Symmetry Medical Inc.
Form S-1/A
July 08, 2005
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As filed with the Securities and Exchange Commission on July 8, 2005

Registration No. 333-126133

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

Amendment No. 1 to

FORM S-1

REGISTRATION STATEMENT

UNDER THE SECURITIES ACT OF 1933

SYMMETRY MEDICAL INC.

(Exact name of registrant as specified in its charter)

Delaware	**3842**	**35-1996126**
(State or other jurisdiction of incorporation or organization)	**(Primary Standard Industrial Classification Code Number)**	**(I.R.S. Employer Identification No.)**

220 West Market Street

Warsaw, Indiana 46580

Telephone: (574) 268-2252

Telecopy: (574) 267-4551

(Address, including zip code, and telephone number, including area code, of registrant s principal executive offices)

Brian Moore

President and Chief Executive Officer

Symmetry Medical Inc.

220 West Market Street

Warsaw, Indiana 46580

Telephone: (574) 268-2252

Telecopy: (574) 267-4551

(Name, address, including zip code, and telephone number, including area code, of agent for service)

Copies of all communications, including communications sent to agent for service, should be sent to:

Dennis M. Myers, P.C.
Kirkland & Ellis LLP
200 East Randolph Drive
Chicago, Illinois 60601
Telephone: (312) 861-2000
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Shearman & Sterling LLP
599 Lexington Avenue
New York, New York 10022
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Approximate date of commencement of proposed sale to the public: As soon as practicable after this Registration Statement becomes effective.

If any of the securities being registered on this Form are to be offered on a delayed or continuous basis pursuant to Rule 415 under the Securities Act of 1933, check the following box: ¨

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

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

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

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

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

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

Subject to Completion, Dated July 8, 2005

Prospectus

10,000,000 Shares

Common Stock

Symmetry Medical Inc. and the selling stockholders named in this prospectus under Principal and Selling Stockholders are offering 500,000 shares and 9,500,000 shares, respectively, of common stock. We will not receive any proceeds from shares sold by any selling stockholder.

Our common stock is listed on the New York Stock Exchange under the symbol SMA. The last reported sale price of our common stock on the New York Stock Exchange on July 7, 2005 was $22.90 per share.

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

	Per Share	Total
Offering price	$	$
Discount and commissions to underwriters	$	$
Offering proceeds to Symmetry Medical Inc., before expenses	$	$
Offering proceeds to the selling stockholders, before expenses	$	$

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.

The selling stockholders have granted to the underwriters an option to purchase up to 1,500,000 additional shares of common stock on the same terms and conditions as set forth above if the underwriters sell more than 10,000,000 shares of common stock in this offering. The underwriters can exercise this right at any time, in whole or in part, within 30 days after the offering. The underwriters expect to deliver the shares of common stock to investors on or about , 2005.

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

Piper Jaffray **Wachovia Securities**

William Blair & Company

The date of this prospectus is , 2005

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You should rely only on the information contained in this prospectus. We and the selling stockholders have not, and the underwriters have not, authorized anyone to provide you with different information. We and the selling stockholders 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 2000, 2001, 2002, 2003 and 2004 ended on December 30, 2000, December 29, 2001, December 28, 2002, January 3, 2004 and January 1, 2005, respectively. Our fiscal years 2000, 2001, 2002 and 2004 contained 52 weeks and our fiscal year 2003 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 1, 2005 is referred to herein as fiscal year 2004. The first quarter of fiscal year 2004 ended on April 3, 2004 and contained 13 weeks and the first quarter of fiscal year 2005 ended on April 2, 2005 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. Our statement of operations data for fiscal year 2003 includes the results of Mettis only 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 provides 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 2004, we generated revenue of $205.4 million, serving approximately 600 customers, including 66 new customers added during the year. Our broad customer base includes 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 have also established relationships, primarily through our cases product offerings, with leading medical device manufacturers in numerous other medical device market segments, including Cardinal Health Inc. and St. Jude Medical Inc. During the first quarter of fiscal year 2005 and during fiscal year 2004, our largest customer represented 29.4% and 25.4%, respectively, 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 36.0% of our revenue in the first quarter of fiscal year 2005 and 36.6% of our revenue in fiscal year 2004;
- instruments used in the placement and removal of orthopedic implants and in other surgical procedures, which represented 36.6% of our revenue in the first quarter of fiscal year 2005 and 33.0% of our revenue in fiscal year 2004;
- cases, including plastic, metal and hybrid cases, used to organize, secure and transport medical devices for orthopedic and other surgical procedures, which represented 21.7% of our revenue in the first quarter of fiscal year 2005 and 23.0% of our revenue in fiscal year 2004; and

other specialized products and services for non-healthcare markets, primarily the aerospace market, which represented 5.7% of our revenue in the first quarter of fiscal year 2005 and 7.4% of our revenue in fiscal year 2004.

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

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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.

Market Opportunity

The global medical device market was estimated to be approximately $220 billion in 2004. The orthopedic device segment of the medical device market was estimated to be approximately $19 billion in 2004, and is expected to grow approximately 12% annually to greater than $30 billion by 2008.

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 1.7 million reconstructive orthopedic implant procedures performed globally in 2004, an increase of approximately 10% 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.

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Quality and regulatory compliance. Our quality systems are based upon and in compliance with International Organization for Standardization, or 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.

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. During fiscal year 2004 and the first half of fiscal year 2005, we expanded most of our facilities and opened new facilities to add manufacturing capacity and design resources, and updated much of our manufacturing and development equipment. We intend to continue 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 offerings. Our Design and Development Centers provide expertise and coordination for our design, engineering and prototyping services. We intend to use the dedicated expertise of our

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Design and Development Centers 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.

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 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. 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.

In December 2004, we completed an initial public offering of our common stock and entered into a new senior credit facility. We used approximately $36.4 million of the net proceeds from our initial public offering to repay all of our existing subordinated indebtedness, $58.0 million to repay a portion of our existing senior indebtedness and $23.3 million to fund the repurchase of a portion of our Class A Convertible Preferred Stock and warrants to purchase our Class A Convertible Preferred Stock. In addition, the remaining outstanding shares of our Class A Convertible Preferred Stock and warrants to purchase our Class A Convertible Preferred Stock converted into approximately 8.0 million shares of our common stock and warrants to purchase approximately 255.3 thousand shares of our common stock. See Certain Relationships and Related Transactions.

Olympus Partners

Olympus Partners is a private asset management firm headquartered in Stamford, Connecticut, with assets under management at December 31, 2004 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 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 59.8% of our common stock and immediately following this offering will beneficially own an aggregate of approximately 37.9% of our common stock. See Principal and Selling Stockholders.

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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.®, PolyVac® and Total Solutions®, among others, are registered trademarks of Symmetry Medical Inc. We have trademark rights in these marks in the United States and other countries. 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.

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 data gathering process and other limitations and uncertainties inherent in an estimate 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. Knowledge Ventures, LLC, an affiliate of Knowledge Enterprises, owns 16,189 shares of our common stock.

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The Offering

Common stock offered by us	500,000 shares
Common stock offered by the selling stockholders	9,500,000 shares
Common stock outstanding after this offering	34,366,113 shares
Use of proceeds	We estimate that we will receive net proceeds of approximately $9.5 million from our sale of shares of common stock in this offering, after deducting estimated underwriting discounts and commissions and estimated offering expenses payable by us. We intend to use approximately $4.9 million of the net proceeds of this offering to repay all of the outstanding indebtedness under our U.K. short-term credit facility and the remainder for general corporate purposes. We will also receive approximately $0.5 million from the exercise of management s options to purchase 185,116 shares of our common stock that are being sold by management in this offering, which we intend to use for general corporate purposes. We will not receive any of the proceeds from the selling stockholders sale of 9,500,000 shares of common stock in this offering.
NYSE symbol	SMA

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

- 435,685 shares of our common stock issuable upon the exercise of outstanding warrants;
- 638,837 shares of our common stock issuable upon the exercise of outstanding stock options; and
- 2,272,537 shares of our common stock reserved for future issuance under our stock option and stock purchase plans.

Except as otherwise indicated, all of the information presented in this prospectus assumes no exercise of the underwriters option to purchase additional shares.

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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 2002, 2003 and 2004 from our audited consolidated financial statements which have been audited by Ernst & Young LLP and are included elsewhere in this prospectus. The financial data as of April 2, 2005 and for the first quarters of fiscal year 2004 and fiscal year 2005 are derived from our unaudited consolidated financial statements as of such date and for such periods, 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 as adjusted balance sheet data gives effect to this offering and the application of the proceeds therefrom as described in Use of Proceeds, but does not give effect to the application of proceeds received by us from the exercise of options to purchase our common stock by management in connection with this offering.

You should read the following information together with the information under Selected Consolidated Financial Data, 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			Three Months Ended (unaudited)	
	2002	2003(1)	2004	April 3, 2004	April 2, 2005
	(dollars in thousands, except share and per share data)				
Consolidated Statement of Operations Data:					
Revenue	$ 65,395	$ 122,029	$ 205,391	$ 45,838	$ 63,760
Cost of revenue	47,859	86,124	145,081	33,255	44,373
Gross profit	17,536	35,905	60,310	12,583	19,387
Selling, general and administrative expenses	9,440	17,115	22,569	5,495	6,948
Operating income	8,096	18,790	37,741	7,088	12,439
Interest expense	4,968	10,172	13,757	3,539	939
Loss on debt extinguishment(2)		1,436	8,956		
Interest rate swap valuation(3)	979	(1,358)	(1,451)	371	(296)
Other expense (income)	(42)	(374)	(740)	(185)	202
Income (loss) before income taxes and cumulative effect of accounting change	2,191	8,914	17,219	3,363	11,594
Income tax expense	841	3,009	5,524	1,153	3,930
Net income (loss) before cumulative effect of accounting change	1,350	5,905	11,695	2,210	7,664
Cumulative effect of accounting change(4)	(1,146)				
Net income (loss)	204	5,905	11,695	2,210	7,664
Preferred stock dividends	(4,410)	(7,028)	(8,977)	(2,316)	
Net income (loss) applicable to common shareholders	$ (4,206)	$ (1,123)	$ 2,718	$ (106)	$ 7,664
Net income (loss) per share:					
Basic	$ (0.61)	$ (0.10)	$ 0.16	$ (0.01)	$ 0.23
Diluted	$ (0.61)	$ (0.10)	$ 0.15	$ (0.01)	$ 0.22

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	As of April 2, 2005 (unaudited)	
	Actual	As Adjusted
	(dollars in thousands)	
Consolidated Balance Sheet Data:		
Cash and cash equivalents	$ 2,704	$ 7,254
Working capital	$ 49,610	$ 59,060
Total assets	$ 314,603	$ 319,153
Long-term debt and capital lease obligations, less current portion	$ 40,473	$ 40,473
Total shareholders equity	$ 222,297	$ 232,005

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

(2) In fiscal year 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. During 2004, we refinanced substantially all of our indebtedness as part of the initial public offering resulting in a loss on debt extinguishment of $8,956.

(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) 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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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 revenue from these large companies. Revenue from our ten largest customers represented approximately 80.5% of our revenue in the first quarter of fiscal year 2005 and 78.7% of our revenue in fiscal year 2004. Our three largest customers accounted for approximately 29.4%, 14.2% and 13.8% of our revenue in the first quarter of fiscal year 2005 and our three largest customers accounted for approximately 25.4%, 14.6% and 13.6% of our revenue in fiscal year 2004.

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

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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.

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. 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. 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 has been derived primarily from the sale of implants, instruments and cases separately, or instruments and cases together. 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;

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changes in pricing policies by us and our competitors;

changes in medical treatment or regulatory 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.

Our 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 relatively 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.

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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 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. To execute our anticipated growth successfully, we must attract and retain qualified personnel and manage and train them effectively. Any failure by us to expand and train our work force or increase production capacity 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.

Our current or future levels of indebtedness may limit our ability to operate our business, finance acquisitions and pursue new business strategies.

As of April 2, 2005, our total indebtedness, including short-term debt, long-term debt and capital lease obligations, was $50.2 million. As of April 2, 2005, we had an additional $40.0 million of borrowings available under our revolving credit facility. Although covenants under our senior credit facility limit our ability to incur additional indebtedness, in the future we may incur additional debt to finance acquisitions, business opportunities, capital expenditures or other capital requirements.

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 others, that we will

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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 may 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. To the extent we incur additional indebtedness or other obligations in the future, the risks associated with our indebtedness described above, including our possible inability to service our debt, would increase.

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

Our senior credit facility contains 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 senior credit facility may be affected by changes in economic or business conditions beyond our control.

Our senior credit facility also contains covenants that limit our ability to incur indebtedness, acquire other businesses and 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.

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

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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.

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 $126.7 million as of April 2, 2005, or approximately 40.3% 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 2004 and 2003 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 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.

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 could 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;

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

As 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. Currency exchange rates are subject to fluctuation due to, among other things, changes in local, regional or global economic conditions, the imposition of currency exchange restrictions and unexpected changes in regulatory or taxation environments. 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. During the past two fiscal years we have benefited from foreign exchange rates, in particular because of the weakening U.S. dollar versus both the pound sterling and the euro, the primary currencies to which we are exposed. The U.S. dollar has recently strengthened against these currencies, and we cannot assure you that exchange rates will be favorable to us in the future. In addition, we currently do not hold or issue foreign exchange options or forward contracts to mitigate this risk. Any change in the exchange rates of currencies of jurisdictions into which we sell products or incur expenses could result in a decrease in our revenue or operating income.

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

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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 twelve 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 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.

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.

Our business is indirectly subject to healthcare industry cost containment measures and other industry trends affecting pricing 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 are aware of several legal developments that could negatively impact prices of orthopedic devices. At least one major hospital chain is seeking permission from the U.S. Office of the Inspector General to implement gain-sharing initiatives which could, if approved, negatively

impact the prices of orthopedic devices because it would enable hospitals to consolidate vendors and share cost savings with doctors. We are also aware of governmental investigations of some of the largest orthopedic device companies reportedly focusing on consulting and service agreements between these companies and orthopedic surgeons. These developments are ongoing and we cannot predict the effects they will have on prices for orthopedic devices.

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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 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

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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 Our Common Stock

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

There has been significant volatility in the market price and trading volume of securities of companies operating in the medical device industry, including our company, 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;

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

product liability lawsuits against us or our customers;

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;

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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.

Requirements associated with being a public company, in particular with respect to evaluations of internal controls required by Section 404 of the Sarbanes-Oxley Act of 2002, have required and will require significant company resources and management attention.

Prior to our initial public offering in December 2004, we were not 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. Compliance with the various reporting and other requirements applicable to public companies has created and will create additional costs for us, which may not yet be fully reflected in our historical financial statements, and will require the time and attention of management. We cannot precisely predict 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.

We are in the process of evaluating our internal controls to allow management to report on, and our independent registered public accounting firm to attest to, our internal controls. We are performing the system and process evaluation and testing (and any necessary remediation) required to comply with the management certification and auditor attestation requirements of Section 404 of the Sarbanes-Oxley Act. While we currently anticipate that we will be able to fully implement the requirements relating to internal controls and all other aspects of Section 404 by the end of our 2005 fiscal year, as required by Section 404, we may identify deficiencies that we may not be able to remediate in time to meet this deadline. If we are not able to implement or maintain the requirements of Section 404 in a timely manner or with adequate compliance, we could be subject to scrutiny by regulatory authorities, such as the SEC or the New York Stock Exchange, and the trading price of our stock could decline. 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.

A large percentage of 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 beneficially own 37.9% of our common stock. As a result of this ownership, the Olympus funds will have as substantial influence on our affairs and their voting power will constitute a large percentage of any quorum of our stockholders voting on 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. In addition, three of our seven directors,

including the chairman of our board, are representatives of the Olympus funds. 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 and Selling Stockholders.

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Following this offering, we will no longer be a controlled company within the meaning of the New York Stock Exchange Rules, and as a result will no longer qualify for exemptions from certain corporate governance requirements.

We are listed on the New York Stock Exchange and are therefore subject to the NYSE s corporate governance rules. As the result of this offering, we will no longer be a controlled company within the meaning of Section 303A of the NYSE s Listed Company Manual. Pursuant to the requirements of Section 303A, within 90 days after the completion of this offering, our corporate governance and nominating committee and our compensation committee must be comprised of a majority of independent directors (as defined in Section 303A). We will satisfy this requirement upon the closing of this offering when Frank Turner and Stephen B. Oresman, who are independent directors, will become members of our corporate governance and nominating committee. Furthermore, within one year after the completion of this offering, both committees must be comprised solely of independent directors and a majority of the directors on our board must be independent. Currently our board consists of seven directors, three of whom are independent. During the phase-in period granted to us by the NYSE, our stockholders will not have the same protections afforded to stockholders of companies that are subject to all NYSE corporate governance rules. If, within one year of the completion of this offering, we are not able to recruit two additional independent directors or, alternatively, if two of our current directors who are not independent do not resign, we will not be in compliance with the NYSE corporate governance rules and may be subject to enforcement actions by the NYSE. In addition, this change in our board and committee membership may result in a change in corporate strategy and operating philosophies, and may result in deviations from our current growth strategy, and the board s limited history of working together may inhibit its ability to function at current levels of efficiency.

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 34.4 million shares of common stock. Of these shares, 19.3 million shares of common stock will be freely tradable, without restriction, in the public market. After the lock-up agreements pertaining to this offering expire 90 days from the date of this prospectus, an additional 15.1 million shares will be eligible for sale in the public market, subject in most cases 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 additional 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 15.1 million shares of common stock will be subject to our stockholders agreement upon completion of the offering. See Shares Eligible for Future Sale, Principal and Selling 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;

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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.

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

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

We are also protected by Section 203 of the Delaware General Corporation Law, which prevents 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 effect of product liability lawsuits against us or our customers;

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

the effect 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.

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USE OF PROCEEDS

We estimate that we will receive net proceeds of approximately $9.5 million from our sale of shares of common stock in this offering, after deducting estimated underwriting discounts and commissions and estimated offering expenses payable by us. We intend to use approximately $4.9 million of the net proceeds of this offering to repay all of the outstanding indebtedness under our U.K. short-term credit facility and the remainder for general corporate purposes. We will also receive approximately $0.5 million from the exercise of management s options to purchase 185,116 shares of our common stock that are being sold by management in this offering, which we intend to use for general corporate purposes.

We will not receive any of the proceeds from the selling stockholders sale of shares of common stock in this offering.

As of April 2, 2005, we had $31.5 million of term loan borrowing under our senior credit facility at a weighted average interest rate of 4.375% and no borrowings outstanding under our revolving credit facility. We had no outstanding letters of credit as of April 2, 2005. An affiliate of one of the underwriters, Wachovia Bank, National Association, is a lender and administrative agent under our senior credit facility and as of June 15, 2005 was owed approximately $5.2 million of the aggregate outstanding amount under the terms of that agreement.

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CAPITALIZATION

The following table sets forth our consolidated capitalization as of April 2, 2005 on an actual basis and on an adjusted basis to give effect to this offering and the application of net proceeds therefrom, as described in Use of Proceeds, but does not give effect to the application of proceeds received by us from the exercise of options to purchase our common stock by management in connection with this offering. You should read the following table in conjunction with the Use of Proceeds, 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 April 2, 2005	
	Actual	As Adjusted
	(dollars in thousands, except share and per share data)	
Long-term debt (including current maturities)(1):		
Senior credit facility(2):		
Revolving credit facility	$	$
Term loan facility	31,500	31,500
Capital lease obligations	13,784	13,784
Other long-term debt	3	3
Total long-term debt	45,287	45,287
Shareholders equity:		
Preferred stock, $.01 par value per share; 5,000,000 shares authorized, no shares issued and outstanding, actual; 5,000,000 shares authorized, no shares issued and outstanding, as adjusted		
Common stock, $.0001 par value per share; 75,000,000 shares authorized, actual; 75,000,000 shares authorized, as adjusted; 33,186,058 shares issued and outstanding, actual; 34,136,073 shares issued and outstanding, as adjusted	3	3
Additional paid-in capital	255,572	265,782
Retained earnings (deficit)(3)	(41,513)	(42,015)
Accumulated other comprehensive income	8,235	8,235
Total shareholders equity	222,297	232,005
Total capitalization	$ 267,584	$ 277,292

(1) One of our U.K. subsidiaries, Thornton Precision Components Limited, is a borrower under a short-term revolving credit facility with Royal Bank of Scotland plc. As of April 2, 2005, $4.9 million was outstanding under this facility. We classify borrowings under this facility as short-term indebtedness.

(2) Our senior credit facilities provide for a $35.0 million term loan and a $40.0 million revolving credit facility. As of April 2, 2005, we had approximately $40.0 million of borrowings available under our revolving credit facility. We had no outstanding letters of credit as of April 2, 2005.

(3) Assumes $0.5 million of expenses, net of tax, incurred by us related to this offering.

The number of shares of common stock to be outstanding after this offering is based on shares outstanding as of April 2, 2005, after giving effect to the exercise of options to purchase 185,116 shares of our common stock and the conversion of warrants to purchase 264,909 shares of our common stock into 264,899 shares of our common stock in connection with this offering. This number excludes, after giving effect to the exercise of options and warrants in connection with this offering, as of April 2, 2005:

575,804 shares of our common stock issuable upon the exercise of outstanding warrants;

638,837 shares of our common issuable upon the exercise of outstanding options; and

2,362,465 shares of our common stock reserved for future issuance under our stock option and stock purchase plans.

The number of outstanding warrants as of April 2, 2005 set forth above includes, and the number of shares of common stock to be outstanding after this offering excludes, warrants to purchase 140,119 shares of our common stock which were converted, net of the portion of such warrants surrendered to us pursuant to the cashless exercise feature of such warrants, into 140,112 shares of our common stock on May 26, 2005. The number of shares of common stock to be outstanding after this offering set forth above excludes 39,492 shares of restricted common stock that were issued to certain of our officers and employees on May 16, 2005 and 50,436 shares of common stock issued to participants in our 2004 Employee Stock Purchase Plan on June 30, 2005.

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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 to operate and grow our business. In addition, we are permitted to make payments of dividends to holders of our common stock only if we satisfy certain financial tests and comply with certain financial ratios and other restrictions under our 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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PRICE RANGE OF COMMON STOCK

Our common stock has been listed on the New York Stock Exchange (the NYSE) since our initial public offering on December 9, 2004 and trades under the trading symbol SMA . As of April 2, 2005, there were 58 holders of record of our common stock. The following table sets forth, for the period indicated, the highest and lowest closing sale price for our common stock since its initial public offering, as reported by the NYSE:

	High	Low
Fiscal Year 2004		
Fourth quarter		
(commencing December 9, 2004)	$ 21.42	$ 17.02
Fiscal Year 2005		
First Quarter	22.26	18.00
Second Quarter	24.31	17.15
Third Quarter (through July 7, 2005)	23.80	22.90

The closing sale price for our common stock on July 7, 2005 was $22.90.

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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 2002, 2003 and 2004 and the consolidated balance sheet data as of the last day of fiscal years 2003 and 2004 from our audited consolidated financial statements for such periods and dates, which have been audited by Ernst & Young LLP and appear elsewhere in this prospectus. We derived the consolidated statement of operations data for fiscal years 2000 and 2001 and the consolidated balance sheet data as of the last day of fiscal years 2000, 2001 and 2002 from our audited consolidated financial statements for such periods and dates, which are not included in this prospectus. The financial information for the three months ended April 3, 2004, and as of and for the three months ended April 2, 2005, 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, contain 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.

	Fiscal Year					Three Months Ended (Unaudited)	
	2000	2001	2002	2003(1)	2004	April 3, 2004	April 2, 2005
	(dollars in thousands, except share and per share data)						
Consolidated Statements of Operational Data:							
Revenue	$ 61,203	$ 66,495	$ 65,395	$ 122,029	$ 205,391	$ 45,838	$ 63,760
Cost of revenue	43,005	48,205	47,859	86,124	145,081	33,255	44,373
Gross profit	18,198	18,290	17,536	35,905	60,310	12,583	19,387
Selling, general and administrative expenses	9,862	10,494	9,440	17,115	22,569	5,495	6,948
Operating income	8,336	7,796	8,096	18,790	37,741	7,088	12,439
Interest expense, net	2,835	5,070	4,968	10,172	13,757	3,539	939
Loss on debt extinguishment(2)				1,436	8,956		
Interest rate swap valuation(3)		847	979	(1,358)	(1,451)	371	(296)
Expenses related to recapitalization	14,179						
Other	28	290	(42)	(374)	(740)	(185)	202
Income (loss) before income taxes and cumulative effect of accounting change	(8,706)	1,589	2,191	8,914	17,219	3,363	11,594
Provision (benefit) for income taxes	(2,775)	1,400	841	3,009	5,524	1,153	3,930
Net income (loss) before cumulative effect of accounting change	(5,931)	189	1,350	5,905	11,695	2,210	7,664
Cumulative effect of accounting change, net of tax(4)		(293)	(1,146)				
Net income (loss)	(5,931)	(104)	204	5,905	11,695	2,210	7,664
Preferred stock dividends	(683)	(3,185)	(4,410)	(7,028)	(8,977)	(2,316)	
Net income (loss) applicable to common shareholders	$ (6,614)	$ (3,289)	$ (4,206)	$ (1,123)	$ (2,718)	$ (106)	$ 7,664

Basic per share:							
Net income (loss) applicable to common shareholders before cumulative effect of accounting change	$ (1.59)	(0.44)	(0.44)	(0.10)	0.16	(0.01)	0.23
Cumulative effect of accounting change, net of tax		(0.04)	(0.17)				
Net income (loss)	$ (1.59)	$ (0.48)	$ (0.61)	$ (0.10)	$ 0.16	$ (0.01)	$ 0.23

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	Fiscal Year					Three Months Ended (Unaudited)	
	2000	2001	2002	2003(1)	2004	April 3, 2004	April 2, 2005
	(dollars in thousands, except share and per share data)						
Diluted per share:							
Net income (loss) applicable to common shareholders before cumulative effect of accounting change	$ (1.59)	$ (0.44)	$ (0.44)	$ (0.10)	$ 0.15	$ (0.01)	$ 0.22
Cumulative effect of accounting change, net of tax		(0.04)	(0.17)				
Net income (loss)	$ (1.59)	$ (0.48)	$ (0.61)	$ (0.10)	$ 0.15	$ (0.01)	$ 0.22
Weighted average common shares outstanding:							
Basic	4,157,787	6,854,736	6,905,800	11,797,842	16,905,396	15,761,970	33,174,979
Diluted	4,157,787	6,854,736	6,905,800	11,797,842	17,767,281	15,761,970	34,115,708
Consolidated Balance Sheet Data (at end of period):							
Cash and cash equivalents	$ 642	$ 835	$ 781	$ 2,348	$ 4,849	N/A	$ 2,704
Working capital	5,006	10,533	9,587	36,064	50,854	N/A	49,610
Total assets	62,091	59,714	63,554	267,217	306,868	N/A	314,603
Long-term debt and capital lease obligations, less current portion	46,244	48,641	47,234	129,696	43,209	N/A	40,473
Redeemable preferred stock			3,530			N/A	
Total shareholders equity (deficit)	(1,630)	(1,629)	(1,121)	100,390	216,145	N/A	222,297
Other Financial Data:							
Depreciation and amortization	$ 4,311	$ 4,151	$ 2,744	$ 6,662	$ 11,198	$ 2,682	$ 3,156

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

(2) In fiscal year 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. During 2004, we refinanced substantially all of our debt arrangements as part of the initial public offering resulting in a loss on debt extinguishment of $8,956.

(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 year 2001, reflects the cumulative effect of change in accounting principles resulting in the adoption of SFAS No. 133. For fiscal year 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 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, 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, 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,	
	2002	2003
	(dollars in thousands)	
Consolidated Statements of Operations Data:		
Revenue	$ 71,556	$ 84,466
Cost of revenue	50,723	60,307
Gross profit	20,833	24,159
Research and development	8	186
Sales and marketing	2,166	2,394
General and administrative expenses	4,649	6,131
Amortization of goodwill	6,372	
Operating income	7,638	15,448
Interest expense	(14,125)	(15,239)
Interest income	762	720
Other income (expense)	2	165
Net income (loss) before income taxes and change in accounting principle	(5,723)	1,094
Provision for income taxes	1,754	1,504
Income (loss) before change in accounting principle	(7,477)	(410)
Net effect of change in accounting principle	(2,039)	
Net income (loss)	$ (9,516)	$ (410)
Consolidated Balance Sheet Data (at end of period):		
Cash and cash equivalents	$ 1,125	$ 2,496
Working capital	9,570	12,328
Total assets	124,365	134,494
Long-term obligations less current portion	130,430	138,315
Total Shareholder s net investment	(27,236)	(28,546)
Other Financial Data:		
Depreciation and amortization	$ 10,284	$ 4,684

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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 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 the first quarter of fiscal year 2005 we had revenue of $63.8 million, operating income of $12.4 million and net income applicable to common shareholders of $7.7 million. In fiscal year 2004 we had revenue of $205.4 million, operating income of $37.7 million and net income applicable to common shareholders of $2.7 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 36.0%, 36.6%, 21.7% and 5.7%, respectively, of our revenue in the first quarter of fiscal year 2005 and 36.6%, 33.0%, 23.0% and 7.4%, respectively, of our revenue in fiscal year 2004.

During fiscal year 2004, we sold our products and services to approximately 600 customers, including 66 new customers. Our three largest customers accounted for approximately 29.4%, 14.2% and 13.8% of our revenue in the first quarter of fiscal year 2005 and our four largest customers accounted for approximately 25.4%, 14.6%, 13.6% and 9.5% of our revenue in fiscal year 2004. Our ten largest customers collectively accounted for approximately 80.5% of our revenue in the first quarter of fiscal year 2005 and 78.7% of our revenue in fiscal year 2004. Within each of our largest customers, we typically serve several product teams and facilities, which diminishes our reliance on any single purchasing decision. Approximately 65.8%, 13.0%, 10.5% and 10.7% of our revenue in the first quarter of fiscal year 2005 and approximately 66.6%, 10.3%, 13.3% and 9.8% of our revenue in fiscal year 2004 was from sales to customers in the United States, Ireland, the 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

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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 and the completion of the construction of our facility in Sheffield, United Kingdom, 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 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 $(0.3) million for the first quarter of fiscal year 2005 and $(1.5) million, $(1.4) million and $1.0 million in fiscal year 2004, fiscal year 2003 and fiscal year 2002, 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 new facilities in Sheffield, United Kingdom and Memphis, Tennessee, have expanded our facility located in Avilla, Indiana and have opened an additional facility located just outside of Warsaw, Indiana in Claypool, 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.

In December 2004, we completed an initial public offering of our common stock and entered into a new senior credit facility. We used approximately $36.4 million of the net proceeds from our initial public offering to repay all of our existing subordinated indebtedness, $58.0 million to repay a portion of our existing senior indebtedness and $23.3 million to fund the repurchase of a portion of our Class A Convertible Preferred Stock and warrants to purchase our Class A Convertible Preferred Stock. In addition, the remaining outstanding shares of our Class A Convertible Preferred Stock and warrants to purchase our Class A Convertible Preferred Stock were converted into approximately 8.0 million shares of our common stock and warrants to purchase approximately 255.3 thousand shares of our common stock.

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Results of Operations

The table below sets forth certain operating data expressed as a percentage of revenue for the periods indicated. Fiscal year 2003 operating data in the table below includes the results of Mettis since its acquisition on June 11, 2003. 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.

	Fiscal Year			Three Months Ended (unaudited)	
	2002	2003	2004	April 3, 2004	April 2, 2005
Statement of Operations Data:					
Revenue	100.0%	100.0%	100.0%	100.0%	100.0%
Cost of revenue	73.2	70.6	70.6	72.5	69.6
Gross profit	26.8	29.4	29.4	27.5	30.4
Selling, general and administrative expenses	14.4	14.0	11.0	12.0	10.9
Operating income	12.4	15.4	18.4	15.5	19.5
Interest expense	7.6	8.3	6.7	7.8	1.5
Loss on debt extinguishment		1.2	4.4		
Interest rate swap valuation expense (income)	1.5	(1.1)	(0.7)	0.8	(0.5)
Other expense (income)	(0.1)	(0.3)	(0.4)	(0.4)	0.3
Income before income taxes and cumulative effect of accounting change	3.4	7.3	8.4	7.3	18.2
Provision for income taxes	1.3	2.5	2.7	2.5	6.2
Net income before cumulative effect of accounting change	2.1	4.8	5.7	4.8	12.0
Cumulative effect of accounting change	(1.8)				
Net income (loss)	0.3%	4.8%	5.7%	4.8%	12.0%

First Quarter of Fiscal Year 2005 Compared to First Quarter of Fiscal Year 2004

Revenue. Revenue increased $17.9 million, or 39.1%, to $63.8 million in the first quarter of fiscal year 2005 from $45.8 million in the first quarter of fiscal year 2004. Revenue for each of our principal product categories in these periods was as follows:

	Three Months Ended

Product Category	April 3, 2004	April 2, 2005
	(in millions)	
Implants	$ 17.0	$ 23.0
Instruments	14.7	23.4
Cases	10.6	13.8
Non-healthcare and other	3.5	3.6
Total	$ 45.8	$ 63.8

This $17.9 million increase in revenue resulted from increased implant, instruments, cases, and non-healthcare and other revenue of $5.9 million, $8.6 million, $3.3 million, and $0.1 million, respectively, as a result of increased demand from our customers due primarily to continued industry growth, launches of new implant systems and an increase in our market share.

Gross Profit. Gross profit increased $6.8 million, or 54.1%, to $19.4 million in the first quarter of fiscal year 2005 from $12.6 million in the first quarter of fiscal year 2004. This increase in gross profit resulted from

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increased revenue and improved leveraging of fixed costs. As a percentage of revenue, gross profit was 30.4% in the first quarter of fiscal year 2005, compared to 27.5% in the first quarter of fiscal year 2004.

Selling, General and Administrative Expenses. Selling, general and administrative expenses increased $1.5 million, or 26.4%, to $6.9 million in the first quarter of fiscal year 2005 from $5.5 million in the first quarter of fiscal year 2004. This increase in expenses primarily resulted from increases in costs associated with our increase in revenue. As a percentage of revenue, selling, general and administrative expenses declined to 10.9% of revenue in the first quarter of fiscal year 2005 from 12.0% of revenue in the first quarter of fiscal year 2004. This 1.1% decrease as a percentage of revenue was attributable to controlled spending combined with a 39.1% increase in revenue.

Interest Expense. Interest expense decreased $2.6 million, or 73.5%, to $0.9 million in the first quarter of fiscal year 2005 from $3.5 million in the first quarter of fiscal year 2004. This decrease primarily reflects the decrease in senior debt and subordinated debt that resulted from the repayment of such debt with proceeds from the initial public offering of our common stock in December 2004.

Provision for Income Taxes. Our effective tax rate was 33.9% in the first quarter of fiscal year 2005 as compared to 34.3% in the first quarter of fiscal year 2004. The decrease was primarily due to tax rate differentials in certain jurisdictions. Provision for income taxes increased by $2.8 million, or 240.8%, to $3.9 million in the first quarter of fiscal year 2005 from $1.2 million in the first quarter of fiscal year 2004, due primarily to higher pre-tax earnings.

Preferred Stock Dividends. There were no preferred stock dividends in the first quarter of fiscal year 2005 as compared to preferred stock dividends of $2.3 million in the first quarter of fiscal year 2004. This was due to the repurchase or reclassification as common stock of all of our outstanding preferred stock in connection with the initial public offering of our common stock in December 2004.

Fiscal Year 2004 Compared to Fiscal Year 2003

Revenue. Revenue increased $83.4 million, or 68.3%, to $205.4 million in fiscal year 2004 from $122.0 million in fiscal year 2003. Revenue for each of our principal product categories in these periods was as follows:

Product Category	2003	2004
	(in millions)	
Implants	$ 33.3	$ 75.1
Instruments	45.6	67.7
Cases	36.1	47.3
Non-healthcare and other	7.0	15.3
Total	$ 122.0	$ 205.4

This $83.4 million increase in revenue resulted from increased implant, instrument, case, and non-healthcare and other revenue of $14.3 million, $18.7 million, $11.2 million and $2.8 million, respectively, as a result of increased demand from our customers due primarily to their launches

of new implant systems; and an increase of $27.5 million, $3.4 million and $5.5 million from implant, instrument, and non-healthcare and other revenue as a result of a full year of revenue from the Mettis acquisition. A full year of revenue from Mettis operations are included in fiscal year 2004, while fiscal year 2003 only includes Mettis revenue from the date of its acquisition, June 11, 2003.

Gross Profit. Gross profit increased $24.4 million, or 68.0%, to $60.3 million in fiscal year 2004 from $35.9 million in fiscal year 2003. This increase in gross profit resulted from $10.7 million of additional gross profit related to increased revenue resulting from the Mettis acquisition coupled with our higher revenue. As a percentage of revenue, gross profit was 29.4% in fiscal year 2004, which is the same as fiscal year 2003.

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Selling, General and Administrative Expenses. Selling, general and administrative expenses increased $5.5 million, or 31.9%, to $22.6 million in fiscal year 2004 from $17.1 million in fiscal year 2003. This increase in expenses primarily resulted from an increase in overall revenue from the Mettis acquisition partially offset by controlled spending. As a percentage of revenue, selling, general and administrative expenses declined to 11.0% of revenue in fiscal year 2004 from 14.0% of revenue in fiscal year 2003. This 3.0% decrease as a percentage of revenue was attributable to controlled spending combined with a 68.3% increase in revenue.

Interest Expense. Interest expense increased $3.6 million, or 35.2%, to $13.8 million in fiscal year 2004 from $10.2 million in fiscal year 2003. This increase primarily reflects higher average borrowings under our senior credit facility during fiscal year 2004 as compared to fiscal year 2003 as a result of increased borrowings used primarily to finance a portion of the purchase price for Mettis.

Loss on Debt Extinguishment. In fiscal year 2004, we realized a $9.0 million loss on debt extinguishment. This charge includes $5.1 million of unamortized discount from the issuance of the senior subordinated notes in fiscal year 2003 and $3.9 million of deferred debt issuance costs as a result of the Mettis acquisition on June 11, 2003.

Provision for Income Taxes. Our effective tax rate was 32.1% in fiscal year 2004 as compared to 33.8% in fiscal year 2003. The decrease was due to realization of deferred assets and net operating losses that were fully reserved and tax rate differentials in foreign tax jurisdictions. Provision for income taxes increased by $2.5 million, or 83.6%, to $5.5 million in fiscal year 2004 from $3.0 million in fiscal year 2003, due primarily to 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 year 2003 from $65.4 million in fiscal year 2002. Revenue for each of our principal product categories in these periods was as follows:

Product Category	**2002**	**2003**
	(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 non-healthcare and other revenue 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 year 2003 as compared to fiscal year 2002. This increase in our revenue was the result of increased demand from our 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 year 2003 from $17.5 million in fiscal year 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 our higher revenue. As a percentage of revenue, gross margin increased to 29.4% in fiscal year 2003 from 26.8% in fiscal year 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 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 year 2003 from $9.4 million in fiscal year 2002. This increase in expenses primarily resulted from $4.5 million of expenses attributable to the Mettis acquisition and increases in

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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 year 2003 from 14.4% in fiscal year 2002.

Interest Expense. Interest expense increased $5.2 million, or 104.8%, to $10.2 million in fiscal year 2003 from $5.0 million in fiscal year 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 year 2003 with the remaining increase resulting from additional borrowings under our existing senior credit facility.

Loss on Debt Extinguishment. In fiscal year 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.

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

Cumulative Effect of Accounting Change. In fiscal year 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.

Liquidity and Capital Resources

Our principal sources of cash have included cash generated from operations, the net proceeds of the initial public offering of our common stock in December 2004, the issuance of private debt and equity and bank borrowings. Principal uses of cash have included acquisitions, debt service, preferred stock redemptions, capital expenditures and the financing of working capital. We expect that our principal uses of cash in the future will be to finance capital expenditures, working capital and to service debt and could include financing acquisitions.

Cash Flows

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

	Fiscal Year Ended			Three Months Ended	
	2002	2003	2004	April 3,	April 2,

				2004	2005
			(in thousands)		
Cash provided by (used in):					
Operating activities	$ 4,875	$ 13,151	$ 25,328	$ 142	$ 5,383
Investing activities	(6,565)	(171,944)	(19,891)	(4,347)	(8,933)
Financing activities	1,654	160,212	(3,082)	2,839	1,474
Effect of exchange rates on changes in cash	(18)	148	146	25	(69)
Net increase (decrease) in cash and cash equivalents	$ (54)	$ 1,567	$ 2,501	$ (1,341)	$ (2,145)

Operating Activities. We generated cash from operations of $5.4 million in the first quarter of fiscal year 2005 compared to $0.1 million in the first quarter of fiscal year 2004. This increase is primarily the result of a $5.3 million increase in net income, adjusted for non-cash items including depreciation expense, deferred income

tax provision and interest rate swap valuation. Working capital increased $5.1 million in the first quarter of fiscal year 2005, consistent with the $5.1 million increase in the first quarter of fiscal year 2004, and in line with our quarter-over-quarter growth in revenue.

We generated cash from operations of $25.3 million in fiscal year 2004 compared to $13.2 million in fiscal year 2003. This increase is primarily the result of a $18.1 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 $8.8 million and inventory of $6.8 million partially offset by a $8.0 million increase in accounts payables, which are in line with our year over year growth in revenue. In fiscal year 2002, operating activities provided net cash of $4.9 million.

Investing Activities. Net cash used in investing activities was $8.9 million in the first quarter of fiscal year 2005 compared to $4.3 million in the first quarter of fiscal year 2004. This change was due to increased capital expenditures.

Net cash used in investing activities was $19.9 million for fiscal year 2004 compared to $171.9 million in fiscal year 2003. This decrease was primarily due to the acquisition of Mettis in 2003.

Financing Activities. Financing activities provided $1.5 million of cash in the first quarter of fiscal year 2005 and provided $2.8 million of cash in the first quarter of fiscal year 2004. These increases were primarily due to increased revolver borrowings, offset by payments on long-term debt and capital lease obligations.

Financing activities used $3.1 million of cash in fiscal year 2004 compared to providing $160.2 million of cash in fiscal year 2003. The fiscal year 2004 amount was due primarily to cash generated by our initial public offering of 9.2 million shares of our common stock, resulting in gross proceeds to us of $138.0 million. The per share price of our common stock sold in our initial public offering, before underwriting discounts and commissions, was $15.00. The proceeds were used to (i) fund the repurchase of 18,361 shares of our Class A Convertible Preferred Stock and warrants to purchase 639 shares of our Class A Convertible Preferred Stock for an aggregate price of approximately $23.3 million, (ii) repay all of our existing subordinated indebtedness in an amount of $36.0 million and (iii) repay $58.0 million, net of additional borrowings, of our existing senior indebtedness. The fiscal year 2003 amount was due primarily to 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 $36.0 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. In fiscal year 2003, these sources of financing were partially offset by the extinguishment of our prior senior credit facility and scheduled debt maturities. In fiscal year 2002, net cash provided by financing activities was $1.7 million.

Capital Expenditures

Capital expenditures totaled $8.9 million in the first quarter of 2005, compared to $4.3 million in the first quarter of 2004, and were primarily used to expand and enhance production capacity in most of our facilities. Capital expenditures totaled $19.9 million in fiscal year 2004, compared to $8.8 million in fiscal year 2003, and were primarily used to expand and enhance production capacity in several of our facilities. We expect capital expenditures for fiscal year 2005 to total approximately $32.0 million.

Debt and Credit Facilities

In connection with our initial public offering in December 2004, we entered into a $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. We used borrowings under this senior credit facility as well as proceeds from the issuance and sale of our common stock to fund the repurchase of our Class A Convertible Preferred Stock, repay all of our existing subordinated indebtedness and refinance our previous credit facility.

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As of April 2, 2005, we had an aggregate of $50.2 million of outstanding indebtedness, which consisted of $31.5 million of term loan borrowings outstanding under our senior credit facility at a weighted average interest rate of 4.375%, no borrowings outstanding under our revolving credit facility at a weighted average interest rate of 6.25%, $4.9 million of borrowings under our U.K. short-term credit facility at an interest rate of 6.75% and $13.8 million of capital lease obligations. We had no outstanding letters of credit as of April 2, 2005.

Our term loan borrowings under our senior credit facility bear interest at a floating rate, which is either a base rate, or at our option, a LIBOR rate, plus an applicable margin. The term loans require quarterly payments of scheduled principal and interest, with annual scheduled principal payments increasing each year. Our term loan and borrowings under the revolving credit facility mature in December 2009. Our obligations under our senior credit facility are secured by substantially all of our assets.

Our senior credit facilities contains 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. Our senior credit facilities also contain covenants restricting certain corporate actions, including asset dispositions, acquisitions, paying dividends and certain other payments, changes of control, incurring indebtedness, incurring liens, making loans and investments and transactions with affiliates. Our senior credit facilities also contain customary events of default. We were in compliance with our financial and restrictive covenants under the senior credit facility at January 1, 2005 and at April 2, 2005.

Our wholly owned subsidiary, Thornton Precision Components Limited, headquartered in Sheffield, United Kingdom, is a borrower under a short-term revolving credit facility with the Royal Bank of Scotland plc, which replaced a previous short-term revolving credit facility as of the initial public offering of our common stock. This facility is a £5.0 million (approximately $9.4 million) demand line of credit. There are no financial covenants, but the facility does contain covenants restricting Thornton Precision Components Limited s ability to take certain corporate actions or incur additional indebtedness, and this facility is secured by substantially all of Thornton Precision Components Limited s assets.

We hold certain property and equipment pursuant to capital leases. As of January 1, 2005, these leases have future minimum lease payments of $4.6 million, $4.0 million, $3.6 million, $2.5 million and $1.2 million in each of the next 5 fiscal years. At April 2, 2005, we had total capital lease obligations of $13.8 million. We do not anticipate incurring additional capital lease obligations in fiscal year 2005.

We believe that cash flow from operating activities and borrowings under our 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 regularly review acquisitions and other strategic opportunities, which may require additional debt or equity financing. We currently do not have any pending agreements with respect to any acquisition or other strategic opportunity.

Contractual Obligations and Commercial Commitments

The following table reflects our contractual obligations as of January 1, 2005:

	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)	$ 32.4	$ 0.9	$ 12.3	$ 19.2	$
Capital lease obligations	20.5	4.6	7.6	3.7	4.6
Operating lease obligations	2.8	1.5	1.1	0.2	
Total	$ 55.7	$ 7.0	$ 21.0	$ 23.1	$ 4.6

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

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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 April 2, 2005.

Critical Accounting Policies and Estimates

Our discussion and analysis of results of operations and financial condition are based upon our audited consolidated financial statements for fiscal years 2002, 2003 and 2004 and our unaudited consolidated financial statements for the first quarters of fiscal 2004 and 2005, each of which 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 *Revenue Recognition in Financial Statements*, as amended by Staff Accounting Bulletin No. 104 *Revenue Recognition*, 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 year 2002. Except for this transition impairment, we recorded no impairments as a result of the implementation of SFAS 142 during 2003 or 2004. 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.

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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.

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

On December 16, 2004, the FASB issued Statement No. 123 (revised 2004), *Share-Based Payment,* which is a revision of FASB Statement No. 123, *Accounting for Stock Based Compensation*. Statement 123(R) supersedes APB Opinion No. 25, *Accounting for Stock Issued to Employees,* and amends FASB Statement No. 95, *Statement of Cash Flows*. Generally, the approach in Statement 123(R) is similar to the approach described in Statement 123. However, Statement 123 (R) requires all share-based payments to employees, including grants of employee stock options, to be recognized in the income statement based on their fair values. Pro forma disclosure is no longer an alternative.

Statement 123(R) must be adopted by us no later than January 1, 2006. We expect to adopt Statement 123(R) on January 1, 2006 using the modified prospective method in which compensation cost is recognized beginning with the effective date based on the requirements of Statement 123(R) for all share-based payments granted after the effective date and based on the requirements of Statement 123 for all awards granted to employees prior to the effective date of Statement 123(R) that remain unvested on the effective date.

As permitted by Statement 123, we currently account for share-based payments to employees using Opinion 25 s intrinsic value method and, as such, we generally recognize no compensation cost for employee stock options. Accordingly, the adoption of Statement 123(R) s fair value method will have a significant impact on our results of operations, although it will have no impact on our overall financial position. The impact of adoption of Statement 123(R) cannot be predicted at this time because it will depend on levels of share-based payments granted in the future. However, had we adopted Statement 123(R) in prior periods, the impact of that standard would have approximated the impact of Statement 123 as described in the disclosure of pro forma net income and earnings per share in Note 2 to our consolidated financial statements. Statement 123(R) also requires the benefits of tax deductions in excess of recognized compensation cost to be reported as a financing cash flow, rather than as an operating cash flow as required under current literature. This requirement will reduce net operating cash flows and increase net financing cash flows in periods after adoption. There were no such cash flows in prior periods.

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.

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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 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 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.

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 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 April 2, 2005, we had approximately $42.0 million of variable rate debt. The weighted average interest rate for this debt in fiscal year 2004 was 5.48%. 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 fiscal year 2005 of approximately $0.4 million, before giving effect to the interest rate swap agreements described below.

In 2000, we entered into an interest rate swap agreement that effectively converted $19.0 million of a portion of our variable rate term loans into a fixed rate obligation for the five-year period commencing October 24, 2000. We receive payments at variable rates, while the swap agreement counterparty makes payments at a fixed rate. This agreement was terminated effective December 13, 2004 in conjunction with our initial public offering and reduced debt levels. 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 we make payments at a fixed rate (2.285% at April 2, 2005). Effective December 13, 2004, this agreement was reduced in size from $71.0 million to $35.0 million in connection with our initial public offering and reduced debt levels. The net cost to change these agreements was $0.3 million.

On December 13, 2004, we entered into a interest rate swap agreement that effectively converts $15.0 million of our variable rate term loans into a fixed rate obligation. The new agreement is effective June 30, 2006 and expires December 31, 2007.

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.

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As a global company with operations in the United Kingdom and in France, changes in foreign exchange rates can impact our operating results. In the first fiscal quarter of fiscal year 2005, changes in foreign exchange rates had an immaterial effect on revenue and net income. In fiscal year 2004, our revenue and net income benefited from changes in foreign exchange rates by $6.0 million and $0.6 million, respectively.

Our primary exposures to foreign currency exchange fluctuations are pound sterling/U.S. dollar and euro/U.S. dollar. At January 1, 2005, 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 $0.5 million, net of tax. This 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.

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 hypothetical instantaneous 10% change in commodity prices would have had an immaterial impact on our results of operations in fiscal year 2004.

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 a limited ability to pass through inflation-related cost increases due to the competitive nature of the markets that we serve. In recent 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 provides us with a competitive advantage.

During the first quarter of fiscal year 2005 we generated revenue of $63.8 million and during fiscal year 2004 we generated revenue of $205.4 million, derived primarily from the sale of products and services to the orthopedic device market. Our primary 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. During fiscal year 2004, we sold our products and services to over 600 customers, including 66 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 have also established relationships, primarily through our case product offerings, with leading medical device manufacturers in numerous other medical device market segments, including Cardinal Health Inc. and St. Jude Medical Inc. We typically serve several product teams and facilities within each of our largest customers.

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 36.0% and 36.6% of our revenue in the first quarter of fiscal year 2005 and in fiscal year 2004, respectively;
- instruments used in the placement and removal of orthopedic implants and in other surgical procedures, which represented 36.6% and 33.0% of our revenue in the first quarter of fiscal year 2005 and in fiscal year 2004, respectively;
- cases, including plastic, metal and hybrid cases used to organize, secure and transport medical devices for orthopedic and other surgical procedures, which represented 21.7% and 23.0% of our revenue in the first quarter of fiscal year 2005 and in fiscal year 2004, respectively; and
- other specialized products and services for non-healthcare markets, primarily the aerospace market, which represented 5.7% and 7.4% of our revenue in the first quarter of fiscal year 2005 and in fiscal year 2004, 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

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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 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. 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.

In December, 2004 we completed an initial public offering of our common stock and entered into a new senior credit facility. In connection with this offering, we used approximately $36.4 million of the net proceeds from the offering to repay all of our existing subordinated indebtedness, $58.0 million to repay a portion of our existing senior indebtedness and $23.3 million to fund the repurchase of a portion of our Class A Convertible Preferred Stock and warrants to purchase Class A Convertible Preferred Stock. In addition, the remaining outstanding shares of our Class A Convertible Preferred Stock and warrants to purchase Class A Convertible Preferred Stock converted into approximately 8.0 million shares of our common stock and warrants to purchase approximately 255.3 thousand shares of our common stock 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 $220 billion in 2004. The orthopedic device segment of the medical device market was estimated to be approximately $19 billion in 2004, and is expected to grow approximately 12% annually to greater than $30 billion by 2008.

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, Stryker Corporation, Synthes, Inc. (formerly Synthes-Stratec, Inc.) and Zimmer Holdings, Inc. The ten largest orthopedic device manufacturers represented an estimated 89% of the market in 2004. 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 1.7 million reconstructive orthopedic implant procedures performed globally in 2004, an increase of approximately 10% 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.

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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.

Successful clinical outcomes. Implant procedures have become increasingly common. For example, in 2004, there were approximately 1.5 million procedures performed to implant an artificial hip or knee worldwide, an increase of 10% 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,

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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 Centers 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 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 Centers are 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.

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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.

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. In fiscal year 2004 and the first half of fiscal year 2005, we expanded many of our facilities and opened new facilities in Sheffield, United Kingdom, Memphis, Tennessee and Claypool, Indiana to add manufacturing capacity and design resources. We also

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have updated much of our manufacturing and development equipment. 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 offerings. Our Design and Development Centers provide expertise and coordination for our design, engineering and prototyping services. We intend to leverage our Design and Development Centers to provide greater support for our customers product development activities and to enhance our independent product development efforts. Our Design and Development Centers enable 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, our Design and Development Centers are engaged in ongoing independent product development. We believe that the dedicated expertise of our Design and Development Centers 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 year 2003 was a growing spinal and trauma implant company that was a small company and a new customer less than four 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 36.0% of our total revenue in the first quarter of fiscal year 2005 and 36.6% of our total revenue in fiscal year 2004. 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

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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.

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 36.6% of our total revenue in the first quarter of fiscal year 2005 and 33.0% of our total revenue in fiscal year 2004. 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

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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

- 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 products, customers can leverage our extensive experience and expertise to complete their instrument sets more quickly and efficiently.

Our 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 21.7% of our total revenue in the first quarter of fiscal year 2005 and 23.0% of our total revenue in fiscal year 2004. 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 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 25 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 5.7% of our total revenue in the first quarter of fiscal year 2005 and 7.4% of our total revenue in fiscal year 2004, respectively.

One of our United Kingdom 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 Centers provide dedicated expertise and greater coordination for our design, engineering and prototyping services. Our Design and Development Centers are located in Warsaw, Indiana and

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Memphis, Tennessee and bring together talented engineering and design personnel and provide them with state-of-the-art design software and prototyping equipment. Our Design and Development Centers serve to centralize and better institutionalize our design and engineering knowledge and create a fertile environment for new product development. They can coordinate 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.

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 Centers to provide dedicated design teams with exceptional knowledge and experience. 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 Centers are 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.

In addition, we may supplement our internal product development efforts with strategic acquisitions that add new products to our current line or help us enter additional complementary markets. For example, our acquisition of Mettis in June 2003 added key products to our offerings that enabled us to offer our customers Total Solutions® for complete implant systems, implants, instruments and cases, and provided us with an expanded presence in Europe. In the future, we intend to selectively assess potential acquisition targets to determine the contribution that their products or operations could make to our company.

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. and St. Jude Medical Inc. We sold to approximately 600 customers, including 66 new customers, in fiscal year 2004.

Sales to our ten largest customers represented 80.5% of our revenue in the first quarter of fiscal year 2005 and 78.7% of our revenue in fiscal year 2004. Our three largest customers accounted for 29.4%, 14.2% and 13.8% and of our revenue for the first quarter of fiscal year 2005 and our three largest customers accounted for 25.4%, 14.6% and 13.6% of our revenue in fiscal year 2004. Our three largest customers in alphabetical order for the first quarter of fiscal year 2005 were DePuy, Smith & Nephew and Zimmer. Our three largest customers in alphabetical order for fiscal year 2004 were DePuy, Smith & Nephew and Stryker. No other customer accounted for more than 10% of our revenue in the first quarter of fiscal year 2005 or in fiscal year 2004. We typically serve several product teams and facilities within each of our largest customers, which mitigates our reliance on any particular customer.

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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 first quarter of fiscal year 2005, based on the location to which we shipped our products:

Percent of Revenue by Geographic Location

	Fiscal Year			Three Months Ended
				April 2,
Region	**2002**	**2003**	**2004**	**2005**
United States	80.7%	73.2%	66.6%	65.8%
United Kingdom	10.1	16.1	13.3	10.5
Rest of World	9.2	10.7	20.1	23.7
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 for the fiscal years 2002, 2003 and 2004 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 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 in recent years and continue to make significant investments to modernize our production facilities, improve our production processes, develop superior technical skills that complement our manufacturing capabilities and to

add capacity. 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 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.

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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.

We currently own 40 U.S. and 14 foreign patents related to our cases and instruments. These patents expire at various times beginning in 2006 and ending in 2020. We also have 23 U.S. and five foreign 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.

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Employees

As of April 2, 2005, we had 1,797 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 thirteen 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 122,000 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.

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	306
Warsaw, Indiana	Design and Development Center; instrument design and manufacturing	17,000	Lease	37
Warsaw, Indiana	Corporate headquarters	10,000	Own	7
Claypool, Indiana	Instrument design and manufacturing	22,500	Own	106
Cheltenham, United Kingdom	Instrument design and manufacturing	9,000	Lease	40
Manchester, New Hampshire	Plastic and metal case design and manufacturing	122,000	Lease	265
Villeneuve d Ascq, France	Case design and assembly	10,800	Lease	26
Lansing, Michigan	Implant design, forging and machining	65,000	Own	350
Lansing, Michigan	Implant design, forging and machining	15,000	Lease	12
Sheffield, United Kingdom	Implant and specialized non-healthcare product design, forging, casting and machining	134,600	Own	324
Sheffield, United Kingdom	Implant forging and machining	43,400	Own	95
Avilla, Indiana	Instrument and implant design and manufacturing	35,000	Lease	225
Memphis, Tennessee	Design and Development Center; instrument design and manufacturing	6,400	Lease	4

(1) We own approximately 21 acres of land in Warsaw, Indiana and approximately 9 acres in Lansing, Michigan, that is available for future expansion.

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Legal Proceedings

From time to time we are 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 $0.9 million in capital expenditures for environmental, health and safety in 2005. 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 have completed the process of certifying our manufacturing facilities according to the ISO 14001 environmental management standard established by the International Organization for Standardization.

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 use 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 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

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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 activities and customer interactions. Failure to comply with these requirements could give rise to the FDA enforcement actions or actions by federal or state healthcare 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 healthcare 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, 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 and key employees, as of July 1, 2005.

Name	Age	Position
Directors and Executive Officers:		
Brian Moore	59	President, Chief Executive Officer and Director
Fred Hite	37	Senior Vice President, Chief Financial Officer and Secretary
Andrew Miclot	49	Senior Vice President, Marketing, Sales & Business Development
D. Darin Martin	53	Senior Vice President, Quality Assurance/Regulatory Affairs and Chief Compliance Officer
Richard J. Senior	41	Senior Vice President and General Manager, Europe
Robert S. Morris	50	Director and Chairman of the Board
James A. Conroy	45	Director
Manu Bettegowda	32	Director
Frank Turner	62	Director
Francis T. Nusspickel	64	Director
Stephen B. Oresman	73	Director
Other Key Employees:		
D. Alec McPherson, Jr.	59	Vice President and General Manager
Matthew R. Rudd	42	Vice President and General Manager
Michael W. Curtis	51	Vice President and General Manager

Directors and Executive Officers

Brian Moore has served as our President and Chief Executive Officer and as 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 Senior Vice President, Chief Financial Officer and Secretary 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, Marketing, Sales & 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/Regulatory Affairs since June 2003 and as our Chief Compliance Officer since May 2005. 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 and currently serves as chairman of the board and as a member of the board s Corporate Governance and Nominating Committee. 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 Nurseries 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 and is a member of the board s Compensation Committee. Mr. Conroy has been a partner at Olympus Partners since 1991. Mr. Conroy serves as a director of Club Staffing and Shemin Nurseries 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 and is a member of the board s Corporate Governance and Nominating Committee. 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. and Shemin Nurseries Holdings Corp. 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 and is a member of the board s Audit and Compensation Committees and, upon the completion of this offering, will be a member of the board s Corporate Governance and Nominating Committee. 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, as a non-executive director for SRTechnics Holding, as a director for Mott MacDonald plc and Mettis Group Limited, the former parent company of Mettis, and as an

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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.

Francis T. Nusspickel has been a member of our board of directors since December 2004 and is a member of the board s Audit and Corporate Governance and Nominating Committees. 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 has been a member of our board of directors since December 2004 and is a member of the board s Audit and Compensation Committees and, upon the completion of this offering, will be a member of the board s Corporate Governance and Nominating Committee. 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 numerous conservation and ornithology institutions. Mr. Oresman received his B.A. from Amherst College and his M.B.A. from the Harvard Business School.

Prior to the one year anniversary of the completion of this offering, we intend to recruit to our board additional directors who satisfy the independence requirements of the NYSE, to the extent necessary to comply with the applicable rules and regulations of the SEC and NYSE.

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

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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.

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 provides 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 stockholders, a class of directors will be elected for a three-year term to succeed the directors of the same class whose terms are then expiring. The terms of the directors will expire upon election and qualification of successor directors at the annual meeting of stockholders to be held during the years 2006 for the Class I directors, 2007 for the Class II directors and 2008 for the Class III directors.

Our board of directors consists of seven members, classified as follows:

Our Class I directors are Frank Turner and Stephen B. Oresman.

Our Class II directors are Robert S. Morris, James A. Conroy and Manu Bettegowda.

Our Class III directors are Brian Moore and Francis T. Nusspickel.

Our board of directors has determined that Mr. Turner, Mr. Nusspickel and Mr. Oresman are independent, as defined under the rules of the NYSE.

Our restated by-laws provide that the authorized number of directors is seven and may be changed by a resolution adopted by at least two-thirds of our directors then in office. Any additional directorships resulting from an increase in the number of directors may only be filled by the directors and will be distributed among the three classes so that, as nearly as possible, each class will consist of one-third of the directors. This

classification of our board of directors could have the effect of delaying or preventing changes in control or changes in our management.

Upon the completion of this offering, we will no longer be a controlled company as defined under the rules and regulations of the New York Stock Exchange. In accordance with the requirements of the NYSE and other applicable regulations, within one year from the closing of this offering, our board must be comprised of a majority of directors who are independent as defined under the rules of the NYSE, and our compensation committee and corporate governance and nominating committee each must be comprised entirely of independent directors.

Board Committees

Our board of directors has established an audit committee, a compensation committee and a corporate governance and nominating committee.

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Audit Committee. Our audit committee is responsible for (1) selecting the independent auditors, (2) approving the overall scope of the audit, (3) assisting the board in monitoring the integrity of our financial statements, the independent accountant s qualifications and independence, the performance of the independent accountants and our internal audit function and our compliance with legal and regulatory requirements, (4) annually reviewing an independent auditor s report describing the auditing firm s internal quality-control procedures, any material issues raised by the most recent internal quality-control review, or peer review, of the auditing firm, (5) discussing the annual audited financial and quarterly statements with management and the independent auditor, (6) discussing earnings press releases, as well as financial information and earnings guidance provided to analysts and rating agencies, (7) discussing policies with respect to risk assessment and risk management, (8) meeting separately, periodically, with management, internal auditors and the independent auditor, (9) reviewing with the independent auditor any audit problems or difficulties and management s response, (10) setting clear hiring policies for employees or former employees of the independent auditors, (11) handling such other matters that are specifically delegated to the audit committee by the board of directors from time to time and (12) reporting regularly to the full board of directors.

The members of our audit committee are of Messrs. Nusspickel, Oresman and Turner, each of whom is independent as defined under the rules of the NYSE. Our board has determined that Messrs. Nusspickel and Oresman are audit committee financial experts as such term is defined in Item 401(h) of Regulation S-K. Our board of directors has adopted a written charter for the audit committee, which is available on our website.

Compensation Committee. The compensation committee is responsible for (1) reviewing key employee compensation policies, plans and programs, (2) reviewing and approving the compensation of our executive officers, (3) reviewing and approving employment contracts and other similar arrangements between us and our executive officers, (4) reviewing and consulting with the chief executive officer on the selection of officers and evaluation of executive performance and other related matters, (5) administration of stock plans and other incentive compensation plans and (6) such other matters that are specifically delegated to the compensation committee by the board of directors from time to time. The members of our compensation committee are Messrs. Turner, Conroy and Oresman. Messrs. Turner and Oresman are independent as defined under the rules of the NYSE.

Corporate Governance and Nominating Committee. Our corporate governance and nominating committee s purpose will be to assist our board by identifying individuals qualified to become members of our board of directors consistent with criteria set by our board and to develop our corporate governance principles. This committee s responsibilities include: (1) evaluating the composition, size and governance of our board of directors and its committees and make recommendations regarding future planning and the appointment of directors to our committees, (2) establishing a policy for considering stockholder nominees for election to our board of directors, (3) recommending ways to enhance communications and relations with our stockholders, (4) evaluating and recommending candidates for election to our board of directors, (5) overseeing our board of directors performance and self-evaluation process and developing continuing education programs for our directors, (6) reviewing our corporate governance principles and providing recommendations to the board regarding possible changes, and (7) reviewing and monitoring compliance with our code of ethics and our insider trading policy. The members of our corporate governance and nominating committee are Messrs. Bettegowda, Nusspickel and Morris, and, upon completion of this offering, Messrs. Turner and Oresman will be added as members of this committee. Messrs. Nusspickel, Turner and Oresman are independent, as defined under the rules of the NYSE.

Other Committees. Our board of directors may from time to time establish other committees as it deems necessary or appropriate.

Compensation Committee Interlocks and Insider Participation

No member of our compensation committee is currently an officer or employee of our company. There is no interlocking relationship between any of our executive officers and compensation committee, on the one hand, and the executive officers and compensation committee of any other companies, on the other hand, nor has any such interlocking relationship existed in the past.

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Director Compensation

All non-employee directors who are not otherwise affiliated with us or our principal stockholders receive an annual cash payment of $25,000 and received a one-time grant of common stock having a value of $25,000 upon being elected to our board of directors. On February 15, 2005, Messrs. Turner, Nusspickel and Oresman were each granted 1,667 shares of restricted Common Stock pursuant to our 2004 Equity Incentive Plan. The shares vest ratably over a three year period as of December 31 of each year, beginning on December 31, 2005. The chairman of our Audit Committee receives additional annual cash compensation of $20,000. In 2004, Frank Turner received $39,083 in compensation for serving as a member of our board of directors. All directors are reimbursed for their out-of-pocket expenses incurred in connection with such services.

Executive Compensation

The following table sets forth compensation information for fiscal year 2004 for our Chief Executive Officer and our four other most highly compensated executives whose total compensation exceeded $100,000 in such fiscal year. These five officers are referred to as the named executive officers in this prospectus.

Summary Compensation Table

		Annual Compensation			Long-Term Compensation	
Name and Principal Position	**Year**	**Salary ($)**	**Bonus ($)**	**Other Annual Compensation ($)(2)**	**Securities Underlying Options(#)**	**All Other Compensation ($)(4)**
Brian Moore, President and Chief Executive Officer(1)	2004	320,000	256,000			4,200
	2003	177,779	88,889	32,374(3)	318,480	
Fred Hite, Senior Vice President, Chief Financial Officer and Secretary(5)	2004	166,667	80,000		72,410	
	2003					
Andrew Miclot, Senior Vice President, Marketing, Sales & Business Development	2004	200,000	160,000			4,058
	2003	175,000	142,692		26,067	4,196
D. Darin Martin, Senior Vice President, Quality	2004	141,000	112,800			2,870
	2003	135,000	110,077			3,472

Assurance/Regulatory Affairs and Chief Compliance Officer					
Richard J. Senior,	2004	219,600	102,742		17,568
	2003	100,244	9,113	90,513	8,020
Senior Vice President and General Manager					

(1) The compensation amounts in this table represent compensation for Mr. Moore since June 11, 2003, the date on which he commenced employment with us as our President and Chief Executive Officer. Mr. Moore earned a salary of $142,221 and a bonus of $71,111 from December 29, 2002 through June 10, 2003 as an employee of Mettis.

(2) In accordance with the rules of the SEC, the other annual compensation disclosed in this table does not include various prerequisites and other personal benefits received by a named executive officer that does not exceed the lesser of $50,000 or 10% of such officers salaries and bonus disclosed in this table.

(3) Includes $30,000 reimbursement for relocation expenses.

(4) Represents our matching contributions under our 401(k) plans.

(5) The compensation amounts in this table represent compensation for Mr. Hite since March 1, 2004, the date on which he commenced employment as our Senior Vice President and Chief Financial Officer.

Option Grants

The following table sets forth information regarding options granted to each of our named executive officers during fiscal year 2004. Potential realizable value is based upon a per share price of $21.05, the last reported sales price of our common stock on December 31, 2004, less the applicable exercise price per share. These assumed 5% and 10% rates of appreciation comply with the rules of the SEC and do not represent our estimate of future stock price. Actual gains, if any, on stock option exercises will be dependent on the future performance of

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our common stock. Each of the outstanding options listed below may be exercised only upon the vesting of such options. These options vest ratably over a four year period as of the end of each of our fiscal years during that period. All options were granted at the fair market value of our common stock, as determined by our board of directors, on the date of grant.

Option Grants in Fiscal Year 2004

	Individual Grants					
					Potential Realizable Value of Assumed Annual Rates of Stock Price Appreciation for Option Term	
Name	Number of Securities Underlying Options Granted	% of Total Options Granted to Employees in Fiscal Year	Exercise Price	Expiration Date	5%	10%
Brian Moore						
Fred Hite	72,410	100%	$ 4.83	March 1, 2014	$ 2,026,933	$ 3,290,660
Andrew Miclot						
D. Darin Martin						
Richard J. Senior						

Aggregated Option Exercises in Last Fiscal Year and Fiscal Year-End Value

The following table shows information concerning the number and value of unexercised options held by each of our named executive officers at January 1, 2005. The fiscal year-end value of unexercised in-the-money options listed below has been calculated based on per share price of $21.05, the last reported sales price of our common stock on December 31, 2004, less the applicable exercise price per share, multiplied by the number of shares underlying such options. Our named executive officers did not exercise any stock options during fiscal year 2004.

Aggregated Fiscal Year 2004 Year-End Option Values

Name	Shares Acquired on Exercise	Value Realized ($)	Number of Securities Underlying Unexercised Options		Value of Unexercised in-the-Money Options	
			Exercisable	Unexercisable	Exercisable	Unexercisable

	(#)			
Brian Moore	159,240	159,240	$ 2,867,921	$ 2,867,921
Fred Hite	18,103	54,308	293,623	880,868
Andrew Miclot	13,034	13,034	234,742	234,742
D. Darin Martin				
Richard J. Senior.	45,256	45,256	815,070	815,070

Employment Agreements

In June 2003, we entered into an employment agreement with Brian Moore to serve as our President and Chief Executive Officer and a member of our board of directors until June 11, 2006, subject to a one year automatic renewal. Mr. Moore s current annual salary is $350,000, subject to annual review and potential increase by our board of directors. In addition, Mr. Moore is eligible to receive an annual cash bonus, based upon the satisfaction of certain performance criteria. Pursuant to a recent board of directors decision, this bonus may be up to 80% of his annual salary. Pursuant to the agreement, Mr. Moore was reimbursed for up to $30,000 of moving and related expenses in connection with his relocation to Warsaw, Indiana. If Mr. Moore s employment is terminated by us without cause, or by Mr. Moore for good reason (as those terms are defined in his agreement) during the employment term, then Mr. Moore will be entitled to continue to receive his base salary for twelve months after the date of such termination. He will also be entitled to receive a pro rata portion of his performance bonus for the year in which such termination occurs. Mr. Moore has agreed not to compete with us during the term of his employment and for 24 months following termination.

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In June, 2003, we entered into an employment agreement with Richard J. Senior to serve as the managing director of Thornton Precision Components Ltd. for a continuous period, subject to twelve months prior notice of termination. Pursuant to his contract, Mr. Senior also serves as the Senior Vice President and General Manager, Europe of Symmetry Medical Inc. If Mr. Senior s employment is terminated by us with less than twelve months prior notice, Mr. Senior is entitled to receive a payment equal to his base salary and benefits for 12 months, or the unexpired portion of the notice period, if less. Mr. Senior s current annual salary is £130,000, subject to annual review in April of each year. In addition, Mr. Senior is eligible to receive an annual cash bonus of up to 50% of his base salary, which amount will be determined by our board of directors. Mr. Senior has agreed not to compete with us during the term of his employment and for 6 months following termination.

In January 2004, we and Fred Hite signed an offer letter outlining the terms of employment for Mr. Hite as our Chief Financial Officer commencing on March 1, 2004. Mr. Hite s current annual salary is $200,000, subject to annual review. In addition, Mr. Hite will receive an annual bonus, based upon the satisfaction of certain performance criteria, of up to 80% of his annual salary. If Mr. Hite s employment terminates in the event of our sale, he will be entitled to continue to receive his base salary for 12 months after the date of such termination and he will be entitled to receive an average of 12 months bonus. Mr. Hite was granted 72,410 stock options at $4.83 per share under the 2003 Stock Option Plan. Pursuant to the terms of the offer letter, the benefits of these options are capped under certain circumstances.

2005 Bonus Plan

On April 28, 2005, our board of directors adopted the following cash bonus plan for fiscal year 2005 in which our executive officers will participate, which sets forth the possible bonuses that may be earned as a percentage of gross pay upon satisfaction by us (except in the case of Richard J. Senior, whose bonus is dependent upon satisfaction by our European consolidated subsidiaries) of financial targets for the performance criteria set forth below:

	Annual performance is between 15% below plan budget and plan budget					Annual performance is between plan budget and 10% above plan budget					
Name and Position	Sales	Net Operating Income	Cash	Total	Bonus for achievement of tasks specified by Board	Sales	Net Operating Income	Cash	Total	Maximum Possible Bonus	Current Salary
Brian Moore		50%		50%			30%		30%	80%	$ 350,000
Fred Hite		35%	10%	45%	5%		20%	10%	30%	80%	$ 200,000
Andrew Miclot	10%	30%	5%	45%	5%		25%	5%	30%	80%	$ 220,000
D. Darin Martin		40%		40%	10%		30%		30%	80%	$ 150,000
Richard J. Senior		20%	5%	25%	5%		15%	5%	20%	50%	£ 130,000

Stock Option and Stock Purchase Plans

2002 Stock Option Plan

The 2002 Stock Option Plan provides for the grant of nonqualified stock options to our directors, officers and employees and other persons who provide services to us. A total of 52,135 shares of common stock are reserved for issuance under this plan. Options for 52,135 shares of common stock have been granted to three of our employees, none of whom is a named executive officer. On March 28, 2005, we registered on Form S-8 under the Securities Act of 1933 a total of 52,135 shares of our common stock that may be issued under this plan. These options vest ratably over a four year period as of the end of each of our fiscal years during that period, subject to us achieving certain minimum EBITDA targets in each fiscal year, and, if those targets are not met, on the seventh anniversary of the grant date so long as the optionee is still an employee. Options granted under the 2002 Stock Option Plan are generally not transferable by the optionee, and such options must be exercised within 30 days after the end of an optionee s status as an employee, director or consultant of ours (other than a

termination by us for cause, as defined in the 2002 Stock Option Plan), within 180 days after such optionee s termination by death or disability, or within 90 days after such optionee s retirement, but in no event later than the expiration of the option term. All options were granted at the fair market value of our common stock, as determined by our board of directors, on the date of grant. The term of all options granted under the 2002 Stock Option Plan may not exceed ten years.

2003 Stock Option Plan

The 2003 Stock Option Plan provides for the grant of nonqualified stock options to our directors, officers and employees and other persons who provide services to us. A total of 907,167 shares of common stock are reserved for issuance under this plan. Options for 813,034 shares of common stock have been granted to certain of our employees, including three of the named executive officers as described above. On March 28, 2005, we registered on Form S-8 under the Securities Act of 1933 a total of 778,820 shares of our common stock that may be issued under this plan. These options vest ratably over a four year period as of the end of each of our fiscal years during that period. Options granted under the 2003 Stock Option Plan are generally not transferable by the optionee, and such options must be exercised within 30 days after the end of an optionee s status as an employee, director or consultant of ours (other than a termination by us for cause, as defined in the 2003 Stock Option Plan), within 180 days after such optionee s termination by death or disability, or within 90 days after such optionee s retirement, but in no event later than the expiration of the option term. All options were granted at the fair market value of our common stock, as determined by our board of directors, on the date of grant. The term of all options granted under the 2003 Stock Option Plan may not exceed ten years.

2004 Equity Incentive Plan

General. The 2004 Incentive Plan is designed to enable us to attract, retain and motivate our directors, officers, employees and consultants, and to further align their interests with those of our stockholders, by providing for or increasing their ownership interests in our company. The following description of the 2004 Incentive Plan is a summary and is therefore qualified in its entirety by reference to the complete text of the 2004 Incentive Plan.

Administration. The 2004 Incentive Plan is administered by the compensation committee of our board of directors. Our board may, however, at any time resolve to administer the 2004 Incentive Plan. Subject to the specific provisions of the 2004 Incentive Plan, the compensation committee is authorized to select persons to participate in the 2004 Incentive Plan, determine the form and substance of grants made under the 2004 Incentive Plan to each participant, modify the terms of grants made under the 2004 Incentive Plan, and otherwise make all determinations for the administration of the 2004 Incentive Plan.

Participation. Individuals eligible to participate in the 2004 Incentive Plan are directors (including non-employee directors), officers (including non-employee officers) and employees of, and other individuals performing services for, or to whom an offer of employment has been extended by, us or our subsidiaries.

Type of Award. The 2004 Incentive Plan provides for the issuance of stock options, stock appreciation rights (SARs), restricted stock, deferred stock, dividend equivalents, other stock-based awards and performance awards. Performance awards will be based on the achievement of one or more business or personal criteria or goals, as determined by the compensation committee.

Available Shares. An aggregate of 1,673,333 shares of our common stock are reserved for issuance under the 2004 Incentive Plan, subject to certain adjustments reflecting changes in our capitalization. On May 16, 2005, we granted 39,492 shares of restricted common stock to certain of our officers and employees pursuant to our 2004 Equity Incentive Plan, including 10,000 shares to Brian Moore, our President and Chief Executive Officer, 2,000 shares to Fred Hite, our Senior Vice President, Chief Financial Officer and Secretary, 2,000 shares to Andrew Miclot, our Senior Vice President, Marketing, Sales & Business Development and 1,600 shares to

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D. Darin Martin, our Senior Vice President, Quality Assurance/Regulatory Affairs and Chief Compliance Officer. On March 28, 2005, we registered on Form S-8 under the Securities Act of 1933 a total of 1,673,333 shares of our common stock that may be issued under this plan. If any grant under the 2004 Incentive Plan expires or terminates unexercised, becomes unexercisable or is forfeited as to any shares, or is tendered or withheld as to any shares in payment of the exercise price of the grant or the taxes payable with respect to the exercise, then such unpurchased, forfeited, tendered or withheld shares will thereafter be available for further grants under the 2004 Incentive Plan. The 2004 Incentive Plan provides that the compensation committee shall not grant, in any one calendar year, to any one participant awards to purchase or acquire a number of shares of common stock in excess of 15% of the total number of shares authorized for issuance under the 2004 Incentive Plan.

Option Grants. Options granted under the 2004 Incentive Plan may be either incentive stock options within the meaning of Section 422 of the Internal Revenue Code of 1986, as amended (the Code) or non-qualified stock options, as the compensation committee may determine. Incentive stock options may only be granted to our employees. The exercise price per share for each option will be established by the compensation committee, except that the exercise price may not be less than 100% of the fair market value of a share of common stock as of the date of grant of the option. In the case of the grant of any incentive stock option to an employee who, at the time of the grant, owns more than 10% of the total combined voting power of all of our classes of stock, the exercise price may not be less than 110% of the fair market value of a share of common stock as of the date of grant of the option.

Terms of Options. The term during which each option may be exercised will be determined by the compensation committee, but if required by the Code and except as otherwise provided in the 2004 Incentive Plan, no option will be exercisable in whole or in part more than ten years from the date it is granted, and no incentive stock option granted to an employee who at the time of the grant owns more than 10% of the total combined voting power of all of our classes of stock will be exercisable more than five years from the date it is granted. All rights to purchase shares pursuant to an option will, unless sooner terminated, expire at the date designated by the compensation committee. The compensation committee will determine the date on which each option will become exercisable and may provide that an option will become exercisable in installments. The shares constituting each installment may be purchased in whole or in part at any time after such installment becomes exercisable, subject to such minimum exercise requirements as may be designated by the compensation committee. Prior to the exercise of an option and delivery of the shares represented thereby, the optionee will have no rights as a stockholder, including any dividend or voting rights, with respect to any shares covered by such outstanding option. If required by the Code, the aggregate fair market value, determined as of the grant date, of shares for which an incentive stock option is exercisable for the first time during any calendar year under all of our equity incentive plans may not exceed $100,000.

Stock Appreciation Rights. SARs entitle a participant to receive shares of our common stock with a value equal to the amount by which the fair market value of a share of our common stock on the date of exercise exceeds the grant price of the SAR. The grant price and the term of a SAR will be determined by the compensation committee, provided that (1) the exercise price of a SAR may never be less than the fair market value of a shares of our common stock on the date the SAR is granted, (2) our common stock is traded on an established securities market, (3) only shares of our common stock may be delivered in settlement of the right upon exercise and (4) the SAR does not include any feature for the deferral of compensation other than the deferral of recognition of income until exercise of the SAR.

Termination of Options and SARs. Unless otherwise determined by the compensation committee, and subject to certain exemptions and conditions, if a participant ceases to be a director, officer or employee of, or to otherwise perform services for us for any reason other than death, disability, retirement or termination for cause, all of the participant s options and SARs that were exercisable on the date of such cessation will remain exercisable for, and will otherwise terminate at the end of, a period of 90 days after the date of such cessation, but in no event after the expiration date of the options or SARs; provided that the participant does not compete

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with us during such 90-day period without the written consent of the board of directors or compensation committee. In the case of death or disability, but in no event after the expiration date of the options or SARs, all of the participant s options and SARs that were exercisable on the date of such death or disability will remain so for a period of 180 days from the date of such death or disability; provided that the participant does not compete with us during such 180-day period without the written consent of the board of directors or compensation committee. In the case of retirement, all of the participant s options and SARs that were exercisable on the date of retirement will remain exercisable for, and shall otherwise terminate at the end of, a period of 90 days after the date of retirement, but in no event after the expiration date of the options or SARs; provided that the participant does not compete with us during such 90-day period without the written consent of the board of directors or compensation committee. In the case of a termination for cause, or if a participant does not become a director, officer or employee of, or does not begin performing other services for us for any reason, all of the participant s options and SARs will expire and be forfeited immediately upon such cessation or non-commencement, whether or not then exercisable.

Restricted Stock and Restricted Stock Units. Restricted stock is a grant of shares of our common stock that may not be sold or disposed of, and that may be forfeited in the event of certain terminations of employment, prior to the end of a restricted period set by the compensation committee. A participant granted restricted stock generally has all of the rights of a stockholder, unless the compensation committee determines otherwise. An award of a restricted stock unit confers upon a participant the right to receive shares of our common stock at the end of a vesting period set by the compensation committee, unless the participant elects in a timely fashion to defer the receipt of shares with respect to the restricted stock unit, subject to possible forfeiture of the award in the event of certain terminations of employment prior to the end of the vesting or deferral period. Prior to settlement, an award of a restricted stock unit carries no voting or dividend rights or other rights associated with share ownership, although the participant shall have the right to receive accumulated dividends on distributions with respect to the corresponding number of shares of our common stock underlying the unit at the end of the vesting or deferral period.

Dividend Equivalents. Dividend equivalents confer the right to receive, currently or on a deferred basis, cash, shares of our common stock, other awards or other property equal in value to dividends paid on a specific number of shares of our common stock. Dividend equivalents may be granted alone or in connection with another award, and may be paid currently or on a deferred basis. If deferred, dividend equivalents may be deemed to have been reinvested in additional shares of our common stock.

Other Stock-Based Awards. The compensation committee is authorized to grant other awards that are denominated or payable in, valued by reference to, or otherwise based on or related to shares of our common stock, under the 2004 Incentive Plan. These awards may include convertible or exchangeable debt securities, other rights convertible or exchangeable into shares of common stock, purchase rights for shares of common stock, awards with value and payment contingent upon our performance as a company or any other factors designated by the compensation committee. The compensation committee will determine the terms and conditions of these awards.

Performance Awards. The compensation committee may subject a participant s right to exercise or receive a grant or settlement of an award, and the timing of the grant or settlement, to performance conditions specified by the compensation committee. Performance awards may be granted under the 2004 Incentive Plan in a manner that results in their qualifying as performance-based compensation exempt from the limitation on tax deductibility under Section 162(m) of the Internal Revenue Code for compensation in excess of $1,000,000 paid to our chief executive officer and our four highest compensated officers. The compensation committee will determine performance award terms, including the required levels of performance with respect to particular business criteria, the corresponding amounts payable upon achievement of those levels of performance, termination and forfeiture provisions and the form of settlement. In granting performance awards, the compensation committee may establish unfunded award pools, the amounts of which will be based upon the

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achievement of a performance goal or goals based on one or more business criteria. Business criteria might include, for example, total stockholder return, net income, pretax earnings, EBITDA, earnings per share, or return on investment.

Amendment of Outstanding Awards and Amendment/Termination of Plan. The board of directors or the compensation committee generally will have the power and authority to amend or terminate the 2004 Incentive Plan at any time without approval from our stockholders. The compensation committee generally will have the authority to amend the terms of any outstanding award under the plan, subject to certain limitations set forth in the plan, at any time without approval from our stockholders. No amendment will become effective without the prior approval of our stockholders if stockholder approval would be required by applicable law or regulations, including if required for continued compliance with the performance-based compensation exception of Section 162(m) of the Code, under provisions of Section 422 of the Code or by any listing requirement of the principal stock exchange on which our common stock is then listed. Unless previously terminated by the board or the compensation committee, the 2004 Incentive Plan will terminate on the tenth anniversary of its adoption. No termination of the 2004 Incentive Plan will materially and adversely affect any of the rights or obligations of any person, without his or her written consent, under any grant of options or other incentives theretofore granted under the 2004 Incentive Plan.

Transfer of Awards. Unless the compensation committee determines otherwise or unless a transfer meets certain requirements set forth in the 2004 Incentive Plan, no award granted under the 2004 Incentive Plan may be transferred by a participant. In the event an award is transferred in accordance with the requirements of the 2004 Incentive Plan, all provisions of the 2004 Incentive Plan will continue to apply to such award and the transferee of such award shall be bound thereby.

Change of Control. Unless otherwise determined by the compensation committee, if certain events occur which constitute a change of control of the Company as defined in the plan and a participant s employment or service as a director, officer or employee is terminated within 12 months thereafter without cause, by reason of death, disability or retirement, or by the participant after certain changes in the nature of that participant s employment or failure by the Company to fulfill their obligations towards the participant: (i) any awards carrying a right to exercise that was not previously vested and exercisable shall be fully vested and exerciseable for 180 days after the date of such termination and (ii) with respect to other awards, any restrictions, deferrals of settlement or other conditions, with certain exceptions, will be deemed lapsed and such awards deemed fully vested and (iii) the performance goals and conditions relating to any performance awards, in the discretion of the committee, shall be deemed met as of the date of the change in control. In the event of a merger or consolidation in which our capital stock outstanding immediately prior thereto does not represent 50% of the outstanding capital stock of the surviving entity, the compensation committee may cancel any or all outstanding options under the 2004 Incentive Plan in consideration for payment to the holders of those options the net consideration they would have received in such transaction if their options had been fully exercised immediately prior thereto.

2004 Employee Stock Purchase Plan

General. The purpose of the plan is to provide an incentive for our employees (and employees of our subsidiaries designated by our board of directors) to purchase our common stock and acquire a proprietary interest in us. The following description of the 2004 Stock Purchase Plan is a summary and is therefore qualified in its entirety by reference to the complete text of the 2004 Stock Purchase Plan.

Administration. A committee designated by our board administers the plan. The plan vests the committee with the authority to interpret the plan, to prescribe, amend, and rescind rules and regulations relating to the plan, and to make all other determinations necessary or advisable for the administration of the plan, although our board of directors may exercise any such authority in lieu of the committee. In all cases, the plan will be required to be administered in such a manner as to comply with applicable requirements of Rule 16b-3 of the Exchange Act, and Section 423 of the Code.

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Eligibility and Participation. Each person who was employed either by us or by one of our designated subsidiaries on December 8, 2004 and was expected on a regularly-scheduled basis to work more than 30 hours per week for more than ten months per calendar year, automatically was enrolled in the plan. Persons who subsequently are employed by us or one of our designated subsidiaries are eligible once they have completed three months of service or are an employee as of an offering date of an exercise period, provided they are expected on a regularly-scheduled basis to work more than 30 hours per week for more than ten months per calendar year.

Options to Purchase/Purchase of Shares. Each participant is granted an option to purchase shares of our common stock at the beginning of each 6-month offering period under the plan, on each exercise date, during the offering period. Exercise dates occur on the last date on which the NYSE is open for trading prior to each June 30 and December 31. Participants purchase the shares of our common stock through after-tax payroll deductions, not to exceed 10% of the participant s total base salary on each payroll date. No participant may purchase more than 750 shares of common stock on any one exercise date, or more than $25,000 of common stock in any one calendar year. The purchase price for each share is 95% of the fair market value of such share on the exercise date. If a participant s employment with us or one of our designated subsidiaries terminates, any outstanding option of that participant also will terminate.

Share Reserve. A total of 600,000 shares of our common stock are reserved for issuance over the term of the plan. On June 30, 2005, 50,436 shares of our common stock were purchased by the participants in the plan at a price of $12.75 per share. The total amount of shares of our common stock reserved for issuance under the plan will be increased each year by the lowest of 100,000 shares beginning in fiscal year 2006, 1% of all shares outstanding at the end of the previous year, or a lower amount determined by our board. If any option to purchase reserved shares is not exercised by a participant for any reason or if the option terminates, the shares that were not purchased again become available under the plan. On March 28, 2005, we registered on Form S-8 under the Securities Act of 1933 a total of 600,000 shares of our common stock that may be issued under this plan. The number of shares available under the plan also is subject to periodic adjustment for changes in the outstanding common stock occasioned by stock splits, stock dividends, recapitalizations or other similar changes affecting our outstanding common stock.

Amendment and Termination. Our board or the committee administering the plan generally has the power and authority to amend the plan from time to time in any respect without the approval of our stockholders. However, no amendment becomes effective without the prior approval of our stockholders if stockholder approval would be required by applicable law or regulation, including Rule 16b-3 under the Exchange Act, Section 423 of the Code, or any listing requirement of the principal stock exchange on which our common stock is then listed. Additionally, no amendment may make any change to an option already granted that adversely affects the rights of any participant. The plan will terminate at the earliest of the tenth anniversary of its implementation, the time when there are no remaining reserved shares available for purchase under the plan, or an earlier time that our board may determine.

Change of Control. In the event of a proposed sale of all or substantially all of our assets, or the merger with or into another corporation, each option under the plan shall be assumed or an equivalent option shall be substituted by such successor corporation or a parent or subsidiary of such successor corporation, unless the compensation committee determines, in lieu of such assumption or substitution, to set a new exercise date upon 10 days prior notice, in which case each participant s options will be automatically exercised on the new exercise date unless the participant has withdrawn from the plan prior thereto.

401(k) Plans

We sponsor two qualified employee savings and retirement plans, or 401(k) plans, that cover most of our employees who satisfy certain eligibility requirements relating to minimum age and length of service. Under the 401(k) plans, eligible employees may elect to contribute up to a maximum amount equal to 25% of their annual compensation up to a statutorily prescribed annual limit. We may also elect to make profit-sharing contributions and a matching contribution to the 401(k) plans in an amount equal to a discretional percentage of the employee

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contributions, subject to certain statutory limitations and vesting requirements. We announce annually the amount of funds which we will match. Our expenses related to these plans amounted to approximately $0.9 million, $0.7 million and $0.5 million in fiscal years 2004, 2003 and 2002, respectively. On March 28, 2005 we registered on Form S-8 a total of 300,000 shares of our common stock that may be acquired in connection with employee directed investment in our common stock under our 401(k) plans.

Director and Officer Indemnification and Limitation on Liability

Our certificate of incorporation provides that, to the fullest extent permitted by the Delaware General Corporation Law and except as otherwise provided in our by-laws, none of our directors shall be liable to us or our stockholders for monetary damages for a breach of fiduciary duty. In addition, our certificate of incorporation provides for indemnification of any person who was or is made, or threatened to be made, a party to any action, suit or other proceeding, whether criminal, civil, administrative or investigative, because of his or her status as a director or officer of the Company, or service, while a director or officer of the Company, as a director, officer, employee or agent of another corporation, partnership, joint venture, trust or other enterprise at our request to the fullest extent permitted by applicable law against all expenses, liabilities and losses reasonably incurred by such person. Further, our certificate of incorporation provides that we may purchase and maintain insurance on our own behalf and on behalf of any other person who is or was a director, officer, employee or agent of the Company or was serving at our request as a director, officer, employee or agent of another corporation, partnership, joint venture, trust or other enterprise.

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CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS

Since January 1, 2002, we have not engaged in any transactions involving amounts in excess of $60,000 with any of our executive officers, directors, or holders of more than five percent of our outstanding voting securities, other than the transactions set forth below.

Repurchase of Preferred Stock, Subordinated Debt and Preferred Stock Warrants

In December 2004, we used approximately $23.3 million of the net proceeds from our initial public offering to fund the repurchase of a portion of our outstanding preferred stock and warrants to purchase preferred stock. The following table sets forth the number of shares of preferred stock and warrants to purchase preferred stock purchased by us from certain of our directors, executive officers and security holders who beneficially own more than five percent of any class of our voting securities:

Name	Aggregate Number of Shares of Preferred Stock and Warrants to Purchase Preferred Stock	Aggregate Purchase Price
Mettis Group Limited	1,883.04	$ 2,088,143
Olympus/Symmetry Holdings LLC	15,389.15	$ 18,877,935
Olympus Growth Fund III, L.P.	120.01	$ 133,076
Olympus Growth Co-Investment Fund III, L.P.	20.78	$ 23,041
Olympus Executive Fund	1.15	$ 1,279
Windjammer Mezzanine & Equity Fund II, L.P.	982.52	$ 1,089,539
Brian Moore	18.83	$ 20,728
Andrew Miclot	35.15	$ 47,263
D. Darin Martin	24.77	$ 33,063
Richard J. Senior	9.42	$ 10,364
Potenza Enterprises (owned by Frank Turner, a Director)	18.83	$ 20,728

The per share purchase price for each share of preferred stock or warrant to purchase preferred stock to be repurchased by us was 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. All of the shares of the preferred stock being repurchased by us were initially sold to the holders thereof at a price of $1,000 per share and all preferred stock warrants were issued in connection with our sale of our 12.0% senior subordinated notes.

All of our outstanding shares of preferred stock and preferred stock warrants not repurchased were converted into shares of common stock or warrants to purchase our common stock upon the completion of our initial public offering. Each share of preferred stock not repurchased was

converted into that number of shares of our common stock determined by dividing its liquidation value of $1,000 per share plus all accumulated and unpaid dividends through the conversion date by $12.75, which represented 85% of the initial public offering price.

In addition, we used approximately $36.4 million of the net proceeds from our initial public offering to repurchase all of our outstanding subordinated debt, including an aggregate of $8.0 million of subordinated indebtedness held by Olympus Growth Fund III, L.P., Olympus Growth Co-Investment Fund III, L.P. and Olympus Executive Fund.

In the aggregate, Olympus and its affiliates received approximately $27.0 million of the net proceeds from our initial public offering.

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Issuances of Common Stock and Preferred Stock

The following table summarizes the issuances of our common stock, Class A preferred stock and Class B preferred stock, since January 1, 2002, to our directors, executive officers and security holders who beneficially own more than five percent of any class of our voting securities, the purchase price or market value on the date of issuance of which exceeds $60,000.

Name	Type of Shares	Number of Shares	Aggregate Purchase Price or Market Value	Date of Issuance
Olympus/Symmetry Holdings LLC(1)	Common	6,334,391	$ 19,271,736	06/11/03
	Class A preferred	43,678	$ 43,678,314	06/11/03
	Class B preferred	3,033	$ 3,033,402	2/22/02 4/15/02
Brian Moore (President, Chief Executive Officer and Director)	Common	10,000(2)	$ 197,500	05/16/05
	Class A preferred	104	$ 104,079	06/11/03
Potenza Enterprises (owned by Frank Turner, a Director)	Common	15,097	$ 45,922	07/15/03
	Class A preferred	104	$ 104,079	07/15/03

(1) A limited liability company controlled by the Olympus funds. Olympus Growth Fund III, L.P., Olympus Growth Co-Investment Fund III, L.P. and Olympus Executive Fund are investors in Olympus/Symmetry Holdings LLC.

(2) Consists of restricted stock issued pursuant to our 2004 Equity Incentive Plan. Shares vest on the last day of fiscal year 2008, if Mr. Moore remains an employee through such date and if we achieve certain financial targets.

In each case, the purchase price per share of common stock and preferred stock was based on our determination of the fair market value on the respective purchase dates.

Sale of Senior Subordinated Notes and Warrants

On June 11, 2003, we borrowed an aggregate of $36.0 million through the issuance of senior subordinated notes bearing interest at 12% per annum and 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. Each purchaser of our senior subordinated notes received a fee equal to 1% of the principal amount of the senior subordinated notes purchased by such party. We used these proceeds to fund a portion of the purchase price for Mettis.

The purchasers of our senior subordinated notes and warrants to purchase common stock and Class A preferred stock included the following stockholders who beneficially own or are affiliated with stockholders who beneficially own more than five percent of any class of our voting securities:

Five Percent Stockholder	Principal Amount	Shares of Common	Shares of Class A

	of Senior Subordinated Notes	Stock Underlying Warrants	Preferred Stock Underlying Warrants
Olympus Growth Fund III, L.P.	$ 6,763,882	109,983	663
Olympus Growth Co-Investment Fund III, L.P.	1,171,118	19,043	115
Olympus Executive Fund	65,000	1,057	6
Windjammer Mezzanine & Equity Fund II, L.P.	20,000,000	325,207	1,961
Total	$ 28,000,000	455,290	2,745

We used $36.4 million of the proceeds of our initial public offering to repurchase all of our senior subordinated notes.

Transaction Fee Agreement

Pursuant to the terms of an amended and restated transaction fee agreement, dated June 11, 2003, Olympus Advisory Partners, Inc. agreed to provide financial and management consulting services to us. This transaction

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fee agreement was for an initial term of five years, automatically renewable after five years on a year-to-year basis unless either party gives 30 days prior written notice to the other party of its intent to terminate the agreement. We paid Olympus Advisory Partners approximately $375,000, $375,000 and $250,000 for services rendered under this agreement in fiscal years 2004, 2003 and 2002, respectively. This agreement was terminated in connection with our initial public offering.

In addition, Olympus Advisory Partners, Inc. received a fee, including expense reimbursement, upon consummation of the acquisition of Mettis of approximately $1.6 million for services provided in structuring, negotiating and financing that transaction.

Financial Advisory Fee

We paid $2.0 million to Olympus Advisory Partners, Inc. as compensation for financial advisory services rendered by Olympus Advisory Partners, Inc. to us in connection with our initial public offering. Such financial advisory services included extensive analysis of the offering as compared to other strategic alternatives, evaluation and selection of the managing underwriters for the offering, structural advice as to the proposed terms of the offering, assistance in the preparation of the offering-related documentation and assistance in the structuring, preparation and negotiation of the terms of our new senior credit facility.

Repurchase of Capital Stock from Former Executive Officers

Pursuant to the terms of a stock purchase agreement, dated as of June 11, 2003, we repurchased all of the common stock and Class A preferred stock held by certain former executive officers, including John B. Byrd III (former President and Chief Executive Officer) and his transferees, and James G. Hoffman (former Vice President and Chief Financial Officer). The purchase price for each share of common stock was $3.04 and the purchase price for each share of Class A preferred stock was $1,000 plus the accrued but unpaid dividends on such shares for an aggregate purchase price of $1,456,961 for Mr. Byrd and his transferees and $287,079 for Mr. Hoffman.

Exchange of Class B Preferred Stock

Pursuant to the terms of an exchange agreement, dated as of June 11, 2003, we exchanged all of our outstanding 3,042 shares of Class B preferred stock for an aggregate of 383,852 shares of our common stock and 2,647 shares of our Class A preferred stock. Olympus/Symmetry Holdings LLC exchanged 3,033 shares of Class B preferred stock for 382,795 shares of our common stock and 2,640 shares of our Class A preferred stock. In such exchange, the aggregate liquidation value of the Class B preferred stock plus the aggregate accrued but unpaid dividends thereon were allocated 30.61433% to common stock and 69.38567% to Class A preferred stock (the same allocation as applied to the capital contributions by the investors who provided the equity portion of the funding for the acquisition of Mettis) with each share of common stock valued at $3.04 and each share of Class A preferred stock valued at $1,000.00 (the same value as paid by the investors who provided the equity portion of the funding for the acquisition of Mettis). We implemented the exchange in order to eliminate our Class B preferred stock and create a more appropriate capital structure.

Stockholders Agreement

On October 18, 2000, we and all our stockholders entered into a stockholders agreement, as amended or modified from time to time. All of our stockholders who acquired our common stock prior to our initial public offering are parties to the stockholders agreement. The agreement provides that the holders of a majority of our stock held by the stockholders party to the agreement may request, at any time, an unlimited number of registrations of all or any portion of their stock on Form S-1 or any similar long-form registration statement or, if available, an unlimited number of registrations of all or any portion of their stock on Form S-2 or S-3 or any similar short-form registration statement, each at our expense except for underwriting discounts and commissions

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related to selling stockholders shares. The agreement also grants to the parties thereto piggyback registration rights with respect to all registrations by us and we will pay the expenses related to such piggyback registrations, excluding underwriting discounts and commissions related to selling stockholders shares. Pursuant to an amendment to this agreement executed in connection with our initial public offering, the piggyback registration rights were not applicable to our initial public offering. The shares of the selling stockholders being sold in this offering are being included as a result of the exercise of piggyback rights under the stockholders agreement by such selling stockholders. The agreement also restricts the rights of holders of shares to make a public sale or distribution of such shares for the seven days prior to and the 180 day period beginning on the effective date of any piggyback registration, unless the underwriters of such offering otherwise agree. The agreement also provides that a representative of Windjammer Mezzanine & Equity Fund II, L.P. has the right to attend all board meetings as an observer and has the right to inspect our books, records and facilities.

Other Related-Party Transactions

During fiscal year 2004, we purchased contract manufacturing services totaling approximately $1.0 million from ADS Precision Limited, a company controlled by a relative of Mr. Richard J. Senior, a Senior Vice President and General Manager of our European Operations. We maintain an ongoing relationship with this vendor and believe all transactions have been executed on an arms-length basis. As of April 2, 2005, we had a payable to ADS Precision Limited of approximately $0.1 million.