Symmetry Medical Inc.
Form 10-K
April 24, 2008

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# UNITED STATES
# SECURITIES AND EXCHANGE COMMISSION

**Washington, D.C. 20549**

# FORM 10-K

**(Mark One)**

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

**For the fiscal year ended December 29, 2007**

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

**For the transition period from to**
**Commission file number 333-116038**

# SYMMETRY MEDICAL INC.

(Exact name of registrant as specified in its charter)

| **Delaware** | **35-1996126** |
|---|---|
| (State or other jurisdiction of incorporation or organization) | (I.R.S. Employer Identification No.) |
| **3724 North State Road 15, Warsaw, Indiana** | **46582** |
| (Address of principal executive offices) | (Zip Code) |

Registrant's telephone number, including area code: **(574) 268-2252**
Securities registered pursuant to Section 12(b) of the Act:

| **Title of each class** | **Name of each exchange on which registered** |
|---|---|
| Common Stock, $0.001 | New York Stock Exchange |

Securities registered pursuant to section 12(g) of the Act:

**None**
(Title of class)

(Title of class)

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. o Yes ý No

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act. o Yes ý No

**Note** Checking the box above will not relieve any registrant required to file reports pursuant to Section 13 or 15(d) of the Exchange Act from their obligations under those Sections.

Persons who respond to the collection of information contained in this form are not required to respond unless the form displays a currently valid 0MB control number.

Indicate by check mark whether the registrant (l) has filed all reports required to be filed by Section 13 or 1 5(d) of the Securities Exchange Act of l934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes o No ý

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K(229.405 of this chapter) is not contained in Part III of this Form 10-K or any amendment to this Form 10-K. ý

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See the definitions of "large accelerated filer," "accelerated filer" and" smaller reporting company" in Rule 12b-2 of the Exchange Act.

| Large accelerated filer o | Accelerated filer ý | Non-accelerated filer o (Do not check if a smaller reporting company) | Smaller reporting company o |
|---|---|---|---|

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Act). o Yes ý No

State the aggregate market value of the voting and non-voting common equity held by non-affiliates computed by reference to the price at which the common equity was last sold, or the average bid and asked price of such common equity, as of the last business day of the registrant's most recently completed second fiscal quarter.

The aggregate market value of voting stock of Symmetry Medical Inc. held by non-affiliates of the Registrant as of June 30, 2007, based on the closing price was $16.01, as reported by the New York Stock Exchange: Approximately $567,309,371.

**Note.** If a determination as to whether a particular person or entity is an affiliate cannot be made without involving unreasonable effort and expense, the aggregate market value of the common stock held by non-affiliates may be calculated on the basis of assumptions reasonable under the circumstances, provided that the assumptions are set forth in this Form.

**APPLICABLE ONLY TO REGISTRANTS INVOLVED IN BANKRUPTCY PROCEEDINGS DURING THE PRECEDING FIVE YEARS:**

Indicate by check mark whether the registrant has filed all documents and reports required to be filed by Section 12, 13 or 15(d) of the Securities Exchange Act of 1934 subsequent to the distribution of securities under a plan confirmed by a court. o Yes o No

**(APPLICABLE ONLY TO CORPORATE REGISTRANTS)**

Indicate the number of shares outstanding of each of the registrant's classes of common stock, as of the latest practicable date.

The number of shares outstanding of the registrant's common stock as of April 3, 2008 was 35,466,654

**DOCUMENTS INCORPORATED BY REFERENCE**

Certain information is incorporated into Part III of this report by reference to the Registrant's 2008 Proxy Statement to be filed with the Securities and Exchange Commission not later than 120 days after the end of the fiscal year covered by this Form 10-K.

**TABLE OF CONTENTS**

**Cautionary Note Regarding Forward-Looking Statements**

Throughout this Annual Report on Form 10-K, or in other reports or registration statements filed from time to time with the Securities and Exchange Commission under the Securities Exchange Act of 1934, or under the Securities Act of 1933, as well as in documents we incorporate by reference or in press releases or oral statements made by our officers or representatives, we may make statements that express our opinions, expectations, or projections regarding future events or future results, in contrast with statements that reflect historical facts. These predictive statements, which we generally precede or accompany by such typical conditional words such as "anticipate," "intend," "believe," "estimate," "plan," "seek," "project," "potential," or "expect," or by the words "may," "will," "could," or "should," and similar expressions or terminology are intended to operate as "forward-looking statements" of the kind permitted by the Private Securities Litigation Reform Act of 1995. That legislation protects such predictive statements by creating a "safe harbor" from liability in the event that a particular prediction does not turn out as anticipated.

Forward-looking statements convey our current expectations or forecast future events. While we always intend to express our best judgment when we make statements about what we believe will occur in the future, and although we base these statements on assumptions that we believe to be reasonable when made, these forward-looking statements are not a guarantee of performance, and you should not place undue reliance on such statements. Forward-looking statements are subject to many uncertainties and other variable circumstances, many of which are outside of our control, that could cause our actual results and experience to differ materially from those we thought would occur.

We also refer you to and believe that you should carefully read the portion of this report described in "Risk Factors" to better understand the risks and uncertainties that are inherent in our business and in owning our securities.

Any forward-looking statements which we make in this report or in any of the documents that are incorporated by reference herein speak only as of the date of such statement, and we undertake no ongoing obligation to update such statements. Comparisons of results between current and any prior periods are not intended to express any future trends or indications of future performance, unless expressed as such, and should only be viewed as historical data.

**Explanatory Note Regarding Our Restatement**

On October 4, 2007, we issued a press release and filed a Current Report on Form 8-K with the Securities and Exchange Commission (the "SEC") in which we announced that, due to the apparent overstatement of revenues by our Sheffield, United Kingdom ("UK") operating unit, it may be necessary for us to restate our financial statements for the periods subsequent to June 2003, and that as a result our historical financial statements for those periods can no longer be relied upon. On November 12, 2007, we filed a Current Report on Form 8-K with the SEC in which we announced that the potential irregularities in the financial reporting by our Sheffield, UK operating unit also includes the overstatement of inventory and other matters. The Sheffield, UK operating unit is part of our Thornton Precision Components Limited subsidiary.

This Form 10-K reflects the restatement of: i) our previously issued consolidated financial statements for the 2005 and 2006 fiscal years (including the interim periods within 2006) and the first and second quarters of fiscal 2007; ii) selected financial data for the 2003, 2004, 2005 and 2006 fiscal years, and iii) Management's Discussion and Analysis, based on the restated annual and quarterly financial information. These adjustments are discussed in Note 3 to the consolidated financial statements. Along with this report, we are filing our amended Quarterly Reports on Form 10-Q/A for the first and second quarters of fiscal 2007 and the delayed third quarter of fiscal 2007 on Form 10-Q. We do not intend to amend our previously filed Annual Reports on Form 10-K or Quarterly Reports on Form 10-Q for the periods prior to fiscal 2007. The financial information that was presented in

previous filings or otherwise reported for these periods is amended by the information in this Annual Report on Form 10-K. The financial statements and related financial information contained in such previously filed reports should no longer be relied upon.

Upon discovery of the accounting irregularities, the Audit Committee engaged special legal counsel who in turn retained independent forensic accountants, to investigate and report to the Audit Committee. That investigation has concluded that the irregularities were isolated to our Sheffield, UK operating unit.

We have quantified the impact of the irregularities identified at our Sheffield, UK operating unit, and are restating our financial statements to correct those irregularities. The restatements correct misstatements within accounts receivable, inventory, accounts payable, property, plant and equipment and the corresponding income tax and profit and loss impacts. Furthermore, once the restated financial performance was known, an impairment of goodwill and certain other intangibles at that subsidiary occurred. Consequently, the 2005 restated financial statements reflect the write-off of these intangible assets. The Audit Committee engaged Ernst & Young LLP to audit our restated consolidated financial statements for fiscal 2005 and 2006, while simultaneously completing its audit of our 2007 fiscal year. Ernst & Young LLP was also engaged to re-review our quarterly consolidated financial statements for fiscal 2006 and 2007. The adjustments made as a result of the restatements are more fully discussed in Note 3 to the consolidated financial statements.

**PART I**

**ITEM 1. BUSINESS**

**General**

Symmetry Medical Inc. (which we sometimes refer to, together with our consolidated subsidiaries, as the "Company", "we", "our" or "Symmetry") is a leading independent provider of implants and related instruments and cases to global orthopedic device manufacturers. We 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 also provide limited specialized products to non-healthcare markets, such as the aerospace market. 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 gives us a competitive advantage.

During fiscal year 2007, we generated revenue of $290.9 million, derived primarily from the sale of products to the orthopedic device market and other medical markets. Our Total Solutions® approach is supported by an experienced team of designers, development engineers, logistics specialists and by our global sales force that work with our customers to coordinate all of our products.

Our primary products include:

- implants, including forged, cast and machined products for the global orthopedic device market;
- instruments used in the placement and removal of orthopedic implants and in other surgical procedures;
- cases, including plastic, metal and hybrid cases used to organize, secure and transport medical devices for orthopedic, endoscopy, dental and other surgical procedures; and
- other specialized products for non-healthcare markets, primarily the aerospace market.

**History**

Our business was established in 1976 as a supplier of instruments to orthopedic device manufacturers. Symmetry Medical Inc. was incorporated in Delaware on July 25, 1996. During the 1990s, 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 Symmetry through a recapitalization. In June 2003, we acquired Mettis (UK) Limited, a leading manufacturer of forged, cast and machined implants for the global orthopedic device market. The Mettis 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 December 2004, we completed an initial public offering of our common stock.

**Recent Acquisitions**

Since 2005, we have completed six acquisitions.

*Riley Medical.* On May 2, 2006 we acquired all of the stock of Riley Medical, Inc., a privately owned company based in Auburn, Maine, and Riley Medical Europe S.A., its Swiss subsidiary (collectively "Riley Medical"). Riley Medical specializes in cases and trays for the orthopedic industry and was acquired for approximately $45.8 million. The acquisition of Riley Medical

expands our product offering of medical cases and trays to the medical markets, including many patented products.

*Everest Metal.* On August 31, 2006, we acquired certain assets of Everest Metal Finishing, LLC located in Monsey, New York, and all of the issued and outstanding stock of Everest Metal International, Limited located in Cork, Ireland (collectively "Everest Metal") for approximately $10.3 million. Everest Metal specializes in machining and finishing for the orthopedic industry.

*Clamonta Ltd.* On January 9, 2007, for approximately $10.4 million we acquired all of the stock of Whedon Limited, a privately owned company based in Warwickshire, United Kingdom and the holding company of Clamonta Limited collectively referred to as ("Clamonta Ltd"). Clamonta Ltd machines and finishes products for the global aerospace industry.

*TNCO, Inc.* On April 3, 2007, we acquired all of the stock of TNCO, Inc., a privately owned company based in Whitman, Massachusetts ("TNCO"). TNCO has a forty year history of designing and supplying instruments for arthroscopic, laparoscopic, sinus and other minimally invasive procedures. TNCO was acquired for approximately $7.3 million and allows us to leverage our instrument manufacturing while also leveraging their customer base in a non-orthopedic industry.

*Specialty Surgical Instrumentation, Inc. and UCA, LLC.* On August 31, 2007, we acquired Specialty Surgical Instrumentation, Inc. ("SSI") and UCA, LLC ("UCA"), privately owned companies based in Nashville, Tennessee. SSI distributes surgical instruments directly to hospitals while UCA distributes sterilization containers directly to hospitals. SSI and UCA were acquired for approximately $15.0 million. The addition of SSI and UCA allows us to offer a broad array of medical instruments and related products to our customer base. This includes over 10,000 individual items, many of which are held in inventory for quick delivery. For Symmetry Medical, this is our first entry into the medical product distribution industry which provides us direct access to hospitals.

*New Bedford.* On January 25, 2008 we acquired DePuy Orthopaedics, Inc.'s New Bedford, Massachusetts instrument manufacturing facility ("New Bedford") for approximately $45.0 million. This facility manufactures orthopedic instruments as well as general surgical instruments and small implants. In connection with the acquisition, we entered into a supply agreement which will require DePuy to make minimum purchases from the New Bedford facility for a four year period following the January 25, 2008 closing. The agreement stipulates that these purchases are incremental to other products we presently or previously produced on DePuy's behalf. The volume commitment from DePuy totals $106 million over the four year period.

**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, enabling us to offer an integrated outsourcing solution to the orthopedic market. 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 bring their implant systems to market quickly and efficiently. Our Total Solutions® offering is based on:

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

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

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

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

*Quality and regulatory compliance.* Our quality systems are based upon and in compliance with International Organization for Standardization, or ISO, requirements and, where applicable, United States Food and Drug Administration ("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, Europe and Asia allow us to offer single-source products 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 offerings, 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 offerings provide 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 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.

Since 2003, we have expanded our Total Solutions® offering with the acquisitions of Riley Medical, Everest Metal, TNCO, SSI, UCA and New Bedford. Riley Medical expanded our product offering of medical cases and trays to non-orthopedic medical markets and includes many patented products. Everest Metal added new and expanded implant finishing to our core offering. TNCO adds minimally invasive instrumentation including several patented products. SSI and UCA allow us to offer a broad array of medical instruments and related products directly to hospitals.

**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 scale, scope of products and Total Solutions® approach, positions 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 offerings.* 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 recent years, 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 offerings. We intend to use the dedicated expertise of our 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.

*Continued global expansion.* Our global facilities allow us to serve the global medical marketplace. We believe that having local facilities near our global customers and closer to the end consumer allows us to better serve their needs. In December 2006, we opened a new facility in Malaysia to better serve our customers in Asia. During 2007 and in the near future, we plan to significantly expand our Malaysia facility to include additional products.

*Leverage Technology.* Our expertise in metal processing and in particular high integrity net shape forging enables us to develop a role as a niche supplier in certain other markets most notably the aerospace sector where we supply engine aerofoil blades and other similar parts.

We believe all of our acquisitions support our stated strategies and strengthen our business model because they diversify our sales into other medical markets, which allows us to cross sell our products, increase our product offerings and provide strategic locations that we can use as a base for expansion of our business.

**Products**

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 specialized products used in the aerospace and other non-healthcare markets. Our revenue from the sale of

implants, instruments, cases and other products represented 33.3%, 27.2%, 26.5% and 13.0%, respectively, of our revenue in fiscal 2007, compared with 37.5%, 27.3%, 25.4% and 9.8% respectively, of our revenue in fiscal 2006. Our recent acquisitions of Riley Medical and UCA expanded our case product line, Everest Metal expanded our implant product line, and Clamonta Ltd expanded our aerospace products which we report in the product line that we categorize as Other, TNCO and SSI expanded our instrument product line, and New Bedford expanded our instrument product line as well as our implant product line.

***Implants***

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, may rely on us and companies like us to design, develop and manufacture the implants that comprise their implant systems. Our manufacturing capabilities, including our net shaped forging capabilities, technologically advanced casting facility and machining expertise, allow us to produce consistent, tight tolerance implants in large volumes for our customers.

We produce gross shaped, near-net shaped and net shaped implants for medical device manufacturers. Gross shaped implants require a significant amount of machining and hand processing post-forging. Near-net shaped implants are distinguished by geometric features that are thinner; more detailed and have tighter tolerances. Net shaped and near-net shaped implants require far fewer machine and hand operations post-forging. Net shaped implants typically require machining only on vital areas, such as 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***

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 typically do not manufacture general surgical instruments, but will procure them as an offering to our customers in order to provide our customers with complete instrument sets. We have several reamer systems used by many of our large customers. We currently have over 1,500 Symmetry standard products in our catalog plus over 10,000 individual items sold through SSI directly to hospitals.

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). Some of our instrument handles are made with our patented plastic insertion machine, which is designed to withstand the intense heat produced during frequent sterilizations and is attached to the instrument. 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 may 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 proven Symmetry products, customers can leverage our extensive experience and expertise to complete their instrument sets more quickly and efficiently.

Our Symmetry products include successful hip and knee revision systems. Instruments that make up revision systems, which are used to remove orthopedic implants, are typically designed for a specific type of procedure but can be used to remove various brands of implants. These self-contained systems include an assortment of osteotome blades that assist the surgeon in separating an implant from cement or bone 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. With the acquisition of SSI in August 2007, we now distribute a wide array of instruments and related products directly to hospitals.

***Cases***

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 the non-orthopedic market segments where the security or presentation of the instruments and devices is less important. Over the past several 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.

We have more than 50 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. Riley Medical expanded our product offering into other medical markets and provides many new patented products for us to leverage across our customer base. Our acquisition of UCA

expanded our product offering into medical containers which are used by hospitals to hold instruments when they are sterilized.

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.

*Endoscopy Cases.* We produce cases for endoscope sterilization for many types of sterilization methods. Our Riley Medical acquisition helps us increase our penetration into the endoscopy market, broaden our case offerings and strengthens our customer base.

*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 as well as sterilization containers.

***Specialized Non-Healthcare Products***

We offer specialized non-healthcare products on a limited basis. One of our UK based facilities produced a range of cutting tools, cutlery and surgical instruments in the 1950s. 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 1990s. Thereafter, this facility began focusing our net shaped forging capabilities on orthopedic implants and shifting our non-healthcare operations toward product development support and specialized products. Our core design, engineering and manufacturing competencies give us the expertise to offer aerospace products. Our aerospace products primarily are net shaped aerofoils and non-rotating aircraft engine forgings produced for our aerospace customers. Our acquisition of Clamonta Ltd in January 2007 expands our offering in the aerospace industry by adding aerospace machining capabilities to our offering.

***Product Development***

Our Design and Development Centers provide dedicated expertise and greater coordination for our design, engineering and prototyping offerings. The main Design and Development Center is located in Warsaw, Indiana, and brings together talented engineering and design personnel and provides them with state-of-the-art design software and prototyping equipment. Our Design and Development Centers serve to centralize and better institutionalize our design and engineering knowledge and creates a fertile environment for new product development. We can coordinate the product development projects for our customers as well as the efforts of our engineers and designers in order to ensure that we have the appropriate people and technology focused on particular product development initiatives. We also have Design & Development Centers in Manchester, New Hampshire, Lansing, Michigan, Cheltenham, UK and Penang, Malaysia.

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 our customers' staff. As new product concepts are formulated, our sales people bring in our design and engineering personnel and utilize 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 product, instrument, case or implant. Working closely with our customers through the conceptual, planning and prototyping stages positions allows 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, which we refer to as Symmetry products. We develop products by utilizing 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 1,500 Symmetry products, including instruments for minimally invasive surgical implant procedures and hip and knee revision systems.

**Environmental Issues**

Our discussion of environmental issues is presented under the caption "Environmental" in Item 7, Management's Discussion and Analysis of Financial Condition and Results of Operations in this Form 10-K.

**Capital Investment**

Information concerning our capital expenditures is presented under the caption "Capital Expenditures" in Item 7, Management's Discussion and Analysis of Financial Condition and Results of Operations in this Form 10-K.

**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), Medtronic Sofamor Danek, Smith & Nephew plc, Stryker Corporation and Zimmer Holdings, Inc. We also have established relationships, primarily through our case product offerings, with leading medical device manufacturers and distributors in numerous other medical device market segments, including Cardinal Health, Inc., 3i and St. Jude Medical Inc. With the addition of SSI and UCA, we now serve over 1,000 additional customers who own multiple hospitals.

We sold to approximately 1,850 customers in fiscal 2007. Sales to our ten largest customers represented 66.9% and 71.9% of our revenue in fiscal 2007 and 2006, respectively. Our two largest customers accounted for 17.9% and 11.7% of our revenue in fiscal 2007 and our two largest customers accounted for 22.9% and 12.6% of our revenue in fiscal 2006. Our two largest customers in alphabetical order in fiscal 2006 were DePuy and Zimmer and our two largest customers in alphabetical order for fiscal 2007 were DePuy and Zimmer. No other customer accounted for more than 10% of our revenue in fiscal 2007 or fiscal 2006. We typically serve several product teams and facilities within each of our largest customers, which mitigate our reliance on any particular customer. We also reduced our concentration in the orthopedic industry with the acquisitions of Riley Medical, TNCO, SSI and UCA, which are primarily in non-orthopedic medical markets, and Clamonta Ltd, which serves the aerospace industry. We may experience a seasonal impact of the orthopedic industry on revenue in the third quarter because many of our products are used in elective procedures that tend to decline to some degree during the summer months.

We sell our products to customers domestically and 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, based on the location to which we shipped our products:

**Percent of Revenue by Geographic Location**

| | Fiscal Year Ended | | |
|---|---|---|---|
| | 2007 | 2006 | 2005 |
| | | (Restated) | (Restated) |
| United States | 61.1% | 63.7% | 65.0% |
| United Kingdom | 18.8% | 13.5% | 11.1% |
| Ireland | 9.1% | 10.2% | 11.9% |
| Other foreign countries | 11.0% | 12.6% | 12.0% |
| Total net revenues | 100.0% | 100.0% | 100.0% |

**Sales and Marketing**

Our sales and marketing efforts emphasize our 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 to customers in a Total Solutions® concept which offers the customer a collaborator for developing complete implant, instrument and case solutions.

We have over 70 sales and marketing personnel worldwide serving our Original Equipment Manufacturer ("OEM") customers and more than 25 direct sales personnel selling directly to hospitals through SSI and UCA. In addition to our internal sales efforts, we also sell standard cases through distributors. Our sales personnel are trained in all of our products in order to cross-sell and identify opportunities outside their immediate area of focus. We typically serve several product teams and facilities within each OEM 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 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, United Kingdom, France, Switzerland, Ireland and Malaysia. We have made investments in recent years to modernize our production facilities, improve our production processes and develop superior technical skills that complement our manufacturing capabilities. These investments have allowed us to continue to improve the quality of our products, increase our manufacturing capacity and improve our efficiency. Our manufacturing processes include:

*Forging.* Our forging process uses presses to force heated metal between two dies (called tooling) that contain a precut profile of the desired implant. The forging process enhances the strength of an implant, which is important for hip stems and other implants that must withstand significant stress. Many customers prefer forging because it provides greater mechanical

properties. We forge gross shaped, near-net shaped and net shaped implants. Our know-how enables us to produce precision net shaped forgings in large volumes.

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

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

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

The majority of products that we produce are customized to the unique specifications of our customers. Our ability to maintain flexible operations is an important factor in maintaining high levels of productivity. We endeavor to 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.

We use 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 and United Kingdom these regulations include the current good manufacturing practice regulations and other quality system regulations imposed by the FDA. Our Sheffield, United Kingdom facility and our United States based facilities are registered with and audited by the FDA. Our line of PolyVac standard cases received FDA 510(k) clearance, which can reduce our customers' burden in obtaining FDA approval. Our facilities have obtained numerous industry-specific quality and regulatory assurance certifications.

**Competition**

Our OEM customers, to varying degrees, are capable of internally developing and producing the products we provide. While we believe that our comprehensive offerings 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 ours. We compete on the basis of development capability, breadth of product offering, manufacturing quality, cost and on time delivery.

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 on time delivery. 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**

We believe our patents are valuable, however, our knowledge, experience, proprietary and trade secret information, manufacturing processes, product design and development staff and sales staff 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 103 total issued patents and 48 patents pending related to our cases and instruments. These patents expire at various times beginning in 2011 and ending in 2025. We also have 38 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. The acquisition of Riley Medical in May 2006 expanded our portfolio of patented case and tray products. 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 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 provide complete assurance 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 intellectual property is important to our business operations and in the aggregate constitutes a valuable asset, we do not believe that any single patent, trade secret, trademark or copyright, or group of patents, trade secrets, trademarks or copyrights is critical to the success of our business.

**Employees**

As of March 29, 2008 we had 2,449 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.

**Government Regulation**

Our business is subject to governmental regulation. We are subject to federal, state and local environmental laws and regulations governing the emission, discharge, use, storage and disposal of hazardous materials and the remediation of contamination associated with the release of these materials at our facilities and at off-site disposal locations. We are not aware of any material noncompliance with the environmental laws currently applicable to our business and we are not subject to any material claim for liability with respect to contamination at any company facility or any off-site location. We cannot assure you that we will not be subject to such environmental liabilities in the future as a result of historic or current operations.

As a component manufacturer, our medical products are subject to regulation by the FDA. The FDA and related state and foreign governmental agencies regulate many of our customers' products as medical devices. In many cases, the FDA must approve those products prior to commercialization. We believe that our existing medical manufacturing plants comply with current Good Manufacturing Practices as applicable.

We have "master files" on record with the FDA. Master files may be used to provide confidential detailed information about facilities, processes, or articles used in the manufacturing, processing, packaging and storing of one or more medical device components. These submissions may be used by device manufacturers to support the premarket notification process required by Section 510(k) of the federal Food Drug & Cosmetic Act. This notification process is necessary to obtain clearance from the FDA to market a device for human use in the United States.

We are also subject to various other environmental, transportation and labor laws as well as various other directives and regulations both in the U.S. and abroad. We believe that compliance with these laws will not have a material impact on our capital expenditures, earnings or competitive position. Given the scope and nature of these laws, however, there can be no assurance that they will not have a material impact on our results of operations. We assess potential contingent liabilities on a quarterly basis. At present, we are not aware of any such liabilities that would have a material impact on our business.

**Executive Officers of the Registrant**

Set forth below are the name, age, position and a brief account of the business experience of each of the Corporation's executive officers, and key employees, as of December 29, 2007.

| Name | Age | Position |
|---|---|---|
| *Executive Officers:* | | |
| Brian S. Moore | 61 | President and Chief Executive Officer |
| Fred L. Hite | 39 | Senior Vice President and Chief Financial Officer |
| D. Darin Martin | 56 | Senior Vice President, Quality Assurance/Regulatory Affairs and Compliance Officer |
| Michael W. Curtis | 53 | Senior Vice President and Chief Operating Officer, USA |
| John J. Hynes | 47 | Senior Vice President and Chief Operating Officer, Europe |
| Richard J. Senior(1) | 44 | Senior Vice President and General Manager, Europe |

(1) Resigned January 14, 2008

**BRIAN S. MOORE,** has served as the Corporation's President and Chief Executive Officer and a director of the Corporation since the Corporation's 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 UK Chartered Institute of Management Accountants.

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

**D. DARIN MARTIN** has served as the Corporation's Senior Vice President of Quality Assurance, Regulatory Affairs, and Chief Compliance Officer since June 2003. From 1994 to 2003, Mr. Martin served as the Corporation's Vice President of Quality Assurance and Regulatory Affairs. Mr. Martin joined the Corporation 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.

**MICHAEL W. CURTIS** was promoted by the Board of Directors as the Corporation's Senior Vice President and Chief Operating Officer, USA as of January 1, 2008. Mr. Curtis joined the Company in November 2002. Prior to joining the Corporation, 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.

**JOHN J. HYNES** was appointed by the Board of Directors on October 17, 2007 as the Corporation's Chief Operating Officer, Europe, effective November 1, 2007. Prior to his appointment, from April 2004 until October 2007, Mr. Hynes was employed by Rolls-Royce PLC where he served as Supply Chain Director from January 2007 to present, Supply Chain Control Director from May 2006 to January 2007 and Logistics Director from April 2004 to March 2006. Prior to Rolls-Royce, Mr. Hynes served as the General Manager of Land Rover Group Ltd. from May 1998 to April 2004. Mr. Hynes received his Masters Degree in Business Administration from Warwick University as well as attending Ford's Lean Manufacturing Academy in Liverpool.

**RICHARD J. SENIOR** served as Senior Vice President and General Manager of the Corporation's European Operations since the Corporation's 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 Orthopedic Sales Manager (UK) from 1990 to 1995. Mr. Senior attended Myers Grove Comprehensive School in the United Kingdom.

On October 4, 2007, Richard J. Senior was placed on suspension pending the results of the investigation into accounting irregularities at the Sheffield, UK facility. On January 14, 2008, Richard J. Senior resigned.

**Family Relationships**

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

**Available Information**

*Symmetry Medical Website.* Our Annual reports on Form 10-K, Quarterly Reports on Form 10-Q, Current Reports on Form 8-K and amendments to those reports filed or furnished pursuant to Section 13(a) or 15(d) of the Securities Exchange Act of 1934 are available through our website *www.symmetrymedical.com* (from the "Investor Relations" link on the home page, and "SEC Filings" within the "Investor Relations" box located in the text) free of charge as soon as reasonably practicable after we electronically file such material with, or furnish it to, the Securities and Exchange Commission (SEC). If you wish to receive a hard copy of any exhibit to our reports filed with or furnished to the SEC, such exhibit may be obtained, upon payment of reasonable expenses, by writing to: Fred L. Hite, Senior Vice President, Chief Financial Officer and Secretary, Symmetry Medical Inc., 3724 North State Road 15, Warsaw, IN 46582. You may read and copy any materials we file with the SEC at the SEC's Public Reference Room at 450 Fifth Street, N.W., Washington, D.C. 20549. You may obtain information on the operation of the Public Reference Room by calling the SEC at 1-800-SEC-0330.

Information relating to corporate governance at Symmetry, including our Principles of Corporate Governance, Code of Conduct (including our Code of Ethics for Senior Financial Officers), Code of Business Conduct and Ethics for Board Members and information concerning our executive officers, directors and Board committees (including committee charters), and transactions in Symmetry securities by directors and officers, is available on or through our website at *www.symmetrymedical.com* under the "Corporate Governance" and "Investor Relations" captions.

We are not including the information on our website as a part of, or incorporating it by reference into, our Form 10-K.

**ITEM 1A. RISK FACTORS**

Our profitability is subject to risks described under this section on "Risk Factors" described below. Although the following are not necessarily the only ones facing our company, our business, financial condition or results of operations they could be materially adversely affected by many of the following risks.

**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 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 66.9% of our revenue in fiscal year 2007 and 71.9% of our revenue in fiscal year 2006. Our two largest customers accounted for approximately 17.9% and 11.7% of our revenue in the fiscal year 2007 and our two largest customers accounted for 22.9% and 12.6% of our revenue in fiscal 2006.

We expect that we will continue to depend on a limited number of large customers 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 current products and develop new products, we may experience a decrease in demand for our products or our products could become obsolete, and our business would be adversely affected.***

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.

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

***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 and 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 but it 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.