which was primarily due to unusually high start-up inefficiencies at a U.K. facility associated with a customer s new implant system launch as well as higher revenues from lower margin products.

Selling, General and Administrative Expenses. Selling, general and administrative expenses increased $5.1 million, or 42.7%, to $17.0 million in the nine months ended October 2, 2004 from $11.9 million in the nine months ended October 4, 2003. As a percentage of revenue, selling, general and administrative expenses declined to 11.1% of revenue in the nine months ended October 2, 2004 from 14.1% of revenue in the nine months ended October 4, 2003. This 3.0% decrease as a percentage of revenue was attributable to a modest reduction in administrative overhead combined with a 80.6% increase in revenue.

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Interest Expense. Interest expense increased $4.2 million, or 64.3%, to $10.9 million in the nine months ended October 2, 2004 from $6.6 million in the nine months ended October 4, 2003. This increase primarily reflects higher average borrowings under our senior credit facility during the nine months ended October 2, 2004 as compared to the nine months ended October 4, 2003 as a result of increased borrowings used primarily to finance a portion of the purchase price for Mettis.

Provision for Income Taxes. Our effective tax rate was 34.1% in the nine months ended October 2, 2004 as compared to 33.8% in the nine months ended October 4, 2003. Provision for income taxes increased by $3.8 million, or 165.3% to $6.1 million from $2.3 million due primarily to our higher pre-tax earnings in that period.

Fiscal Year 2003 Compared to Fiscal Year 2002

Revenue. Revenue increased $56.6 million, or 86.6%, to $122.0 million in fiscal 2003 from $65.4 million in fiscal 2002. Revenue for each of our principal product categories in these periods was as follows:

	2002	2003
Product Category	**(in millions)**	
Implants	$	$ 33.3
Instruments	32.3	45.6
Cases	33.1	36.1
Non-healthcare and other		7.0
Total	$ 65.4	$ 122.0

This $56.6 million increase was primarily due to $33.3 million of implant sales, $3.7 million of instrument sales and $7.0 million of sales of other products and services after June 11, 2003 resulting from the Mettis acquisition. In addition, revenue from Symmetry s instruments and cases increased by approximately $12.6 million in fiscal 2003 as compared to fiscal 2002. This increase in Symmetry s revenue was the result of increased demand from its customers due primarily to their launches of new implant systems.

Gross Profit. Gross profit increased $18.4 million, or 104.8%, to $35.9 million in fiscal 2003 from $17.5 million in fiscal 2002. This increase in gross profit resulted from $11.7 million of additional gross profit related to increased implant and instrument revenue resulting from the Mettis acquisition coupled with higher revenue by Symmetry. As a percentage of revenue, gross margin increased to 29.4% in fiscal 2003 from 26.8% in fiscal 2002. The increase in gross profit as a percentage of revenue primarily resulted from increased sales of metal cases and instruments, which led to improved leverage of our labor and overhead costs.

Selling, General and Administrative Expenses. Selling, general and administrative expenses increased $7.7 million, or 81.3%, to $17.1 million in fiscal 2003 from $9.4 million in fiscal 2002. This increase in expenses primarily resulted from $4.5 million of expenses attributable to the Mettis acquisition and increases in selling expenses on a stand-alone basis consistent with the overall increase in revenue. As a percentage of revenue, selling, general and administrative expenses decreased to 14.0% in fiscal 2003 from 14.4% in fiscal 2002.

Interest Expense. Interest expense increased $5.2 million, or 104.8%, to $10.2 million in fiscal 2003 from $5.0 million in fiscal 2002. This increase primarily reflects higher average borrowings as debt and capital lease obligations increased $85.0 million year over year primarily to finance the Mettis acquisition. This increase in debt included $36.0 million of subordinated notes with an interest rate of 12.0% per annum, which increased interest expense by approximately $2.2 million in fiscal 2003 with the remaining increase resulting from additional borrowings under our existing senior credit facility.

Loss on Debt Extinguishment. In fiscal 2003, we realized a $1.4 million loss on debt extinguishment related to the write-off of unamortized debt issuance costs resulting from the extinguishment of substantially all of our existing debt obligations prior to the acquisition of Mettis.

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Provision for Income Taxes. Our effective tax rate was 33.8% in fiscal 2003 and 38.4% in fiscal 2002. Provision for income taxes increased by $2.2 million, or 257.8%, to $3.0 million in fiscal 2003 from $0.8 million in fiscal 2002. The increase in provision for income taxes for fiscal 2003 is due to our higher pre-tax earnings in that period.

Cumulative Effect of Accounting Change. In fiscal 2002, we recorded a cumulative effect of change in accounting principle of $1.1 million related to the adoption of SFAS No. 142, *Goodwill and Intangible Assets*. Upon adoption of SFAS No. 142, we completed the transitional goodwill impairment test, using a combination of valuation techniques, including the discounted cash flow approach and the multiple market approach. Upon completion of the required assessments under SFAS No. 142, it was determined that the fair market value of a reporting unit was lower than book value, resulting in a transitional impairment charge of approximately $1.1 million.

Fiscal Year 2002 Compared to Fiscal Year 2001

Revenue. Revenue decreased $1.1 million, or 1.7%, to $65.4 million in fiscal 2002 from $66.5 million in fiscal 2001. Revenue for each of our principal product categories in these periods was as follows:

	2001	2002
Product Category	**(in millions)**	
Implants	$	$
Instruments	36.5	32.3
Cases	30.0	33.1
Non-healthcare and other		
Total	$ 66.5	$ 65.4

This decrease resulted from reduced instrument sales due to the delay of customer product launches during 2002 partially offset by increased sales from the introduction in fiscal 2002 of metal cases to our product line and increased sales from plastic cases due to an overall increase in market demand.

Gross Profit. Gross profit decreased $0.8 million, or 4.1%, to $17.5 million in fiscal 2002 from $18.3 million in fiscal 2001. As a percentage of revenue, gross profit decreased to 26.8% in fiscal 2002 from 27.5% in fiscal 2001. This decrease in gross margin resulted primarily from start up production costs related to the introduction of metal cases into our product line during 2002.

Selling, General and Administrative Expenses. Selling, general and administrative expenses decreased $1.1 million, or 10.0%, to $9.4 million in fiscal 2002 from $10.5 million in fiscal 2001. This decrease primarily resulted from our discontinuance of goodwill amortization related to our adoption of SFAS 142 in fiscal 2002, as we recorded $1.5 million of goodwill amortization expense in fiscal 2001 compared to none in fiscal 2002. This decrease was partially offset by increased employee compensation and other costs in fiscal 2002. As a percentage of revenue, selling, general and administrative expenses decreased to 14.4% in fiscal 2002 from 15.8% in fiscal 2001.

Provision for Income Taxes. Our effective tax rate was 38.4% in fiscal 2002 and 88.1% in fiscal 2001. Provision for income taxes decreased $0.6 million, or 39.9%, to $0.8 million in fiscal 2002 from $1.4 million in fiscal 2001. In fiscal 2001, our effective tax rate and provision for income taxes was impacted by the recognition of $0.4 million of a valuation allowance on foreign net operating loss carryforwards and $0.4 million of non-

deductible amortization of intangible assets. Absent these items, our effective tax rate in fiscal 2001 would have been 36.8%.

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Cumulative Effect of Accounting Changes. In fiscal 2001, we recorded a cumulative effect of change in accounting principle of $0.3 million related to the adoption of SFAS No. 133, *Accounting for Derivative Instruments and Hedging Activities*, as amended by SFAS No. 138, *Accounting for Derivative Instruments and Hedging Activities*. During all periods following the date of our adoption of SFAS No. 133, changes in the fair value of our derivatives have been recognized in our statement of operations.

Liquidity and Capital Resources

Our principal sources of cash have included cash generated from operations, the issuance of private debt and equity and bank borrowings. Principal uses of cash have included acquisitions, debt service, capital expenditures and the financing of working capital. We expect that our principal uses of cash in the future will be to finance working capital, capital expenditures and service debt.

Cash Flows

The following table summarizes our primary sources of cash in the periods presented:

	Fiscal Year Ended			Nine Months Ended	
	2001	2002	2003	October 4, 2003	October 2, 2004
			(in thousands)		
Cash provided by (used in):					
Operating activities	$ (908)	$ 4,875	$ 13,151	$ 12,886	$ 16,568
Investing activities	(2,325)	(6,565)	(171,944)	(169,566)	(13,619)
Financing activities	3,429	1,654	160,212	162,820	(3,359)
Effect of exchange rates on changes in cash	(3)	(18)	148	36	42
Net Increase (decrease) in cash and cash equivalents	$ 193	$ (54)	$ 1,567	$ 6,176	$ (368)

Operating Activities. We generated cash from operations of $16.6 million in the nine months ended October 2, 2004 compared to $12.9 million in the nine months ended October 4, 2003. This increase is primarily the result of a $9.8 million increase in net income, adjusted for non-cash items and increased accounts payable. This increase was partially offset by increases in accounts receivable of $6.1 million and inventory of $3.4 million, which are in line with our growth in revenue over the prior period.

We generated cash from operations of $13.2 million in fiscal 2003 compared to $4.9 million in fiscal 2002. This increase is primarily the result of a $5.7 million increase in net income, adjusted for non-cash items, including depreciation expense, deferred income tax provision and loss on debt extinguishment. This increase was partially offset by increases in working capital, due primarily to increases in accounts receivable of $2.4 million and inventory of $4.0 million, which are in line with our year over year growth in revenue. In fiscal 2001, we used cash in operating activities of $0.9 million.

Investing Activities. Net cash used in investing activities was $13.6 million for the nine months ended October 2, 2004 compared to $169.6 million in the nine months ended October 4, 2003. This decrease was primarily due to the acquisition of Mettis in 2003.

Net cash used in investing activities was $171.9 million for fiscal 2003 compared to $6.6 million for fiscal 2002. This increase was due to the cash paid for the Mettis acquisition of $163.1 million coupled with an increase in capital expenditures of $2.3 million. In fiscal 2001, net cash used in investing activities was $2.3 million.

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Financing Activities. Financing activities used $3.4 million of cash in the nine months ended October 2, 2004 compared providing $162.8 million of cash in the nine months ended October 4, 2003. This was primarily due to financing activities in 2003 related to the acquisition of Mettis and scheduled term loan debt service obligations in 2004.

Net cash provided by financing activities totaled $160.2 million for fiscal 2003 compared to $1.7 million in fiscal 2002. This increase was driven by cash generated to finance the Mettis acquisition, which included the issuance of $134.0 million in long-term indebtedness consisting of $98.0 million of borrowing under a senior credit facility and $36 million of subordinated notes, together with warrants to purchase common stock and preferred stock, and the sale of common stock and preferred stock for approximately $85.7 million. The per share purchase price for the common stock and preferred stock was $3.04 and $1,000, respectively. These items were partially offset by the extinguishment of our prior senior credit facility and scheduled debt maturities. In fiscal 2001, net cash provided by financing activities was $3.4 million.

Capital Expenditures

Capital expenditures totaled $13.6 million in the nine months ended October 2, 2004, compared to $6.4 million in the nine months ended October 4, 2003, and were primarily used to expand and enhance production capacity in several of our facilities. Capital expenditures totaled $8.8 million in fiscal 2003, $6.6 million in fiscal 2002 and $2.3 million in fiscal 2001 and were primarily for additional equipment used to increase production capacity and to implement process improvements, replace existing equipment and enhance our health, safety and environmental compliance. We expect capital expenditures for the remainder of fiscal 2004 to total approximately $3.4 million.

Debt and Credit Facilities

Current Facilities. In connection with the Mettis acquisition, we entered into a senior credit facility and issued senior subordinated notes together with warrants to purchase our common stock and preferred stock. We used borrowings under the senior credit facility and senior subordinated notes, as well as proceeds from the issuance of additional equity to fund the acquisition purchase price, refinance existing indebtedness and provide funds for working capital and general corporate purposes. The aggregate purchase price for the Mettis acquisition was approximately $163.9 million.

As of October 2, 2004, we had an aggregate of $138.2 million of outstanding indebtedness, which consisted of the following:

- $2.3 million of revolving credit borrowings and an aggregate of $92.0 million of term loan borrowings under our existing senior credit facility;
- $36.0 million of 12% senior subordinated notes due 2011, less unamortized discount on issuance of $4.8 million; and
- $12.7 million of capital lease obligations.

Our existing senior credit facility provides for revolving credit facilities and letters of credit of $15.0 million and two term loans. The revolving credit facility and term loans bear interest at floating rates, which can be either a base rate, or at our option, a LIBOR rate plus an applicable margin. As of October 2, 2004, an aggregate of $92.0 million was outstanding under the term loans at a weighted average interest rate of 5.5%. As of October 2, 2004, there were $2.3 million borrowings outstanding under the revolving credit facility at a weighted average interest rate of 7.25%. We had no outstanding letters of credit as of October 2, 2004.

The term loans require quarterly payments of scheduled principal and interest, with annual scheduled principal payments increasing each year. Borrowings under the revolving credit facility mature in June 2009. The

term loans mature in 2008 and 2009. Our obligations under our existing senior credit facility are secured by substantially all of our assets.

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Our existing senior credit agreement contains various financial covenants, including covenants requiring a maximum ratio of total indebtedness to EBITDA, as defined in the senior credit agreement, a maximum ratio of senior debt to EBITDA, a minimum EBITDA amount, a minimum ratio of EBITDA to interest expense, a minimum ratio of EBITDA to fixed charges and a maximum amount of annual capital expenditures. The senior credit agreement also contains covenants restricting certain corporate actions, including asset dispositions, acquisitions, paying dividends, changes of control, incurring indebtedness, making loans and investments and transactions with affiliates. We were in compliance with our financial and restrictive covenants under our existing senior credit facility at the end of fiscal 2003 and at October 2, 2004.

In connection with the acquisition of Mettis, we borrowed an aggregate of approximately $36.0 million through the issuance of senior subordinated notes. We also issued to the purchasers of the senior subordinated notes warrants to purchase an aggregate of 585,377 shares of our common stock at a purchase price of $0.01 per share and warrants to purchase an aggregate of 3,530 shares of our class A preferred stock at a purchase price of $0.01 per share. The senior subordinated notes bear interest at 12% per annum and mature in 2011. The loan agreement relating to the senior subordinated notes contains various financial covenants, including covenants requiring a maximum ratio of total indebtedness to EBITDA, as defined in the loan agreement, a minimum EBITDA amount, a minimum ratio of EBITDA to interest expense, a minimum ratio of EBITDA to fixed charges and a maximum amount of annual capital expenditures. The loan agreement also contains covenants restricting certain corporate actions, including mergers and consolidations, additional indebtedness, liens, asset dispositions, investments, dividends, and other restricted payments and transactions with affiliates. In general, these financial covenants are less restrictive than the covenants contained in our existing senior credit facility. We were in compliance with our financial and restrictive covenants under the loan agreement related to senior subordinated notes at the end of fiscal 2003 and at October 2, 2004. Accrued interest under the senior subordinated notes is payable quarterly. The holders of our senior subordinated notes and warrants to purchase common stock and class A preferred stock include entities affiliated with Olympus Partners, which entities hold an aggregate of approximately $8.0 million principal amount of our senior subordinated notes, as well as warrants to purchase shares of common stock and class A preferred stock. See Certain Relationships and Related Transactions Sale of Senior Subordinated Notes and Warrants.

We hold certain property and equipment pursuant to capital leases. As of October 2, 2004, these leases have future minimum lease payments of $3.7 million, $3.1 million, $2.8 million, $2.2 million and $1.2 million in each of the next 5 fiscal years. At October 2, 2004, we had total capital lease obligations of $12.7 million. We anticipate incurring additional capital lease obligations of $3.5 million in 2004.

We anticipate repaying our existing senior credit facility and our senior subordinated notes with the net proceeds from this offering together with proceeds from a new senior credit facility that we intend to enter into in connection with the completion of this offering. In addition, we expect to use approximately $22.9 million of the net proceeds from this offering to repurchase a portion of our outstanding shares of preferred stock and preferred stock warrants. Certain of our directors, executive officers and principal stockholders own shares of our preferred stock or preferred stock warrants and will receive a portion of these proceeds. See Certain Relationships and Related Transactions Repurchase of Preferred Stock, Subordinated Debt and Preferred Stock Warrants.

New Senior Credit Facility. In connection with this offering, we anticipate entering into a new $75.0 million senior secured credit facility, consisting of a $35.0 million five-year term loan and a $40.0 million five-year revolving credit facility. Assuming the sale of 8.0 million shares of our common stock, at the initial public offering price of $15.00 per share, and the application of the net proceeds therefrom as described under Use of Proceeds, the amount of indebtedness outstanding under this new senior credit facility would have been approximately $49.3 million as of October 2, 2004. Borrowings under the new senior credit facility will bear interest at a floating rate, which will be either a base rate, or at our option, a LIBOR rate, plus an applicable margin. The new senior credit agreement will contain various financial covenants, including covenants requiring a maximum total debt to EBITDA ratio, minimum EBITDA to interest ratio and a minimum EBITDA to fixed charges ratio. The new senior credit agreement will also contain covenants restricting certain corporate actions,

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including asset dispositions, acquisitions, paying dividends and certain other restricted payments, changes of control, incurring indebtedness, incurring liens, making loans and investments and transactions with affiliates. The new senior credit facility will be secured by substantially all of our assets. The new senior credit agreement will also contain customary events of default.

We believe that cash flow from operating activities, proceeds from this offering and borrowings under our new senior credit facility will be sufficient to fund currently anticipated working capital, planned capital spending and debt service requirements for the foreseeable future, including at least the next twelve months. We do not need the proceeds of this offering to continue operations for the next twelve months. We regularly review acquisitions and other strategic opportunities, which may require additional debt or equity financing. We currently do not have any pending agreements or understandings with respect to any acquisition or other strategic opportunity.

Contractual Obligations and Commercial Commitments

The following table reflects our contractual obligations as of October 2, 2004:

	Payments due by period				
	Total	Less than 1 year	1-3 years	3-5 years	More than 5 years
	(dollars in millions)				
Long-term debt obligations(1)	$ 125.5	$ 7.2	$ 42.5	$ 44.6	$ 31.2
Capital lease obligations	17.8	3.7	5.9	3.4	4.8
Operating lease obligations	2.9	1.6	1.1	0.2	
Total	$ 146.2	$ 12.5	$ 49.5	$ 48.2	$ 36.0

(1) Represents principal maturities only and, therefore, excludes the effects of interest and interest rate swaps.

The following table reflects our long-term debt obligations as of October 2, 2004 after giving effect to this offering and the application of proceeds therefrom as set forth under Use of Proceeds and the new senior credit facility:

	Payments due by period				
	Total	Less than 1 year	1-3 years	3-5 years	More than 5 years
	(dollars in millions)				
Long-term debt obligations	$ 49.3	$ 3.5	$ 21.0	$ 24.8	

Off-Balance Sheet Arrangements

Our off-balance sheet arrangements include our operating leases and letters of credit. We had no letters of credit outstanding as of October 2, 2004.

Certain Charges Related to this Offering

We anticipate incurring a pre-tax charge of approximately $9.3 million on the early extinguishment of debt with the proceeds of this offering. This relates primarily to the write-off of unamortized debt issuance costs and the unamortized amount of the discount recorded upon the issuance of our senior subordinated notes.

Critical Accounting Policies and Estimates

Our discussion and analysis of results of operations and financial condition are based upon our audited consolidated financial statements and upon pro forma operating data for fiscal 2003 and the nine months ended

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October 4, 2003 that gives effect to our Mettis acquisition, which occurred on June 11, 2003, as if it had been consummated on December 29, 2002, the first day of such period. These audited financial statements and pro forma operating data have been prepared in accordance with U.S. generally accepted accounting principles. The preparation of these financial statements requires us to make estimates and judgments that affect the amounts reported in those financial statements. On an ongoing basis, we evaluate estimates. We base our estimates on historical experiences and assumptions believed to be reasonable under the circumstances. Those estimates form the basis for our judgments that affect the amounts reported in the financial statements. Actual results could differ from our estimates under different assumptions or conditions. Our significant accounting policies, which may be affected by our estimates and assumptions, are more fully described in Note 2 to our consolidated financial statements that appear elsewhere in this prospectus.

Revenue Recognition

We recognize revenue in accordance with Staff Accounting Bulletin No. 101, as amended by Staff Accounting Bulletin No. 104, on orders received from customers when there is persuasive evidence of an arrangement with the customer that is supportive of revenue recognition, the customer has made a fixed commitment to purchase the product for a fixed or determinable sales price, collection is reasonably assured under our normal billing and credit terms and ownership and all risks of loss have been transferred to the buyer, which is normally upon shipment.

Inventory

Inventories are stated at the lower of cost (first-in, first-out) or market (net realizable value). Costs include material, labor and manufacturing overhead costs. We review our inventory balances monthly for excess products or obsolete inventory levels and write down, if necessary, the inventory to net realizable value.

Business Combinations, Goodwill and Intangible Assets

In July 2001, the Financial Accounting Standards Board, or FASB, issued SFAS No. 141, *Business Combinations*, and SFAS No. 142, *Goodwill and Intangible Assets*. SFAS No. 141 requires all business combinations initiated after June 30, 2001 to be accounted for using the purchase method of accounting. Under SFAS No. 142, goodwill and intangible assets with indefinite lives are no longer amortized, but reviewed annually, or more frequently if impairment indicators arise. Separable intangible assets that are not deemed to have indefinite lives will continue to be amortized over their useful lives. The amortization provisions of SFAS No. 142 apply to goodwill and intangible assets acquired after June 30, 2001. With respect to goodwill and intangible assets acquired prior to July 1, 2001, we adopted SFAS No. 142 effective January 1, 2002.

Upon adoption of SFAS No. 142, we completed step one of the transitional goodwill impairment test, using a combination of valuation techniques, including the discounted cash flow approach and the market multiple approach. Upon completion of the required assessments under SFAS No. 142, it was determined that the fair market value of one reporting unit was lower than book value, resulting in a transition impairment charge of approximately $1.1 million in 2002. The write-off was recorded as a cumulative effect of a change in accounting in our consolidated statement of operations for fiscal 2002. Except for this transition impairment, we recorded no impairments as a result of the implementation of SFAS 142 during 2002 or 2003. We perform impairment tests annually and whenever events or circumstances occur indicating that goodwill or other intangible assets might be impaired. Examples of such events or circumstances include, but are not limited to, a significant adverse change in legal or business climate or an adverse regulatory action.

Environmental Liability

Governmental regulations relating to the discharge of materials into the environment, or otherwise relating to the protection of the environment, have had, and will continue to have, an effect on our operations and us. We have made and continue to make expenditures for projects relating to the protection of the environment.

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Any loss contingencies with respect to environmental matters are recorded as liabilities in the consolidated financial statements when it is both (1) probable or known that a liability has been incurred and (2) the amount of the loss is reasonably estimable, in accordance with Financial Accounting Standards Statement No. 5, *Accounting for Contingencies.* If the reasonable estimate of the loss is a range and no amount within the range is a better estimate, the minimum amount of the range is recorded as a liability. If a loss contingency is not probable or not reasonably estimable, a liability is not recorded in the consolidated financial statements. In the opinion of our management, there are no known environmental matters that are expected to have a material impact on our consolidated balance sheet or results of operations; however, the outcome of such matters are not within our control and are subject to inherent uncertainty.

Recent Accounting Pronouncements

In May 2003, the FASB issued SFAS No. 150, *Accounting for Certain Financial Instruments with Characteristics of Both Liabilities and Equity*. This statement establishes standards for how an issuer classifies and measures in its statement of financial position certain financial instruments with characteristics of both liabilities and equity. SFAS No. 150 requires issuers to classify as liabilities (or assets in some circumstances) three classes of freestanding financial instruments that embody obligations for the issuer. Generally, SFAS No. 150 is effective for us at the beginning of the first interim period beginning after June 15, 2003. The adoption of SFAS No. 150 did not have an impact on our consolidated balance sheet or results of operations.

In January 2003, the FASB issued FASB Interpretation No. 46 (FIN 46), *Consolidation of Variable Interest Entities*. FIN 46 addresses the consolidation of variable interest entities, including entities commonly referred to as special purposes entities. We were required to apply FIN 46 to any variable interest entities as of December 31, 2003. The adoption of FIN 46 did not have an impact on our consolidated balance sheet or results of operations.

In November 2002, the FASB issued FASB Interpretation No. 45 (FIN 45), *Guarantor s Accounting and Disclosure Requirements for Guarantees, Including Indirect Guarantees of Indebtedness of Others.* FIN 45 clarifies the requirement for a guarantor s accounting for and disclosure of certain guarantees issued and outstanding. The initial recognition and initial measurement provisions of FIN 45 are applicable to guarantees issued or modified after December 31, 2002. The disclosure requirements of FIN 45 were effective for financial statements of interim or annual periods ending after December 15, 2002. The adoption of FIN 45 did not have an impact on our consolidated balance sheet or results of operations.

In June 2002, the FASB issued SFAS No. 146, *Accounting for Exit or Disposal Activities*. SFAS No. 146 addresses financial accounting and reporting for costs associated with exit or disposal activities and nullifies Emerging Issues Task Force Issue (EITF) No. 94-3, *Liability Recognition for Certain Employee Termination Benefits and Other Costs to Exit an Activity (including Certain Costs Incurred in a Restructuring)*. The principal difference between SFAS No. 146 and EITF No. 94-3 relates to the SFAS No. 146 requirements for the timing of recognizing a liability for a cost associated with an exit or disposal activity. SFAS No. 146 requires that a liability for a cost associated with an exit or disposal activity be recognized when the liability is incurred. Under EITF No. 94-3, a liability for an exit cost was recognized at the date of an entity s commitment to an exit plan. SFAS No. 146 must be applied prospectively for exit or disposal activities that are initiated after December 31, 2002. SFAS No. 146 also increased the disclosure requirements associated with exit or disposal activities. While the adoption did not affect our financial position or results of operations, should we initiate exit, disposal, or restructuring activities in the future, we would be required to follow this pronouncement.

In April 2002, the FASB issued SFAS No. 145, *Rescission of FASB Statements No. 4, 44 and 64, Amendment of FASB Statement No. 13, and Technical Corrections.* This statement eliminates the automatic classification of gain or loss on extinguishment of debt as an extraordinary item of income and requires that such gain or loss be evaluated for extraordinary classification under the criteria of Accounting Principles Board No. 30, *Reporting Results of Operations*. This statement also requires sales-leaseback accounting for certain

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transactions, and makes various other technical corrections to existing pronouncements. The statement is effective for financial statements issued on or after May 15, 2002. The adoption of this statement on January 1, 2003 resulted in classifying the loss from early extinguishment of debt in connection with the acquisition of Mettis as a separate component of net income before provision for income taxes.

Changes in and Disagreements with Accountants on Accounting and Financial Disclosure

In June 2002, we ceased using Arthur Andersen LLP as our independent accountants. The reports of Arthur Andersen LLP on our consolidated financial statements for the year ended December 29, 2001 contained no adverse opinion or disclaimer of opinion, nor were the reports qualified or modified as to uncertainty, audit scope, or accounting principles. In connection with its audits of the fiscal 2001 financial statements and through June 2002, (a) there were no disagreements with Arthur Andersen LLP on any matter of accounting principles or practices, financial statement disclosure or auditing scope or procedure, which if not resolved to the satisfaction of Arthur Andersen LLP would have caused them to make reference thereto in their report on our consolidated financial statements for such year, and (b) there were no reportable events as described in Item 304(a)(1)(v) of Regulation S-K.

Effective November 21, 2002, we retained Ernst & Young LLP as our independent public accountants. Our decision to engage Ernst & Young LLP was approved by our board of directors. Prior to November 21, 2002, neither we nor anyone acting on our behalf consulted with Ernst & Young LLP regarding the application of accounting principles to a specified transaction, either completed or proposed, or the type of the audit opinion that might be rendered on our financial statements, nor did we or anyone acting on our behalf consult with Ernst & Young LLP regarding any other matter that was the subject of a disagreement (as defined in paragraph 304(a)(1)(iv) and the related instructions to Item 304 of Regulation S-K) or a reportable event (as described in paragraph 304(a)(1)(v) of Item 304 of Regulation S-K).

On August 31, 2002, Arthur Andersen ceased practicing before the SEC. We have not been able to obtain, after reasonable efforts, the re-issued report or consent of Arthur Andersen LLP related to the fiscal 2001 consolidated financial statements included elsewhere in this prospectus. Therefore, we have included a copy of their previously issued report.

Quantitative and Qualitative Disclosures about Market Risk

Interest Rate Risk

We are exposed to market risk from fluctuations in interest rates. We manage our interest rate risk by balancing the amount of our fixed rate and variable rate debt and through the use of interest rate swaps. The objective of the swaps is to more effectively balance our borrowing costs and interest rate risk. For fixed rate debt, interest rate changes affect the fair market value of such debt but do not impact earnings or cash flows. Conversely for variable rate debt, interest rate changes generally do not affect the fair market value of such debt, but do impact future earnings and cash flows, assuming other factors are held constant. At October 2, 2004, we had approximately $94.3 million of variable rate debt. Holding other variables constant (such as foreign exchange rates and debt levels), a one percentage point change in interest rates would be expected to have an impact on pre-tax earnings and cash flows for the next year of approximately $0.9 million, before giving effect to the interest rate swap agreements described below. After giving effect to this offering and the application of net proceeds therefrom, we would have had $62.0 million of variable rate debt at October 2, 2004, and, holding other variables constant, such change in interest rates would be expected to have an estimated impact on pre-tax earnings and cash flows for the next year of approximately $0.6 million, before giving effect to the interest rate swap agreements described below. The interest rate swap agreements described below reduce our exposure to interest rate risk associated with our variable rate debt for the periods in which the swap agreements are in effect.

In 2000, we entered into an interest rate swap agreement that effectively converted $19 million of a portion of our variable rate term loans into a fixed rate obligation for the five-year period commencing October 24, 2000.

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We receive payments at variable rates, while the swap agreement counterparty makes payments at a fixed rate (6.25% at October 2, 2004).

In 2003, we entered into a second interest rate swap agreement that effectively converted $71.0 million of a portion of our variable rate term loans into a fixed rate obligation for an approximately three-year period ending June 30, 2006. We receive payments at variable rates, while the swap agreement counterparty makes payments at a fixed rate (2.285% at October 2, 2004).

At October 2, 2004, the fair value of these interest rate swap agreements were a net loss position for us of $0.2 million, representing the estimated cost that would be incurred to terminate the agreement.

In connection with the execution of our new senior credit facility, we expect to terminate our 2000 interest rate swap agreement and modify our 2003 interest rate swap agreement to apply to our term loan indebtedness of our new senior credit facility.

Foreign Currency Risk

Foreign currency risk is the risk that we will incur economic losses due to adverse changes in foreign currency exchange rates. We do not hold or issue foreign exchange options or forward contracts for trading purposes at this time. However, we may utilize these tools to manage foreign exchange risk in the future.

Our primary exposures to foreign currency exchange fluctuations are pound sterling/U.S. dollar and euro/U.S. dollar. At October 2, 2004, the potential reduction in earnings from a hypothetical instantaneous 10% increase or decrease in quoted foreign currency spot rates applied to foreign currency sensitive instruments would be approximately $0.2 million. The foreign currency sensitivity model is limited by the assumption that all of the foreign currencies to which we are exposed would simultaneously decrease by 10% because such synchronized changes are unlikely to occur. The effects of the forward exchange contracts have been included in the above analysis; however, the sensitivity model does not include the inherent risks associated with the anticipated future transactions denominated in foreign currency for which these forward contracts have been entered into for hedging purposes.

Commodity Price Risk

We are exposed to fluctuations in commodity prices through the purchase of raw materials that are processed from commodities, such as titanium, stainless steel, cobalt chrome and aluminum. Given the historical volatility of certain commodity prices, this exposure can impact product costs. Because we typically do not set prices for our products in advance of our commodity purchases, we can take into account the cost of the commodity in setting our prices for each order. To the extent that we are unable to offset the increased commodity costs in our product prices, our results would be affected. A 5% change in commodity prices would have an immaterial impact on our results of operations in fiscal 2003.

Effects of Inflation

Inflation potentially affects us in two principal ways. First, a significant portion of our debt is tied to prevailing short-term interest rates that may change as a result of inflation rates, translating into changes in interest expense. We have historically reduced our exposure to interest rate risk through interest rate swap agreements. Second, general inflation can impact material purchases, labor and other costs. In many cases, we have limited ability to pass through inflation-related cost increases due to the competitive nature of the markets that we serve. In the past few years, however, inflation has not been a significant factor.

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BUSINESS

Overview

We are the world s largest independent provider of implants and related instruments and cases to orthopedic device manufacturers. We also design, develop and produce these products for companies in other segments of the medical device market, including the dental, osteobiologic and endoscopy segments, and we provide limited specialized products and services to non-healthcare markets, such as the aerospace market. Through our Total Solutions approach, we offer our customers a broad range of products, as well as comprehensive services and production capabilities to help them bring their implant systems to market quickly and efficiently. We believe that our Total Solutions approach will give us a competitive advantage.

During fiscal year 2003, we generated pro forma revenue of $158.4 million, derived primarily from the sale of products and services to the orthopedic device market. Our key products are implants, instruments and cases, and our core competencies include design, engineering, prototyping, net shaped forging, precision casting, thermo forming, precision sheet metal working and machining/finishing. Our Total Solutions approach is supported by our experienced team of designers, development engineers and logistics specialists that work with our customers to coordinate all of our products and services.

We market our Total Solutions approach through our experienced sales force that operates in the United States, Europe and Japan and targets orthopedic and other medical device companies. In fiscal 2003, we sold our products and services to over 500 customers, including 72 new customers added during the year. Our broad customer base includes every major orthopedic device company, such as Biomet Inc., DePuy Inc. (a subsidiary of Johnson & Johnson), Kyocera Corporation, Medtronic Sofamor Danek, Smith & Nephew plc, Stryker Corporation, Synthes, Inc. (formerly Synthes-Stratec, Inc.) and Zimmer Holdings, Inc. We typically serve several product teams and facilities within each of our largest customers, and during the nine months ended October 2, 2004 and fiscal 2003, no single customer represented more than 22.6% of our revenue.

We offer a broad range of products in the following categories:

- implants, including forged, cast and machined products for the global orthopedic device market, which represented 36.3% and 27.3% of our revenue in the nine months ended October 2, 2004 and fiscal 2003, respectively;
- instruments used in the placement and removal of orthopedic implants and in other surgical procedures, which represented 33.0% and 37.4% of our revenue in the nine months ended October 2, 2004 and fiscal 2003, respectively;
- cases, including plastic, metal and hybrid cases used to organize, secure and transport medical devices for orthopedic and other surgical procedures, which represented 23.3% and 29.6% of our revenue in the nine months ended October 2, 2004 and fiscal 2003, respectively; and
- other specialized products and services for non-healthcare markets, primarily the aerospace market, which represented 7.4% and 5.7% of our revenue in the nine months ended October 2, 2004 and fiscal 2003, respectively.

We believe that we are well positioned to grow our business as a result of the expected expansion of the overall orthopedic device market. In addition, we believe that our Total Solutions approach provides us with significant opportunities to increase our sales by expanding the types of products and services we provide to our existing customers and by adding new customers in other medical device market segments.

History

We were established in 1976 as a supplier of instruments to orthopedic device manufacturers. In 1996, we acquired a manufacturer of cases, which allowed us to extend our product offerings to include cases custom- designed for various medical devices and their related instruments. This acquisition and product line extension also allowed us to expand our customer base to medical device manufacturers beyond the orthopedic market. In

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1998 and 1999, we expanded our European presence by acquiring an instrument manufacturer in the United Kingdom and a cases manufacturer and distributor in France, respectively. In October 2000, investment funds controlled by Olympus Partners acquired control of our company through a recapitalization. In this transaction, the Olympus funds invested a total of $40.5 million in cash to acquire securities representing approximately 94% of our then outstanding voting stock. In June 2003, we acquired Mettis, a leading manufacturer of forged, cast and machined implants for the global orthopedic device market. This acquisition significantly expanded our product offerings and increased our European presence, allowing us to develop and manufacture implants, instruments and cases for orthopedic device manufacturers on a global basis. In connection with the Mettis acquisition, the Olympus funds collectively invested an additional $63.0 million in equity and loaned us $8.0 million through the purchase of senior subordinated notes and stock purchase warrants. See Certain Relationships and Related Transactions.

Market Opportunity

The medical device market consists of a broad range of medical devices used in hospitals, clinics, physician practices, alternate sites and other provider sites for the diagnosis and treatment of diseases and medical conditions. The medical device market includes numerous market segments, such as orthopedics, cardiovascular, dentistry, ophthalmology and urology, among others. The global medical device market was estimated to be approximately $207 billion in 2003. The orthopedic device segment of the medical device market was estimated to be approximately $16 billion in 2003, and is expected to grow approximately 12% annually to greater than $25 billion by 2007. The global orthopedic instruments and cases markets were estimated to be $0.6 billion and $0.2 billion, respectively in 2003, a combined increase of approximately 10% versus 2002.

Orthopedic devices principally consist of reconstructive implants used to replace or repair knees, hips, shoulders and other joints, as well as other orthopedic devices to repair bone fractures and the spine. Seven multinational companies, each with $1 billion or more in annual orthopedic device sales, currently hold the predominant share of the orthopedic device market. These companies are Biomet Inc., DePuy Inc. (subsidiary of Johnson & Johnson), Medtronic Sofamor Danek, Smith & Nephew plc, Synthes, Inc. (formerly Synthes-Stratec, Inc.), Stryker Corporation and Zimmer Holdings, Inc. The ten largest orthopedic device manufacturers represented an estimated 87% of the market in 2003. These leaders maintain powerful sales and distribution networks and typically focus on marketing and research and development. They often rely on independent suppliers such as us for a portion of their implant manufacturing, instruments, cases and other elements of an implant system.

There were approximately 1.5 million reconstructive orthopedic implant procedures performed globally in 2003, an increase of 13% over the previous year. We expect continued growth in the orthopedic device market to be driven by a number of trends, including the following:

Growing elderly population. The vast majority of orthopedic implant procedures are performed on patients who are age 65 years and older. According to U.S. Census data, the total U.S. population is projected to grow approximately 9.5% from 2000 to 2010, while the number of individuals in the United States over the age of 65 years is projected to grow 14.8% during the same period. In addition to the growing U.S. elderly population, we believe the number of people in Europe and Japan who are age 65 years and older is expected to increase at a rate at least as fast as in the United States.

Aging, affluent and active baby boomer population. Baby boomers generally are affluent, exercise frequently and have active lifestyles. As baby boomers age, their active lifestyles, combined with a desire to maintain an active lifestyle, make them increasingly likely to suffer injuries that require joint reconstruction procedures.

Improving technologies that expand the market. Advances in technology and procedures have expanded the scope and applications of products sold in the orthopedic device market. New developments in minimally invasive surgical procedures, which cause less distress to the body and lead to faster patient recovery, are increasing the appeal of orthopedic implants to the overall patient population. In addition, new technologies that prolong the lives of implants, conserve patients existing bone and reduce wear are prompting patients

and their surgeons to turn to implants at earlier stages in patients lives.

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Successful clinical outcomes. Implant procedures have become increasingly common. For example, in 2003, there were approximately 1.4 million procedures performed to implant an artificial hip or knee worldwide, an increase of 12.7% from the prior year. Hip and knee replacements are now highly successful in relieving pain and restoring movement and we believe that the wider acceptance and high success rates of many orthopedic procedures are creating greater patient confidence in reconstructive and other orthopedic procedures. We expect this trend to continue as advances in technology and surgical procedures continue to improve clinical outcomes.

Increasing patient awareness through orthopedic device companies direct marketing programs. Orthopedic device companies are using television, magazines and other direct to consumer marketing campaigns to make people more aware of orthopedic device alternatives. We believe that these direct marketing activities will create greater patient demand for orthopedic devices as more people learn about the potential benefits of orthopedic implant surgery.

Increasing volume of revision replacement implants. The average lifespan of reconstructive joint implants is 10 to 20 years, after which time revision replacement devices must be implanted. A revision procedure is the process whereby a surgeon replaces an implant that is currently in the body. Revision procedures represent a growing proportion of total reconstructive procedures, as the first large group of patients received reconstructive joint devices in the 1980 s and these patients are outliving their original implants. Revision procedures require unique sets of instruments for the removal of the existing implant and the insertion of the new implant. In addition, replacing an implant is typically more challenging than inserting an initial implant and, as a result, revision replacement tends to require higher quality and specialized instruments and implants.

Developing international markets. The global orthopedic device market is largely concentrated in the United States, the United Kingdom, Germany, France and Japan. We believe that growth opportunities in the orthopedic device market exist in other countries in Western Europe. We also expect emerging countries in Asia, South America and the former Eastern Bloc to increasingly have the financial ability to seek advanced orthopedic procedures.

Our Total Solutions Approach

We believe that we have created a distinctive competitive position in the orthopedic device market based upon our Total Solutions approach. Our acquisition of Mettis in June 2003 enabled us to offer our customers Total Solutions for complete implant systems implants, instruments and cases. While our revenue to date have been derived primarily from the sale of implants, instruments and cases separately, or instruments and cases together, our ability to provide Total Solutions for complete implant systems has already proven to be significant to customers, and we believe that it is a competitive advantage going forward. This approach seeks to provide our customers with a broad range of products related to orthopedic implants, as well as a range of services which help our customers bring these implant systems to market in a timely and cost efficient manner. Our Total Solutions offering is based on:

Comprehensive services. We can support our customers new product offerings from product concept through market introduction and thereafter, by providing seamless design, engineering, prototyping, manufacturing, quality and regulatory compliance, and logistics services to our customers. Our knowledgeable sales personnel are technically trained and are supported by experienced designers and engineers to assist our customers in advancing concepts and technical file drawings into prototypes and complete systems. Our Design and Development Center can provide dedicated expertise as well as coordinate these activities, and we believe our close collaboration with customers throughout the product development cycle uniquely positions us to supply the customer with implants, instruments and cases when their new product is launched.

Single source for complete systems. Our extensive product lines and comprehensive services can provide our customers with a complete, integrated outsourcing solution. In addition to assisting customers in

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developing new implants, we also design and produce instruments for implant-specific surgical procedures, and we provide customized cases with graphics and thermo-formed tray pockets that provide a secure, clearly labeled and well organized arrangement of instruments and devices. We also offer other services, such as procurement of other instruments to be included in our cases, as well as packaging, labeling and quality compliance, which enables us to ship to our customers cases that include complete sets of instruments and that are ready to use.

Proprietary Symmetry instruments and cases. In addition to designing new, implant-specific instruments and cases for our customers, we offer an established line of instruments and cases that we have developed independently. By developing our proprietary products, we provide customers with complementary products that they can rely on to complete their own proprietary implant systems and bring them to market sooner. Our Design and Development Center is continuously developing and improving our proprietary products.

Precision manufacturing expertise. Our core production competencies include net shaped forging, precision casting, thermo forming, precision sheet metal working and machining/finishing. Our production processes are based on our extensive expertise and know-how, and enable us to produce products to tight tolerances and with precise detail. These core competencies allow us to produce large volumes of specialized products to our customers precise standards. We believe these competencies make us a supplier of choice to our customers.

Quality and regulatory compliance. Quality and regulatory compliance are imperative for the medical device market and can be a barrier to entry. We have a comprehensive quality assurance and quality control program including documentation of all material specifications, operating procedures, equipment maintenance and quality control methods. Our quality systems are based upon and in compliance with the ISO requirements for medical device manufacturers and the applicable regulations imposed by the FDA on medical device manufacturers. Likewise, as required by United States and foreign regulatory standards, we control and document certain design, development and testing activities and systems. These activities and systems are structured to ensure that all design, development and testing meet regulatory standards as well as our and our customers requirements. We believe that our quality and regulatory systems meet our customers expectations.

Global reach. Our established international infrastructure gives us a platform to serve large, global medical device manufacturers. Our manufacturing capabilities in the United States and Europe allow us to offer single-source products and services to our multinational customers, and our experienced sales force markets our Total Solutions approach globally.

We believe that our Total Solutions offer a number of benefits to our customers, including:

Shorter time to market. The innovative nature of the orthopedic device market has resulted in compressed product life cycles and made a shorter time to market critical. Our design, engineering and prototyping skills, as well as our ability to transition seamlessly from product development to production and to provide complete, integrated implants, instruments and cases, enables our customers to reduce time to market for their new products.

Reduced total product acquisition costs. Our comprehensive services, including design, engineering, prototyping, procurement, project management, production, inventory control and other logistic services, as well as our ability to provide complete implant, instrument and case systems, allow our customers to reduce their procurement costs and inventory levels, resulting in lower total acquisition costs.

Increased focus on marketing and research and development efforts. Many orthopedic device companies have increasingly emphasized marketing and research and development efforts and have sought outsourcing solutions that enable them to bring products to market faster and more efficiently. Our extended production capabilities and comprehensive services, encompassed in our Total Solutions concept, offers a one-stop outsourcing solution which reduces our customers total product acquisition costs and allows them to focus resources on their design, development and marketing efforts.

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Rationalized and reliable supply chain. Medical device manufacturers have undergone significant consolidation in recent years, and further consolidation in the industry may occur. Consolidation has resulted in larger orthopedic device manufacturers who often rely on fewer, more established suppliers to support their expansive operations. Our scale, the scope of our products and services, and our Total Solutions approach allow large companies to reduce the number of their independent suppliers. We believe this combination allows our customers to streamline their operations.

Enhanced product consistency on a global basis. Most leading medical device manufacturers are based in the United States, but have built extensive infrastructures in Europe. These companies are also seeking to capitalize on the development of markets in foreign countries with underdeveloped healthcare infrastructures. We believe that in order to enhance product consistency while expanding internationally, manufacturers increasingly desire suppliers that are well positioned to support U.S. and international operations. With our extensive production platform and Total Solutions approach, we believe that we can leverage our international presence to meet increasing demand for orthopedic devices abroad.

Business Strategy

Our goal is to increase our share of the orthopedic device market and to leverage our strengths to expand in other medical device market segments. The key elements of our business strategy are to:

Develop strategic relationships with our customers through access to key decision makers. Our size, scope of manufacturing capabilities and breadth of products and services position us as an important partner to our customers and provide us access to institutional decision makers. We intend to continue to develop these relationships which will continue to enhance our competitive position.

Capitalize on our Total Solutions approach. We believe that medical device manufacturers will increasingly seek to collaborate with suppliers who provide timely, integrated, single-source development and production capabilities. We believe that our Total Solutions approach provides manufacturers with the opportunity to create more efficient and functional implant systems, shorten product development cycles, reduce design and manufacturing costs, simplify purchasing and logistics and provide integrated implants, surgical instruments and cases. We intend to continue to aggressively market our Total Solutions approach to expand our relationships with existing customers and to attract new customers.

Increase sales to existing customers by cross selling products and services. Our cases are currently sold in nearly every segment of the medical device market. We believe that this diverse customer base offers us a natural entry point to new orthopedic and non-orthopedic customers for our implant and instrument product offerings. In addition, we believe that our machining, coating, packaging and logistics capabilities position us to supply a greater portion of our customers needs. Accordingly, we intend to focus on expanding our sales to existing customers by cross selling our products and services.

Leverage manufacturing skills. We intend to leverage our manufacturing skills to expand our existing customer relationships and to obtain new customers. Our investments in sophisticated equipment and manufacturing know-how give us state-of-the-art manufacturing capabilities. Our ability to forge tight tolerance net shaped implants in large volumes, to efficiently produce high-precision instruments in various quantities, to manufacture a wide range of cases and to produce our products in quantities that can support large product launches distinguishes us in the market. In addition, we have well-established product quality and regulatory compliance systems and our customers can have confidence that our products and processes comply with regulatory requirements and our customers precise standards.

Increase new product development. Our Design and Development Center provides expertise and coordination for our design, engineering and prototyping services. We intend to leverage our Design and Development Center to provide greater support for our customers product development activities and to enhance our independent product development efforts. Our Design and Development

Center enables us to better institutionalize our knowledge and ensure that we have the appropriate people and technology focused on our customers product development projects. In addition, the Design and Development

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Center is engaged in ongoing independent product development. We believe that the dedicated expertise of our Design and Development Center will generate increased development projects with our customers and an expanded line of innovative and independently developed instruments and cases.

Collaborate with emerging companies. While we remain focused on providing our products and services to large orthopedic device customers, we believe that new and innovative companies are creating a meaningful market presence and becoming an important source of new product development in the medical device industry, particularly in Europe and in the spinal market segment in the United States. For example, one of our top ten customers in fiscal 2003 was a growing spinal and trauma implant company that was a small company and a new customer less than three years earlier. Many emerging companies have limited in-house capabilities, and our Total Solutions approach positions us to help them supply their products in a timely and cost-effective manner.

Products and Services

We design, develop and manufacture implants and related surgical instruments and cases for orthopedic device companies. We also design, develop and manufacture products for companies in other medical device markets, such as dental, osteobiologic and endoscopy, and we provide limited specialized products and services used in the aerospace and other non-healthcare markets.

Implants

Implant sales accounted for 36.3% and 27.3% of our total revenue in the nine months ended October 2, 2004 and fiscal 2003, respectively. We design, develop and manufacture implants for use in specific implant systems developed by our customers. We make orthopedic implants used primarily in knee and hip implant systems. Our orthopedic implants are used in reconstructive surgeries to replace or repair hips, knees and other joints, such as shoulders, ankles and elbows, sometimes referred to as extremities, that have deteriorated as a result of disease or injury. An orthopedic implant system is generally comprised of several implants designed to work in concert to replicate the structure and function of a healthy joint.

We also manufacture implant products for trauma, spine and other implant systems. Trauma implant systems are used primarily to reattach or stabilize damaged bone or tissue while the body heals. Spinal implant systems are used by orthopedic surgeons and neurosurgeons in the treatment of degenerative diseases, deformities and injuries in various regions of the spine.

Our design, engineering and prototyping expertise is an integral part of our implant offering. Medical device companies, which typically focus their resources on developing new implant systems as well as sales and marketing, often rely on us and companies like us, to design, develop and manufacture the implants that comprise their implant systems. Our manufacturing capabilities, including our net shaped forging capabilities, technologically advanced casting facility and machining expertise, allow us to produce consistent, tight tolerance implants in large volumes for our customers.

We produce gross shaped, near-net shaped and net shaped implants for medical device manufacturers. Gross shaped implants require a significant amount of machining and hand processing post-forging. Near-net shaped implants are distinguished by geometric features that are thinner, more detailed and have tighter tolerances. Net shaped and near-net shaped implants require far fewer machine and hand operations post-forging. Net shaped implants typically require machining only on vital areas, such the taper segment of a hip where it is joined to the femoral head.

We have the machining expertise needed to provide finished implants to our customers. Some customers purchase finished implants from us while others purchase unfinished implants and machine them to final specifications.

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Our primary implant products and their applications are:

Knees. The knee joint includes the surfaces of three distinct bones: the lower end of the femur, the upper end of the tibia or shin bone, and the patella (knee cap). Cartilage on any of these surfaces can be compromised by disease or injury, leading to pain and inflammation that may require knee reconstruction. Our knee implants include a femoral component, a patella, a tibial tray and an articulating surface (placed on the tibial tray) and are used in total knee reconstruction, partial knee reconstruction and revision procedures. We provide one or more, and in some cases all, of these implants for our customers knee implant systems. We use proprietary manufacturing know-how and advanced computer aided simulation techniques to produce tight tolerance near-net shaped to net shaped tibial implants that require minimal if any machining.

Hips. The hip joint consists of a ball-and-socket joint that enables a wide range of motion. The hip joint is often replaced due to degeneration of the cartilage between the head of the femur (the ball) and the acetabulum or hollow portion of the pelvis (the socket). This loss of cartilage causes pain, stiffness and a reduction in hip mobility. We produce tight tolerance femoral heads, hip stems, acetabular cups and spiked acetabular cups used in bone conservation, total-hip reconstruction and revision replacement procedures. Our hip stems are forged with tight tolerance details.

Extremities, Trauma and Spine. Extremity reconstruction involves the use of an implant system to replace or reconstruct injured or diseased joints, such as the finger, toe, wrist, elbow, foot, ankle and shoulder. Our forging capabilities allow us to produce thin cross sections of material to very tight tolerances for these smaller joint procedures. Trauma implant procedures commonly involve the internal fixation of bone fragments using an assortment of plates, screws, rods, wires and pins. Our spinal implant products consist primarily of plates and screws. We manufacture trauma and spinal plate implants to exact details to fit bone contours.

Instruments

Sales of surgical instruments accounted for 33.0% and 37.4% of our total revenue in the nine months ended October 2, of 2004 and fiscal 2003, respectively. We make high-precision surgical instruments used in hip, knee and shoulder reconstruction procedures, as well as in spinal, trauma and other implant procedures. We design, develop and manufacture implant-specific and procedure-specific instruments. We rarely manufacture general surgical instruments, but will procure them as a service to our customers in order to provide our customers with complete instrument sets.

We primarily make a wide range of knee cutting blocks (instruments that guide blades that cut bone), osteotome revision systems (instruments used to cut through bone), reamers (instruments used for shaping bone sockets or cavities) and retractors (instruments used to pull back tissue for clear sight during surgery). Our instrument handles are made of patented plastic procured from a third party, which is designed to withstand the intense heat produced during frequent sterilizations, that is attached to the instrument using our patented process. Our instruments are made to tight tolerances to ensure precise alignment and fitting of implants.

Each implant system typically has an associated instrument set that is used in the surgical procedure to insert that specific implant system. Instruments included in a set vary by implant system. For example, hip and knee implant procedure instrument sets often contain in excess of 100 instruments, whereas revision procedure sets contain approximately 50 instruments. Usually, instrument sets are sterilized after each use and then reused.

The instruments we produce are typically used in either open, minimally invasive, or revision implant procedures and can generally be categorized as:

Implant-specific instruments, which are used solely for a specific brand of implant, such as high-precision knee cutting blocks, certain reamers and broaches; and

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Procedure-specific instruments, which are designed for a particular type of procedure, such as a minimally invasive hip implant procedure, but can be used with the implant systems of multiple companies.

Implant-Specific Instruments. The size, shape and other features of each implant system are unique. Consequently, unique instruments must be used to ensure precise alignment and fitting during the surgical procedure to insert an implant system. Accordingly, when a medical device company develops a new implant system, it typically also develops instruments specifically designed to insert the implant system. Medical device companies typically provide complete, customized implant-specific instrument sets to end users (hospitals, outpatient centers and physicians) in order to facilitate use of the implant.

We seek to collaborate with our customers early in the development process to facilitate the concurrent design of the implant system and the instruments that will accompany the system. Our implant-specific instruments generally include customized reamers, cutting blocks, broaches, rasps, guides and other instruments designed to accommodate the unique size, shape and other features of our customers implant systems. These instruments are used by the surgeon to cut and shape bone and cavities during the surgical procedure and to align and fit the implant system. We are recognized in the orthopedic community for constructing these instruments to extremely tight tolerances.

Procedure-Specific Instruments. We also manufacture independently developed instruments referred to as our Symmetry Products. We have developed these products through our years of experience serving the orthopedic market and our investments in research and development. Complete implant procedure instrument sets typically include certain instruments that are designed for a particular type of procedure but can be used with the implant systems of multiple companies. By purchasing our proven Symmetry Products, customers can leverage our extensive experience and expertise to complete their instrument sets more quickly and efficiently.

Our Symmetry Products include successful hip and knee revision systems. Instruments that make up revision systems, which are used to remove orthopedic implants, are typically designed for a specific type of procedure but can be used to remove various brands of implants. These self-contained systems include an assortment of osteotome blades that assist the surgeon in separating an implant from cement or bony in-growth where access is limited, while minimizing damage to the bone. Our established revision systems can also be readily modified for a customer by adding additional instruments. For example, we developed a hip revision system in 1996 that we currently sell to six different customers, with the system being customized for each customer.

Cases

Sales of cases accounted for 23.3% and 29.6% of our total revenue in the nine months ended October 2, 2004 and fiscal 2003, respectively. We produce a wide range of plastic, metal and hybrid cases used in over 25 medical device markets, including orthopedic, arthroscopy, osteobiologic, endoscopy, cardiovascular, dental, ophthalmology, diagnostic imaging and ear, nose and throat surgical procedures. Cases are used to store, transport and arrange implant systems and other medical devices and related surgical instruments. Our cases are generally designed to allow for sterilization and re-use after an implant or other surgical procedure is performed. Our plastic cases are designed to withstand the intense heat produced during the sterilization process.

The majority of the cases we make are tailored for specific implant procedures so that the instruments, implants and other devices are arranged within the case to match the order of use in the procedure and are securely held in clearly labeled, custom-formed pockets. We seek to collaborate with our customers early in the development processes to facilitate the concurrent design of the case and related instruments.

We also produce standard cases which are primarily used in those non-orthopedic market segments where the security or presentation of the instruments and devices is less important. Over the past two years, we have

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made a significant investment to obtain 510(k) clearance for our PolyVac line of standard cases through the FDA pre-market notification process. We believe this allows our customers to reduce time to market and to reallocate financial and human resources that would otherwise be spent on compliance efforts, which provides us with a significant competitive advantage in selling our standard cases. See Government Regulation.

We have more than 20 patents related to our case designs and manufacturing processes. We believe that our complete line of plastic, metal and hybrid product offerings strategically positions us in the case market.

Highlights of our case product offerings include:

Orthopedic Cases. We produce custom metal, plastic and hybrid cases designed to store, transport and arrange surgical instruments and related implant systems for orthopedic device manufacturers. Proper identification of instruments, such as reamers which are generally included in a range of sizes in one to two millimeter increments, is critical in orthopedic implant procedures. Our graphics and thermo formed tray pockets provide a secure and organized arrangement to assist surgeons during procedures.

Dental Cases. We produce cases used in dental implant and general dental procedures. Dental implant cases are typically complex and include many levels of trays, while cases used in general dental procedures tend to be smaller and less complex.

Other Cases. We also manufacture and sell cases for arthroscopy, osteobiologic, endoscopy, cardiovascular, ophthalmology, diagnostic imaging and ear, nose and throat procedures.

Specialized Non-healthcare Products and Services

We offer specialized non-healthcare products and services on a limited basis. Sales of non-healthcare products and services accounted for 7.4% and 5.7% of our total revenue in the nine months ended October 2, 2004 and fiscal 2003, respectively.

One of our UK based facilities acquired as part of the Mettis acquisition produced a range of cutting tools, cutlery and surgical instruments in the 1950 s. This facility evolved to focus on net shaped forgings, which resulted in a business focusing on orthopedic instruments and aerospace products for jet engines in the late 1990 s. In 2002, this facility began focusing its net shaped forging capabilities on orthopedic implants and shifting its non-healthcare operations toward product development support and specialized products. Our core design, engineering and manufacturing competencies give us the expertise to offer specialized non-healthcare products and services. Our non-healthcare products primarily are net shaped aerofoils and non-rotating aircraft engine forgings produced for our aerospace customers.

Product Development

Our Design and Development Center provides dedicated expertise and greater coordination for our design, engineering and prototyping services. The Design and Development Center is located in Warsaw, Indiana, and brings together talented engineering and design personnel and provides them with state-of-the-art design software and prototyping equipment. The Design and Development Center serves to centralize and better institutionalize our company s design and engineering knowledge and creates a fertile environment for new product development. It can

coordinate the product development projects for our customers as well as the efforts of our engineers and designers in order to ensure that we have the appropriate people and technology focused on particular product development initiatives. Our engineering and development costs were approximately 3% of our revenue in fiscal 2003, and we expect a comparable level of costs in fiscal 2004.

We seek to collaborate with our customers product development teams and to assist in the design, engineering and prototyping of new medical device systems from the beginning of the development process. Our sales staff is technically trained and works closely with the customer s staff. As new product concepts are formulated, our sales people bring in our design and engineering personnel and leverage the resources of our Design and Development Center to provide dedicated design teams with exceptional knowledge and experience.

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As a project evolves, we can rapidly create prototypes of the proposed implant. Working closely with our customers through the conceptual, planning and prototyping stages positions us to quickly scale up for manufacturing of the product.

In addition to supporting our customers product development efforts, our Design and Development Center is continuously developing our own product lines, referred to as Symmetry Products. We develop our products by leveraging our years of experience and knowledge, investing in research and development and continually seeking to expand our knowledge of the marketplace by consulting surgeons and other end users of our products. We currently offer over 300 internally developed products, including instruments for minimally invasive surgical implant procedures and hip and knee revision systems.

Customers

We supply our products primarily to manufacturers in the medical device market. Our customers include all of the large orthopedic device manufacturers, including Biomet Inc., DePuy Inc. (a subsidiary of Johnson & Johnson), Kyocera Corporation, Medtronic Sofamor Danek, Smith & Nephew plc, Stryker Corporation, Synthes, Inc. (formerly Synthes-Stratec, Inc.) and Zimmer Holdings, Inc. We also have established relationships, primarily through our cases product offerings, with leading medical device manufacturers in numerous other medical device market segments, including Cardinal Health, Inc., Nobel Biocare AB and St. Jude Medical Inc. We sold to approximately 500 customers, including 72 new customers, in fiscal 2003.

Sales to our ten largest customers represented 77.7% and 68.3% of our revenue in the nine months ended October 2, 2004 and fiscal 2003, respectively. Our four largest customers accounted for 22.6%, 15.2%, 14.7% and 10.3% in revenue for the nine months ended October 2, 2004 and our three largest customers accounted for 19.5%, 14.7% and 10.5% of our revenue in fiscal 2003. Our four largest customers in alphabetical order for the nine months ended October 2, 2004 were DePuy, Smith & Nephew, Stryker and Zimmer and our three largest customers in alphabetical order for fiscal 2003 were DePuy, Smith & Nephew and Zimmer. No other customer accounted for more than 10% of our revenue in the nine months ended October 2, 2004 or fiscal 2003. We typically serve several product teams and facilities within each of our largest customers, which mitigates our reliance on any particular customer.

We sell our products to customers in a number of regions outside the United States. In addition, our customers often distribute globally products purchased from us in the United States. Set forth below is a summary of revenue by selected geographic locations in our last three fiscal years and the nine months ended October 2, 2004, based on the location to which we shipped our products:

Percent of Revenue by Geographic Location

	Fiscal Year			Nine Months Ended
Region	**2001**	**2002**	**2003**	**October 2, 2004**
United States	79.5%	80.7%	73.2%	67.6%
United Kingdom	14.1	10.1	16.1	12.5
Rest of World	6.4	9.2	10.7	19.9

Total	100.0%	100.0%	100.0%	100.0%

The acquisition of Mettis increased the geographic diversification of our revenue. For additional information regarding our historical revenue by geographic locations, see note 13 to our consolidated financial statements included elsewhere in this prospectus.

Sales and Marketing

Our sales and marketing efforts emphasize our industry leading design and engineering expertise, internally developed Symmetry Products, manufacturing capabilities, international distribution network and our ability to provide customers with a comprehensive product offering. We are increasingly presenting our products and

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services to customers in a Total Solutions concept which offers the customer a collaborator for developing complete implant, instrument and case solutions.

We have over 60 sales and marketing personnel worldwide. In addition to our internal sales efforts, we also sell standard cases through distributors. Our sales personnel are trained in all of our products and services in order to cross-sell and identify opportunities outside their immediate area of focus. We typically serve several product teams and facilities within each customer which diminishes our reliance on any one purchasing decision. Our customer base for cases extends into nearly every segment of the medical device market. We believe there is a significant opportunity to leverage our existing relationships among this customer base to achieve greater penetration of our customized instrument and implant products. We intend to increase our marketing of implants, instruments and our Total Solutions concept to these customers.

Our sales personnel are technically trained and are based in close proximity to or located at our largest customers sites. This physical proximity allows our sales personnel to engage quickly with the marketing, design, engineering and purchasing staffs of these orthopedic device manufacturers. Our sales people are empowered to bring in design and engineering product development teams to facilitate a customer s efforts. Our goal is to collaborate with customers early in the development cycle and to continue through production, packaging, delivery and logistics.

Manufacturing

We have manufacturing facilities in the United States, the United Kingdom and France. We have made significant investments in recent years to modernize our production facilities, improve our production processes and develop superior technical skills that complement our manufacturing capabilities. These investments have allowed us to continue to improve the quality of our products, increase our manufacturing capacity and improve our efficiency. Our manufacturing processes include:

Forging. Our forging process uses presses to force heated metal between two dies (called tooling) that contain a precut profile of the desired implant. The forging process enhances the strength of an implant, which is important for hip stems and other implants that must withstand significant stress. Many customers prefer forging because it provides greater mechanical properties. We forge gross shaped, near-net shaped and net shaped implants. Our know-how enables us to produce precision net shaped forgings in large volumes.

Casting. In the casting process, metal is heated until it is liquid and then poured into an implant mold. Casting can be used to produce implants with intricate shapes. We have developed a technologically advanced, highly automated, casting facility in Sheffield, United Kingdom.

Plastic and Metal Forming. Our know-how and technology facilitates our extensive plastic and metal forming capabilities. We use thermo form processes to draw uniform plastic cases and specialized equipment to form metal. Our laser controlled metal working machines allow us to punch and shape metal in intricate and complex detail.

Machining / Finishing. Machining is used extensively to enhance our forged, cast and formed products. We use computer numerically controlled, multi-axis and wire electric discharge equipment to cut, bend, punch, polish and otherwise shape or detail metal or plastic. Our finishing processes include polishing, laser etch marking, graphics and other customer specific processes.

The majority of products that we produce are customized to the unique specifications of our customer. Our ability to maintain flexible operations is an important factor in maintaining high levels of productivity. We primarily use just-in-time manufacturing and flexible manufacturing cells in

our production processes. Just-in-time manufacturing is a production technique that minimizes work-in-process inventory and manufacturing cycles. Manufacturing cells are clusters of individual manufacturing operations and work stations grouped in a circular configuration, with the operators placed centrally within the configuration. Cell manufacturing provides

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flexibility by allowing efficient changes to the number of operations each operator performs, which enhances our ability to maintain product volumes that are consistent with our customers requirements and reduce our level of inventory. For more information on our manufacturing facilities, see Properties.

We use a number of raw materials, including titanium, cobalt chrome, stainless steel and nickel alloys, and various other components in the manufacture of our products. Although we generally believe these materials are readily available from multiple sources, from time to time we rely on a limited number of suppliers and in some cases on a single source vendor. For example, we obtain patented plastic, which is designed to withstand intense heat produced during frequent sterilizations, from a single supplier for use in our instrument handles and plastic cases.

Quality Assurance

We maintain a comprehensive quality assurance and quality control program, which includes the control and documentation of all material specifications, operating procedures, equipment maintenance and quality control methods. Our quality systems are based upon FDA requirements and the ISO standards for medical device manufacturers. We believe that all of our facilities are currently in substantial compliance with regulations applicable to them. For example, in the United States these regulations include the current good manufacturing practice regulations and other quality system regulations imposed by the FDA. Our United States based facilities are registered with and audited by the FDA. Our line of PolyVac standard case received FDA 510(k) clearance, which can reduce our customers burden in obtaining FDA approval. Our facilities have obtained numerous industry-specific quality and regulatory assurance certifications.

Competition

Our customers, to varying degrees, are capable of internally developing and producing the products we provide. While we believe that our comprehensive services and core production competencies allow medical device companies to reduce costs and shorten time to market, one or more of our customers may seek to expand their development and manufacturing operations which may reduce their reliance on independent suppliers such as us. We are not aware of any medical device manufacturers who currently sell products similar to the ones we produce to third parties, however, there can be no assurance that one or more of these companies will not begin to do so in the future.

We also compete with independent suppliers of implants, instruments and cases to medical device companies. The majority of these suppliers are privately owned and produce some, but not all, of the products required in orthopedic implant systems. We believe that we are the only independent supplier to offer a complete implant, instrument and case solution to orthopedic device manufacturers. We compete with other independent suppliers primarily on the basis of development capability, breadth of product offering, manufacturing quality, cost and service. We believe that we are the largest independent supplier of implants, instruments and cases to orthopedic device manufacturers. However, other independent suppliers may consolidate and some of our current and future competitors, either alone or in conjunction with their respective parent corporate groups, may have financial resources and research and development, sales and marketing, and manufacturing capabilities and brand recognition that are greater than ours.

Intellectual Property

Although we believe our patents are valuable, our knowledge, experience and proprietary and trade secret information with respect to manufacturing processes and product design and development, and our experienced, creative and technically trained design, engineering and

sales staffs have been equally or more important in maintaining our competitive position. We seek to protect our non-patented know-how, trade secrets, processes and other proprietary confidential information principally through confidentiality, non-compete and invention assignment agreements.

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We currently own 36 U.S. and 11 foreign patents related to our cases and instruments. These patents expire at various times beginning in 2006 and ending in 2020. We also have 19 U.S. and 4 foreign pending patent applications at various stages of approval. Our policy is to aggressively protect technology, inventions and improvements that we consider important through the use of patents, trademarks, copyrights and trade secrets in the United States and significant foreign markets.

While we do not believe that any of our products infringe any valid claims of patents or other proprietary rights held by third parties, we cannot assure you that we do not infringe any patents or other proprietary rights held by third parties. If our products were found to infringe any proprietary right of a third party, we could be required to pay significant damages or license fees to the third party or cease production, marketing and distribution of those products. Litigation may also be necessary to enforce our intellectual property rights, to protect our trade secrets or other proprietary information we own and to determine the validity and scope of our proprietary rights.

We cannot assure you that our existing or future patents, if any, will afford adequate protection, that any existing patent applications will result in issued patents, that our patents will not be circumvented, invalidated, or held unenforceable, that our proprietary information will not become known to, or be independently developed by, our competitors, or that the validity or enforceability of any patents or other intellectual property owned by or licensed to us will be upheld if challenged by others in litigation. Due to these and other risks, we do not rely solely on our patents and other intellectual property to maintain our competitive position. Although our intellectual property is important to our business operations and in the aggregate constitutes a valuable asset, we do not believe that any single patent, trade secret, trademark or copyright, or group of patents, trade secrets, trademarks or copyrights is critical to the success of our business.

Employees

As of October 2, 2004, we had 1,539 employees. Our employees are not represented by any unions. From time to time in the past, however, some of our employees have attempted to unionize at two of our facilities. We believe that we have a good relationship with our employees.

Properties

Our corporate office is located in Warsaw, Indiana. We have operations facilities, including warehouse, administrative and manufacturing facilities, located at nine sites throughout the world. We believe that these facilities are adequate for our current and foreseeable purposes and that additional space will be available if needed.

The lease on our approximately 112,000 square foot Manchester, New Hampshire facility is a capital lease that runs through October 1, 2016. The initial annual base rent under the lease, as amended, is $0.6 million, payable in equal monthly installments. On October 31, 2001, and every five years thereafter, including extensions, the annual base rent will change based on the percentage increase, if any, in the Consumer Price Index for the Northeast U.S. region. The current annual base rent under the lease is $0.7 million. We have an option to extend the lease for an additional five-year period and have a right of first opportunity to purchase the leased property.

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The table below provides selected information regarding our facilities.

Location	Use	Approximate Square Footage(1)	Own/ Lease	Number of Employees
Warsaw, Indiana	Instrument design and manufacturing	63,000	Own	346
Warsaw, Indiana	Design and Development Center; instrument design and manufacturing	17,000	Lease	28
Warsaw, Indiana	Corporate headquarters	10,000	Own	7
Claypool, Indiana(2)	Instrument design and manufacturing	22,500	Own	0
Cheltenham, United Kingdom	Instrument design and manufacturing	9,000	Lease	29
Manchester, New Hampshire	Plastic and metal case design and manufacturing	112,000	Lease	280
Villeneuve d Ascq, France	Case design and assembly	10,800	Lease	19
Lansing, Michigan	Implant design, forging and machining	65,000	Own	309
Sheffield, United Kingdom	Implant and specialized non-healthcare product design, forging, casting and machining	112,600	Own	272
Sheffield, United Kingdom	Implant forging and machining	43,400	Own	93
Avilla, Indiana	Instrument and implant design and manufacturing	26,000(3)	Lease	156

(1) We own approximately 21 acres of land in Warsaw, Indiana and approximately 9 acres in Lansing, Michigan, that is available for future expansion.
(2) This facility was acquired on October 5, 2004 and we have not yet begun operations at this facility.
(3) We are in the process of adding 9,000 square feet to our Avilla, Indiana facility. This addition is expected to be completed by the end of December, 2004.

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Legal Proceedings

From time to time we may be involved in various disputes and litigation matters that arise in the ordinary course of business. We are not aware of any legal proceedings pending or threatened against us that we expect would have a material adverse affect on our financial condition or results of operations.

Environmental Matters

Our facilities and operations are subject to extensive federal, state, local and foreign environmental and occupational health and safety laws and regulations. These laws and regulations govern, among other things, air emissions; wastewater discharges; the generation, storage, handling, use and transportation of hazardous materials; the handling and disposal of hazardous wastes; the cleanup of contamination; and the health and safety of our colleagues. Under such laws and regulations, we are required to obtain permits from governmental authorities for some of our operations. If we violate or fail to comply with these laws, regulations or permits, we could be fined or otherwise sanctioned by regulators. We could also be held responsible for costs and damages arising from any contamination at our past or present facilities or at third-party waste disposal sites. We cannot completely eliminate the risk of contamination or injury resulting from hazardous materials, and we may incur material liability as a result of any contamination or injury.

To avoid the need for certain potentially restrictive air permits, we recently replaced a furnace at our Sheffield, U.K. facility and replaced dust collectors at our Lansing, Michigan facility. We estimate that we will incur approximately $0.6 million in capital expenditures for environmental, health and safety in 2004. This includes approximately $0.2 million to upgrade air control systems at our facilities. Environmental laws tend to become more stringent over time, and we could incur material expenses in the future relating to compliance with future environmental laws. Our Sheffield, U.K. facility may be required to obtain an Integrated Pollution Prevention Control (IPPC) permit prior to 2007. Although the requirements of the IPPC permit are not yet known, because the facility is currently operating in substantial compliance with applicable U.K. permit requirements and has, as described above, recently completed upgrades to a furnace and other equipment, we do not expect to have to make material capital expenditures to obtain or comply with the IPPC permit.

In connection with our 2000 recapitalization and our 2003 acquisition of Mettis, environmental assessments were conducted at our primary manufacturing facilities. These assessments identified certain environmental issues, the majority of which we have addressed or are in the process of addressing. In 2004, the Indiana Department of Environmental Management conducted an inspection of our Avilla, Indiana facility and identified certain environmental regulatory compliance issues. We have corrected these issues and we did not receive any fines. The cost to correct these issues was not material to the company s results of operations or financial condition. We are in the process of certifying our manufacturing facilities according to the environmental management standards established by the International Standardization Organization (ISO). We have implemented environmental management systems (EMS) at all our facilities; the EMS at two of these facilities have obtained ISO 14001 certification, and we anticipate obtaining ISO 14001 certification for the remainder of the facilities in the near future.

In 2000, we purchased pollution legal liability insurance that covers certain environmental liabilities that may arise at our Warsaw, Indiana facility, at a former facility located in Peru, Indiana, and at certain non-owned locations that we used for the disposal of wastes. The insurance has a $5.0 million aggregate limit and is subject to a deductible and certain exclusions. The policy period expires in 2010. While the insurance may mitigate the risk of certain environmental liabilities, we cannot guarantee that a particular liability will be covered by this insurance.

Government Regulation

The medical device industry is extensively regulated by governmental authorities, principally the Food and Drug Administration, or FDA, and corresponding state and foreign regulatory agencies. In the United States, the

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FDA regulates the commercial distribution of medical devices by our customers and governs the design, testing, manufacturing, labeling, storage, record keeping and other activities that we and our customers perform. Similar foreign regulations govern the commercial marketing, safety, quality, development and production of medical devices distributed or produced in European and other foreign countries.

FDA Market Clearance. Our customers are currently generally considered by the FDA to be the manufacturer and the design authority with respect to the products that we sell to them and, accordingly, are required to obtain appropriate market clearance from the FDA before commercially distributing the implants, instruments and cases that we produce for them. At times however, we agree with our customers to share the regulatory burden of obtaining FDA market clearance. For some of our products, now or in the future, we alone may be considered to be the manufacturer and thus bear the responsibility of obtaining appropriate FDA or other clearances or approvals before commencing any commercial distribution of the product.

Under the Food, Drug and Cosmetic Act, as amended, or FDC Act, medical devices are classified into one of three classes based on the degree of perceived risk imparted to patients by the device s intended use. We produce Class I, II and III medical device products for our customers. The class to which our products are assigned determines, among other things, the type and degree of FDA market clearance required in order to commercially distribute our products. Class I devices are those for which it has been determined that safety and effectiveness can be assured by adherence to General Controls, as defined in the FDC Act, which require facility registration, device listing and compliance with the good manufacturing practices and labeling regulations. Most Class I devices have been exempted by the FDA from the market clearance requirements otherwise applicable to medical devices.

Class II medical devices are subject to General Controls and other special controls as specified by the FDA and, unless exempt, require pre-market clearance by the FDA prior to commercial distribution. Special controls may include special labeling requirements, mandatory performance standards and post-market surveillance requirements. Pre-market clearance of most Class II devices by the FDA is accomplished through the 510(k) Pre-market Notification process. To obtain 510(k) clearance for commercial distribution, extensive information regarding items such as usage, method of action, the design, testing and validation of the device must be submitted to the FDA demonstrating that the device is substantially equivalent to a device that was legally marketed prior to May 28, 1976, or to another commercially available device subsequently cleared through the 510(k) Pre-market Notification process. It generally takes three to six months from the date of a 510(k) Pre-Market Notification submission to obtain 510(k) clearance, but the process may take longer. If the device is not eligible for clearance through the 510(k) procedure, a pre-market approval, or PMA, must be obtained as described below.

Class III is the most stringent regulatory category for medical devices. A Class III device is a device that has a new intended use or is based on advances in technology for which, generally speaking, the device s safety and effectiveness cannot be assured solely by the General Controls and special controls applied to Class I and II devices. Before a Class III device can be commercially marketed, a PMA must be obtained from the FDA. The PMA process can be expensive, uncertain and lengthy, requires detailed and comprehensive data and generally takes significantly longer than the 510(k) Pre-Market Notification process. To obtain a PMA, an application must be submitted to the FDA supported by extensive data including, but not limited to, technical, preclinical, clinical trials in certain cases, manufacturing methods, quality systems as well as proposed labeling. Before the PMA application can be approved, the application must demonstrate to the FDA s satisfaction the safety and effectiveness of the device for its intended use. After the PMA application is complete, the FDA begins in-depth review of the submitted information, which generally takes between one and three years, but may take significantly longer.

It is possible that 510(k) clearance or PMA approval may not be obtained by us, if we are required to obtain it, or our customers or that such clearance may be delayed for an extensive period of time. Our inability or the inability of our customers to obtain timely clearance, if at all, could materially affect our operating results.

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Quality System Regulations. In addition to approving our products for commercial distribution, the FDA regulates certain of our development, marketing and production processes. Many of the products we produce are, or may in the future be, considered finished medical devices. Processes used in the development and production of finished medical devices are subject to various government regulatory requirements including the quality systems regulations and the current good manufacturing practice requirements, promulgated under the FDC Act. These regulations seek to ensure the safety and effectiveness of medical devices by governing, among other things, the design, testing, production, control, quality assurance, labeling, packaging and shipping of finished medical devices. Certain of our facilities, records and manufacturing processes are subject to periodic unscheduled inspections by the FDA to ensure compliance with these quality system regulations. Other products that we produce, including the majority of our implant products, undergo further processing upon delivery to our customer and are therefore not deemed to be finished medical devices. In the case of these products, the FDA regulatory scheme also places responsibility on our customers to assure that products obtained from us are produced using appropriate manufacturing processes and quality procedures.

Our medical devices may be subject to a number of other regulatory requirements including import and export requirements and restrictions, medical device tracking requirements and post market surveillance requirements. In addition, medical device manufacturers are required to have an effective complaint handling system and corrective and preventive action system. In certain cases, the manufacturer is obliged to report deaths, serious injuries or malfunctions related to the device to the FDA and other regulatory agencies.

It is possible that the FDA or other regulatory bodies may require that a clinical trial be completed before the agency clears or approves a product for commercial distribution. The FDA and other bodies regulate such trials and such trials generally cannot begin until the FDA approves the clinical trial and there is appropriate reviews and approvals by the clinical trial sites. Such trials can be lengthy and expensive and there is no guarantee that the results of such clinical trials will be positive.

In the event of a product malfunction or problem or regulatory issue, we may conduct a product recall or withdrawal. The FDA and other agencies may also compel such a recall or withdrawal. Any such recall or withdrawal could result in adverse publicity, regulatory enforcement action, loss of sales or delays in approvals. In addition, any such recall could give rise to product liability lawsuits.

Accordingly, our customers frequently audit our facilities to evaluate our manufacturing processes and quality systems.

International Regulations. The medical device industry is subject to extensive regulations in foreign countries where we and our customers operate. These regulations govern, among other things, the design, testing, manufacturing, packaging, and labeling of medical devices. Certain countries require medical devices, including certain of our products, to be qualified or approved by national health or social security organizations before they may be commercially marketed by our customers in those countries. For example, our customers must obtain a CE mark certification for our products before they can be commercially distributed in the member countries of the European Union. A CE mark certification is an international symbol of adherence to quality assurance standards and compliance with applicable European device directives. Although these requirements are often similar to those imposed by the FDA, regulations vary from country to country and with respect to the nature of the medical device and it may require more time and resources to comply with these regulations than that required in the U.S.

Compliance with applicable U.S. and foreign medical device regulations can be time consuming, burdensome and expensive for us and, to a larger degree, for our customers. These regulations may affect our ability and the ability of our customers to sell medical device products. This may result in higher than expected costs or lower than expected revenues.

Failure to comply with applicable U.S. or foreign medical device regulatory requirements could result in, among other things, warning letters, fines, injunctions, civil penalties, repairs, replacements, refunds, recalls or

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seizures of products, total or partial suspensions of production, refusal of the FDA or other agencies to grant future applicable market approvals, withdrawals or suspensions of current clearances or approvals and criminal prosecution. Currently, we have no adverse regulatory compliance issues or actions pending with the FDA or other medical device regulatory agency, and no FDA quality systems regulation audits conducted at our facilities have resulted in any adverse compliance enforcement actions. There can be no assurance that regulatory compliance issues, actions or audits resulting in enforcement actions may not arise in the future however. Any such actions brought against us could result in higher than expected costs, loss of revenue, delayed approvals, fines or penalties. Any such action against one or more of our customers could cause them to decrease or stop purchasing our products or services.

The FDA and other agencies such as Health and Human Resources regulate certain of our promotional activity and customer interactions. Failure to comply with these requirements could give rise to the FDA enforcement actions or actions by federal or state health care payors, including actions under the False Claims Act and anti-kickback requirements.

The regulations that we and our customers are subject to are complex, change frequently and have tended to become more stringent over time. Federal and state legislatures have periodically considered programs to reform or amend the U.S. healthcare system at both the federal and state levels. In addition, these programs may contain proposals to increase governmental involvement in healthcare, lower reimbursement rates or otherwise change the environment in which healthcare industry participants operate. Any such changes could results in restrictions on our ability to carry on or expand our operations, higher than anticipated costs or lower than anticipated revenues.

Third-Party Reimbursement

We do not rely directly on reimbursement from third-party payors, such as Medicaid, Medicare and private insurers, for any of our products. Our business, however, is indirectly impacted by the ability of our customers to obtain third-party reimbursement coverage for their products. The primary end users of medical devices are hospitals, outpatient centers and physicians offices, all of whom rely on third-party reimbursement programs for payment. Consequently, the demand for a medical device, and indirectly the demand for our products that are associated with that device, is often dependent on the customer s ability to obtain coverage under such third-party reimbursement programs.

We believe that orthopedic implants have been well received by third-party payors because of their ability to greatly reduce long-term health care costs for sufferers of musculoskeletal ailments. However, reimbursement policies vary from program to program and are subject to change. We can not assure that any of our customers products will be covered under any third-party reimbursement program.

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MANAGEMENT

Directors, Director Designees, Executive Officers and Other Key Employees

Set forth below are the name, age, position and a brief account of the business experience of each of our executive officers, directors, director designees and key employees, as of December 8, 2004. The persons listed as director designees will join our board of directors upon completion of this offering.

Name	Age	Position
Directors, Director Designees and Executive Officers:		
Brian Moore	58	President, Chief Executive Officer and Director
Fred Hite	36	Senior Vice President and Chief Financial Officer
Andrew Miclot	49	Senior Vice President, Marketing, Sales & Business Development
D. Darin Martin	52	Senior Vice President, Quality Assurance/Regulatory Affairs
Richard J. Senior	40	Senior Vice President and General Manager, Europe
Robert S. Morris	50	Director
James A. Conroy	44	Director
Manu Bettegowda	31	Director
Frank Turner	61	Director
Francis T. Nusspickel	63	Director Designee
Stephen B. Oresman	72	Director Designee
Other Key Employees:		
D. Alec McPherson, Jr.	58	Vice President and General Manager
Matthew R. Rudd	41	Vice President and General Manager
Michael W. Curtis	50	Vice President and General Manager

Directors, Director Designees and Executive Officers

Brian Moore has served as our President and Chief Executive Officer and a member of our board of directors since our acquisition of Mettis in June 2003. From April 1999 to June 2003, Mr. Moore served as the Chief Executive Officer of Mettis Group Limited, the parent company of Mettis. From April 1994 to March 1999, Mr. Moore held various positions with EIS Group plc, including Chairman of the Aircraft and Precision Engineering Division, and from 1987 to 1999, Mr. Moore served as Chief Executive Officer of AB Precision (Poole) Limited. Prior thereto, Mr. Moore served in various management positions at Vanderhoff plc, Land Rover Vehicles, Bass Brewing and Prudential Insurance, and as the Financial Director for a subsidiary of GEC Ltd. (UK). Mr. Moore has qualified as a Graduate Mechanical Engineer by the Institution of Mechanical Engineers (the qualifying body for mechanical engineers in the United Kingdom) and as an Accountant with the U.K. Chartered Institute of Management Accountants.

Fred Hite has served as our Chief Financial Officer since March 2004. From 1997 to 2004, Mr. Hite served in various capacities at General Electric Industrial Systems, including Finance Manager of General Electric Motors and Controls from 2001 to 2004, Manufacturing Finance Manager from 2000 to 2001, and Finance Manager of Engineering Services from 1997 to 2000. From 1995 to 1997, Mr. Hite served as Sourcing Finance Manager and Commercial Finance Analyst at General Electric Industrial Control Systems. From 1990 to 1995, Mr. Hite served in various finance positions at General Electric Appliances. Mr. Hite received a B.S. in Finance at Indiana University.

Andrew Miclot has served as our Senior Vice President of Sales, Marketing and Business Development since June 2003 and as our Vice President of Marketing, Sales & Business Development since 1994. From 1992 to 1994, Mr. Miclot served as the Director of the Medical Products Group of DePuy Inc. From 1987 to 1992, Mr. Miclot served as Marketing Manager for Zimmer, Inc. and from 1986 to 1987, Mr. Miclot served as Director of Marketing for Ulti-Med, Inc. Mr. Miclot received a B.A. and M.A. in Speech and Hearing Sciences and Audiology from Indiana University and a M.B.A. from Lake Forest Graduate School of Management.

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D. Darin Martin has served as our Senior Vice President of Quality Assurance and Regulatory Affairs since June 2003. From 1994 to 2003, Mr. Martin served as our Vice President of Quality Assurance and Regulatory Affairs. Mr. Martin joined the Company in 1990 as Director of Quality Assurance. From 1984 to 1990, Mr. Martin served as Quality Assurance Supervisor for Owens-Illinois Inc. s Kimble HealthCare Division. Mr. Martin has been a member in various medical device industry associations, including a 20 year membership with the American Society of Quality, Biomedical Devices-NE Indiana Division. Mr. Martin received a B.S. in Business Management from Ball State University, a S.P.C. Instructor Certification from Baldwin-Wallace College and a M.B.A. from Kennedy-Western University.

Richard J. Senior has served as Senior Vice President and General Manager of our European Operations since our acquisition of Mettis in June 2003. He previously served in various capacities at Mettis in the Thornton Precision Components operating unit, including Managing Director from 1999 to 2003, Director and General Manager from 1997 to 1998, Operations Director from 1995 to 1996, Production Manager during 1995, CMR Operations Manager from 1993 to 1994 and Orthopaedic Sales Manager (UK) from 1990 to 1995. Mr. Senior attended Myers Grove Comprehensive School in the United Kingdom.

Robert S. Morris has served as a member of our board of directors since October 2000. Mr. Morris founded Olympus Partners in 1989 and currently serves as the Managing Partner of Olympus Partners and its affiliated investment partnerships. Mr. Morris serves as a director of Homax Holdings, Inc., Shemin Holdings Corp., Client Distribution Services, and Club Staffing and has served on the boards of directors of multiple other Olympus portfolio companies. From 1978 to 1988, Mr. Morris held a variety of management positions in various manufacturing and financial services businesses at General Electric Corporation, the last of which was Senior Vice President of General Electric Investment Corporation, where he managed General Electric Pension Trust s private equity portfolio. Mr. Morris received his A.B. from Hamilton College and his M.B.A. from the Amos Tuck School of Business at Dartmouth College.

James A. Conroy has served as a member of our board of directors since October 2000. Mr. Conroy has been a partner at Olympus Partners since 1991. Mr. Conroy serves as a director of Club Staffing and Shemin Holdings Corp. and has served on the board of directors of numerous other portfolio companies including Eldorado Bancshares, AMN Healthcare, FrontierVision Partners, and American Residential Holding Corporation. Prior to joining Olympus, Mr. Conroy served as a management consultant at Bain & Company, and prior thereto, Mr. Conroy worked at General Electric Investment Corporation. Mr. Conroy received his B.A. from the University of Virginia and his M.B.A. from the Amos Tuck School of Business at Dartmouth College.

Manu Bettegowda has served as a member of our board of directors since October 2000. Mr. Bettegowda joined Olympus Partners in 1998 and has served as a Vice President at Olympus Partners since 2003. Mr. Bettegowda serves as a director of Homax Holdings Inc. Prior to joining Olympus, Mr. Bettegowda worked at Bowles Hollowell Conner & Co., where he focused on mergers and acquisitions, leveraged buyouts and refinancings of middle market companies. He received his A.B. from Duke University.

Frank Turner has served as a member of our board of directors since August 2003. Mr. Turner served as Chief Executive Officer of British Midland Aviation Services Limited from 1996 to 1999 as well as a director of British Midland plc from 1997 to 1999. He served as Managing Director of Lucas Aerospace Limited as well as a director of Lucas Industries plc from 1992 to 1995. Prior thereto, Mr. Turner spent 33 years at Rolls-Royce plc during which he was a Main Board Member from 1987 to 1991. Mr. Turner currently serves as Chairman of the Board of Potenza Enterprises Ltd., which provides corporate support through non-executive and advisory board roles. He also serves as Chairman for Potenza Group, Aero Inventory plc and SRTechnics Holding, as a director for Mott MacDonald plc and Mettis Group Limited, the former parent company of Mettis, and as an advisor on the aerospace and aviation industry to 3i plc and Star Capital Partners. Over the past 17 years, Mr. Turner has sat on the boards of directors of 13 companies, including among others, Rolls-Royce Inc., Rolls-Royce plc, Allied Steel & Wire plc, Apollo Metals Ltd, Cooper Rolls Inc., International Aero Engines AG and Wagon plc. He received his BSc in mechanical and production engineering from the University of Salford in the United Kingdom and his business education from the International Executive Program at Columbia University.

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Francis T. Nusspickel will be elected as a member of our board of directors upon completion of this offering. Mr. Nusspickel is a retired audit partner of Arthur Andersen LLP. Mr. Nusspickel spent the majority of his 35 years of public accounting expertise in Arthur Andersen s Transportation Industry Group and was the worldwide Industry Head for the Ocean Shipping Segment. Mr. Nusspickel is a certified public accountant and currently serves as Chairman of the Professional Ethics Committee of the New York State Society of Certified Public Accountants. Mr. Nusspickel was a former member of the Council of the American Institute of Certified Public Accountants and a former President of the New York State Society of Certified Public Accountants. Mr. Nusspickel serves as a director for Tsakos Energy Navigation Limited. Mr. Nusspickel received his B.A. from Manhattan College.

Stephen B. Oresman will be elected as a member of our board of directors upon completion of this offering. Since 1991, Mr. Oresman has served as President of Saltash, Ltd., a management consulting firm. From 1988 to 1991, he was a partner and Vice President of The Canaan Group consulting firm. Mr. Oresman s early career included ten years in the manufacturing sector, including Bausch & Lomb, Inc. and Interlake Steel Corp. Subsequently, Mr. Oresman joined Booz-Allen Hamilton, Inc., where he served various positions, including Managing Officer of the firm s Eastern Region and Chairman of Booz-Allen Hamilton International. Mr. Oresman later joined BBDO International as President of the firm s independent marketing companies. Mr. Oresman currently serves as Chairman of the Board of Technology Solutions Company and as a director of Cleveland-Cliffs Inc. and numerous conservation and ornithology institutions. Mr. Oresman received his B.A. from Amherst College and his M.B.A. from the Harvard Business School.

The board of directors has the power to appoint executive officers. Each executive officer will hold office for the term determined by the board of directors and until such person s successor is chosen and qualified or until such person s death, resignation or removal.

Other Key Employees

D. Alec McPherson, Jr. has served as our Vice President and General Manager since 2002. Mr. McPherson joined us in 2001 as General Manager/Vice President of Operations of our PolyVac operating unit. From 1996 to 2001, Mr. McPherson served as President and Chief Operations Officer of Pemco Die Cast Corporation. Prior thereto, he served in various capacities at Allied Signal, including General Manager, Plant Manager and Director of Manufacturing. Mr. McPherson earned his B.S.M.E. from Michigan State University, a M.A. in Industrial Administration and Statistics from Central Michigan University and a M.B.A. from Penn State University. Mr. McPherson has been a member of 360 Associates, Inc., a team of executives that focuses on coaching and consulting, since 2001.

Matthew R. Rudd has served as our Vice President and General Manager since our acquisition of Mettis in June 2003. He previously served in various capacities at Mettis, including Chief Operations Officer of Jet Engineering and UltreXX from 2000 to 2003, Senior Vice President/General Engineering of Jet Engineering from 1996 to 2000, Manager of Program Development/ Engineering Manager of Jet Engineering from 1993 to 1996, Machining & Tooling Operations Manager of Jet Engineering from 1991 to 1993 and Floor Supervisor/CNC Programmer/Machinist of Jet Engineering from 1988 to 1991. Mr. Rudd earned his Associates Degree through Lansing Community College.

Michael W. Curtis has served as our Vice President and General Manager since November 2002. Prior to joining us, Mr. Curtis served as Vice President of Operations for Lightchip, Inc. from May 2000 to 2002, and from 1998 to 2000, Mr. Curtis served as Vice President/General Manager of Communications Products at Thomas & Betts Corporation. From 1994 to 1997, Mr. Curtis was employed at Amphenol Aerospace Amphenol Corporation, initially as a Business Unit Manager and subsequently as Director of Filter Products. From 1976 through 1994, Mr. Curtis served in various capacities at Hamilton Standard Division of United Technologies Corporation, the last of which was Product Line Manager. Mr. Curtis received his B.S., M.B.A. and M.S. in Engineering Management from Western New England College.

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Family Relationships

There are no family relationships between any of the executive officers or directors of the Company.

Board and Committee Composition

Our restated certificate of incorporation, which will be in effect prior to this offering, will provide for a classified board of directors consisting of three staggered classes of directors, as nearly equal in number as possible. At each annual meeting of sto