

Symmetry Medical Inc.  
Form 10-K  
March 15, 2012

**UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION  
Washington, D.C. 20549**

**FORM 10-K**

**ANNUAL REPORT PURSUANT TO SECTION 13 OR  
15(d)  
OF THE SECURITIES EXCHANGE ACT OF 1934  
For the Fiscal Year Ended December 31, 2011  
Commission File Number 001-32374**

**SYMMETRY MEDICAL INC.**

(Exact Name of Registrant as Specified in Its Charter)

Delaware  
(State of Incorporation)

35-1996126  
(I.R.S. Employer  
Identification No.)

**3724 North State Road 15  
Warsaw, Indiana 46582**

(Address of Principal Executive Offices) (Zip Code)

**(574) 268-2252**

(Registrant's Telephone Number, Including Area Code)

Securities registered pursuant to Section 12(b) of the Act:

Title of Each Class:	Name of Each Exchange on Which Registered:
Common Stock, Par Value \$0.001 Per Share	New York Stock Exchange
Securities registered pursuant to section 12(g) of the Act: <b>None</b>	

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

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes  No

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes  No

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 herein, and will not be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K.

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  Accelerated filer  Non-accelerated filer  Smaller reporting company   
Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Act). Yes  No

The aggregate market value of voting stock of Symmetry Medical Inc. held by non-affiliates of the Registrant as of July 2, 2011, based on the closing price was \$9.26, as reported by the New York Stock Exchange: Approximately \$336.0 million.

The number of shares outstanding of the registrant's common stock as of March 12, 2012 was 35,575,331.

## **DOCUMENTS INCORPORATED BY REFERENCE**

Certain information is incorporated into Part III of this report by reference to the Registrant's 2012 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

**SYMMETRY MEDICAL INC.**  
**TABLE OF CONTENTS**

PART I		
<u>Item 1.</u>	<u>Business</u>	<u>1</u>
<u>Item 1A.</u>	<u>Risk Factors</u>	<u>18</u>
<u>Item 1B.</u>	<u>Unresolved Staff Comments</u>	<u>33</u>
<u>Item 2.</u>	<u>Properties</u>	<u>34</u>
<u>Item 3.</u>	<u>Legal Proceedings</u>	<u>35</u>
<u>Item 4.</u>	<u>(Removed and Reserved)</u>	<u>35</u>
PART II		
<u>Item 5.</u>	<u>Market for the Registrant's Common Equity, Related Stockholder Matters and Issuer Purchases of Equity Securities</u>	<u>36</u>
<u>Item 6.</u>	<u>Selected Financial Data</u>	<u>38</u>
<u>Item 7.</u>	<u>Management's Discussion and Analysis of Financial Condition and Results of Operations</u>	<u>39</u>
<u>Item 7A.</u>	<u>Quantitative and Qualitative Disclosures About Market Risks</u>	<u>56</u>
<u>Item 8.</u>	<u>Financial Statements and Supplementary Data</u>	<u>58</u>
<u>Item 9.</u>	<u>Changes in and Disagreements With Accountants on Accounting and Financial Disclosure</u>	<u>89</u>
<u>Item 9A.</u>	<u>Controls and Procedures</u>	<u>89</u>
<u>Item 9B.</u>	<u>Other Information</u>	<u>89</u>
PART III		
<u>Item 10.</u>	<u>Directors, Executive Officers and Corporate Governance</u>	<u>90</u>
<u>Item 11.</u>	<u>Executive Compensation</u>	<u>90</u>
<u>Item 12.</u>	<u>Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters</u>	<u>90</u>
<u>Item 13.</u>	<u>Certain Relationships and Related Transactions and Director Independence</u>	<u>90</u>
<u>Item 14.</u>	<u>Principal Accounting Fees and Services</u>	<u>90</u>
PART IV		
<u>Item 15.</u>	<u>Exhibits, Financial Statement Schedules</u>	<u>91</u>
	<u>Signatures</u>	<u>94</u>

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 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.

TABLE OF CONTENTS

## **PART I**

### **Item 1. Business**

#### **General**

Symmetry Medical Inc. (which we sometimes refer to, together with our consolidated subsidiaries, as the Corporation, we, our or Symmetry ) operates in two reportable segments: (1) Original Equipment Manufacturer ( OEM ) Solutions and (2) Symmetry Surgical.

Symmetry, headquartered in Warsaw, Indiana, is a leading global source of medical device products. We employ over 2,500 teammates around the world who are dedicated to being the trusted global source of innovative medical device solutions and surgical instruments for today's needs and tomorrow's growth.

During fiscal year 2011, Symmetry's OEM Solutions business generated revenue of \$319.5 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 works with our customers to coordinate the design and manufacture of products. During fiscal year 2011, Symmetry Surgical (previously Symmetry's SSI subsidiary, as well as Olsen Medical which was acquired in August 2011) generated revenue of \$39.5 million from the sale of a broad range of reusable stainless steel and titanium surgical hand-held instruments, single use instruments, sterilization containers and disposable surgical instruments directly to hospitals and other sites of care. We expanded our Symmetry Surgical segment with the acquisition of the surgical instruments business of Codman & Shurtleff, Inc. ( Codman ), a Johnson & Johnson company, on December 29, 2011. Revenue in 2011 does reflect contribution of \$2.1 million from Olsen Medical since the date of acquisition, however there is no contribution from Codman. We expect Symmetry Surgical to have more than \$100 million in revenue in fiscal year 2012.

#### **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. Over the past six years, we have made eight acquisitions which expanded our customer base, enhanced our product offerings and extended our product lines.

On August 15, 2011, the Corporation acquired PSC's Olsen Medical division for \$11.0 million in cash. Olsen Medical manufactures a full line of single-use and reusable bipolar and monopolar forceps, cords, electro-surgical pens/pencils, electrodes, and accessories. Olsen Medical's products are primarily sold in the U. S. and internationally through distributors.

On December 29, 2011, the Corporation acquired the surgical instruments business of Codman for \$165.7 million in cash. Codman distributes surgical instruments and sterile disposable surgical products directly to hospitals. The addition of Codman allows us to offer an expanded array of medical instruments and related products, expand our intellectual property, trademarks, and regulatory approvals, and provides an instrument procurement center and personnel located in Tuttlingen, Germany. Codman's products are primarily sold in the U.S. and internationally through distributors.

## **OEM Solutions Business Segment**

Symmetry's OEM Solutions business is a leading global source of innovative medical device solutions, including surgical instruments, orthopedic implants, and sterilization cases and trays. We design, develop and offer worldwide production and supply chain capabilities for these products to customers in the orthopedic industry and other medical device markets (including but not limited to arthroscopy, dental, laparoscopy, osteobiologic, and endoscopy segments). We also manufacture specialized non-healthcare products, primarily in the aerospace industry. Our trusted reputation and brands, broad Intellectual Property portfolio and commitment to innovation enable us to collaborate with hundreds of global medical device manufacturers to provide solutions for today's needs and tomorrow's growth.

1

---

TABLE OF CONTENTS

Our primary products produced in the OEM Solutions segment 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 the aerospace market.

We believe that our close customer relationships, broad product offering and leading quality and regulatory performance give us a competitive advantage. In addition, we believe that our OEM Solutions segment has created a distinct competitive position in the orthopedic device market based upon our Total Solutions® approach. Our Total Solutions® approach provides 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. Symmetry Medical pioneered the Total Solutions® business model, gaining many years of experience and significant expertise in fully leveraging this end to end capability.

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 as well as the broader needs of smaller customers. Our core production competencies include net shaped forging, precision casting, thermo forming, precision sheet metal working and machining/finishing. Over the past several years, we developed high precision machining capabilities to better serve the spine implant market.

*Quality and Regulatory Compliance.* Our quality systems are based upon and in compliance with International Organization for Standardization ( ISO ) requirements and, where applicable, United States Food and Drug Administration ( FDA ) regulations. We believe our level of quality and regulatory compliance systems meet or exceed our customers' expectations. We continue investing in this area to strengthen our leadership position.

*Global Reach.* Our manufacturing capabilities in the United States, United Kingdom, France, Ireland and Malaysia allow us to offer single-source products to our multinational customers and the benefits of scale to our smaller customers, and the geographic breadth of our experienced sales force effectively brings our Total Solutions® approach to customers around the globe.

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.

2

---

## TABLE OF CONTENTS

*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 their number of 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 continue to increase.

*A Strategic Partner for Smaller Companies and Start-ups.* Quality and regulatory systems and experience to support prototype through finished product for start-up and smaller companies looking for a strategic global supply chain partner.

Over the past several years, we have further developed our Total Solutions® offering through strategic acquisitions which expanded our product offerings to include medical cases and trays to non-orthopedic medical markets, additional patented products, enhanced implant finishing capabilities and minimally invasive instrumentation.

## **Symmetry Surgical Business Segment**

Symmetry Surgical is our new business segment. It arose from the integration of the Codman and Olsen Medical lines of surgical instruments with our Company's already existing hospital direct business, Specialty Surgical Instrumentation ( SSI ). Symmetry Surgical, which is headquartered in Nashville, Tennessee.

Symmetry Surgical offers a broad range of reusable stainless steel and titanium surgical hand-held instruments and retractor systems, sterile disposable surgical products (vein strippers, SECTO dissectors, tonsil sponges and surgical marker pens), and sterilization containers. These products are typically used in the surgical specialties of spine, general/obstetrics/gynecology, microsurgery/neurosurgery, orthopedics, laparoscopy, cardiovascular, thoracic and general surgery in the hospital setting as well as surgery centers and in select physician offices.

We believe our brands which include SYMMETRY, BOOKWALTER® Retractor Systems, OPTI-LENGTH® Extended Length Surgical Instruments, QUAD-LOCK™ Sterilization Container Systems, RAPIDCLEAN® Detachable Kerrison Rongeurs, CLASSIC PLUS® and CLASSIC® Surgical Instruments, GREENBERG™ Neurosurgical Retractor System, KARLIN™ Surgical Instruments, MAGNAFREE® Non-Magnetic Surgical Instruments, FLASHPAK™, OLSEN™, RILEY™, ULTRA™, and ACCESS SURGICAL™, are very well respected by clinicians and hospital customers and are backed by strong intellectual property.

We believe Symmetry Surgical has an appealing offering for customers in the over 60 countries we serve. Symmetry Surgical sources its products from instrument manufacturers in Tuttlingen, Germany and other regions, as well as from Symmetry's OEM Solutions business. Symmetry Surgical focuses on products that are not competitive with Symmetry's OEM Solutions customers.

In 2011, we completed the two acquisitions that led to the creation of our Symmetry Surgical business segment that previously consisted of our SSI hospital direct business. On August 15, 2011 we acquired certain assets of Olsen Medical, a division of PSC Industries, Inc., which is a privately-owned, world leader in the design, development and manufacture of electrosurgical instruments and accessories for \$11.0 million in cash. Olsen Medical manufactures a full line of single-use and reusable bipolar and monopolar forceps, cords, electrosurgical pens/pencils, electrodes, and

accessories. Olsen Medical's products are primarily sold through distributors in the U.S. and internationally, including Symmetry's wholly-owned subsidiary, SSI.

3

---

TABLE OF CONTENTS

On December 29, 2011 we acquired the surgical instruments product portfolio from Codman & Shurtleff, Inc., a Johnson & Johnson Company, for \$165.7 million in cash. This transaction included certain U.S. and Germany-based personnel, as well as the acquisition of inventory, intellectual property, trademarks, regulatory approvals, and an instrument procurement center located in Tuttlingen, Germany. As part of the transaction, Codman & Shurtleff, Inc. will also provide Symmetry Surgical with transition services for a period of time, including U.S. distribution, global quality and regulatory, and distribution through Codman affiliates outside the U.S.

Symmetry Surgical markets and distributes products to hospitals and other sites of care in the U.S., as well as in over 60 additional countries around the world. Symmetry Surgical is home to our administrative services as well as customer service, distribution, and western hemisphere sourcing. Our Tuttlingen, Germany facility provides sourcing and quality services for products procured in Germany, as well as other regions of the world. Our U.S.-based marketing team collaborates with Symmetry engineers and product developers to create a product pipeline that addresses unmet needs for the surgical specialties which we serve in the product categories in which we compete.

Our new product development team collaborates with surgeon innovators from conception through launch to ensure that they will meet the needs of healthcare providers in the clinical setting. Symmetry Surgical compensates health care professionals for their contributions of intellectual property or consulting services in the product development process consistently with our healthcare compliance guidelines and all applicable laws and regulations. Once product designs are finalized they are sourced by Symmetry Surgical from a broad range of instrument manufacturers (including Symmetry's OEM Solutions business) in the U.S., Germany, and other regions of the world.

Symmetry Surgical's products are subject to our rigorous quality standards and are only made available to the commercial marketplace after passing inspection tests and appropriate regulatory approvals. Commercial demand is generated by both direct sales representatives and geographically defined authorized distributors in the U.S. as well as many distributors outside the U.S. Symmetry Surgical does not maintain a direct sales force outside the U.S., although we plan to establish regionally-based marketing and business development teammates to collaborate with country-based distributors to generate demand and reinforce Symmetry Surgical's standards for marketing, sales, and compliance. Sales outside the U.S. are accomplished through authorized distributors who purchase products from us and then sell the products to the final customer. Country-based distributors are accountable for inventory and accounts receivable in local markets. In the U.S., our direct representatives are compensated in a variety of manners, including commission and base salary. U.S.-based distributors are compensated via commission for end customer sales processed by Symmetry Surgical. U.S. customer and global distributor orders are processed at our Nashville, TN headquarters and distributed by third party carriers and freight forwarders worldwide. During the period of transition services provided by Codman & Shurtleff, Inc., Symmetry Surgical will sell products to Codman's U.S. affiliate who will, in turn, distribute the products to other Codman affiliates worldwide.

Our Symmetry Surgical offering is based on:

*Comprehensive Offerings.* We provide a wide range of surgical products to a wide array of surgical specialties. We offer approximately 20,000 different products that may be typically used in surgical specialties related to spine, general/obstetrics/gynecology, microsurgery/neurosurgery, orthopedics, laparoscopy, cardiovascular, thoracic and general surgery in the hospital setting as well as surgery centers and in select physician offices.

*Proprietary Branded Products.* With brands including SYMMETRY, BOOKWALTER® Retractor Systems, OPTI-LENGTH® Extended Length Surgical Instruments, QUAD-LOCK™ Sterilization Container Systems, RAPIDCLEAN® Detachable Kerrison Rongeurs, CLASSIC PLUS® and CLASSIC® Surgical Instruments, GREENBERG™ Neurosurgical Retractor System, KARLIN™ Surgical Instruments, MAGNAFREE® Non-Magnetic Surgical Instruments, FLASHPAK™, OLSEN™, RILEY™, ULTRA™, and ACCESS SURGICAL™ that are very well respected by

clinicians and hospital customers and intellectual property-backed products, Symmetry Surgical has an appealing offering for customers in a multitude of specialties.

4

---

## TABLE OF CONTENTS

*Quality and Regulatory Compliance.* Our quality systems are based upon and in compliance with International Organization for Standardization ( ISO ) requirements and, where applicable, United States Food and Drug Administration ( FDA ) regulations. We believe our level of quality and regulatory compliance systems meet or exceed our customers' expectations. We continue investing in this area to strengthen our leadership position.

*Global Reach.* Commercial demand is generated by both direct representatives and geographically defined authorized distributors in the U.S. as well as scores of distributors outside the U.S. Symmetry Surgical does not maintain a direct sales force outside the U.S. although we plan to establish regionally-based marketing and business development teammates to collaborate with country-based distributors to generate demand and re-enforce Symmetry Surgical's standards for marketing, sales, and compliance. Symmetry Surgical has an appealing offering for customers in the over 60 countries we serve.

We believe Symmetry Surgical offers a number of benefits to our customers, including:

*Rationalized and Reliable Supply Chain.* Our scale and scope of products allow our customers to reduce their number of suppliers and streamline their supply chain. Our Tuttlingen, Germany facility provides sourcing and quality services for products procured in Germany, as well as other regions of the world.

*Research and Development Efforts.* Our extensive product portfolio continues to expand through additions of products based on our own innovation and intellectual property. We also collaborate with surgeons to provide design, development, prototyping, quality and regulatory registration and marketing efforts on proprietary products.

*Enhanced Products on a Global Basis.* Our extensive product portfolio allows us to meet our customers' needs across numerous locations (one of our larger U.S. customers has over 1,400 locations) on a timely basis. We also provide these products and services to customer in over 60 countries.

Our Symmetry Surgical segment went from no sales five years ago to over 10% of our total Symmetry sales in 2011 and we expect Symmetry Surgical to represent approximately 25% of our sales in 2012.

## **Business Strategy**

Our business strategy is to grow revenue faster than market as a supplier to Orthopedic OEM customers, to diversify our revenue base by expanding our direct to hospital surgical instruments business in a manner that is non-competitive with our OEM customers, and to leverage our experiences in Symmetry Surgical and our other strengths to expand our OEM solutions business into adjacent medical device segments. The key elements of our business strategy are to:

### OEM Solutions Focus:

*Develop Strategic Relationships With Our OEM Customers Through Access to Key Decision Makers.* Our scale, scope of products and Total Solutions® approach position us as an important partner with our customers. This position of trust and insight provides 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. We intend to aggressively market these benefits to our customers as they continue to look for suppliers who can support needs beyond manufacturing capabilities.

*Increase Our Presence In Adjacent Medical Device Surgical Specialties By Diversifying Our Revenue Base and Expanding Our Sales Channels to Market.* Since the acquisition of SSI in 2007, we have had access to many hospitals in the U.S. The 2011 acquisitions of Olsen Medical and the Codman surgical instruments portfolio create a larger footprint in the surgical instruments market and a presence in a wide array of surgical interventions both domestically and abroad. We will



TABLE OF CONTENTS

continue to grow this channel and will work to leverage this exposure to clinicians, OR Directors, hospital Material Managers, and hospital Central Sterilization to identify unmet needs for product development that we can bring to our OEM customers in Orthopedics and appropriate medical device adjacencies.

*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, instruments, and other products we may innovate or acquire, and we plan to utilize our access to these customers through the case business to cross-sell these products. *Leverage Manufacturing Skills.* We have continued to expand our manufacturing capacity and design resources and update 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. This includes not only manufacturing competencies, but also support processes such as statistical process quality control and information management.

*Symmetry Business System.* Like many companies, we are faced with intensifying competition requiring cost reduction initiatives. Benchmarking best practices from companies such as Toyota, Danaher, and General Electric who all have successfully launched their own improvement based programs around Six Sigma, Toyota Production Systems, and Lean manufacturing we have begun a journey of continuous improvement with the creation and roll-out of the Symmetry Business System (SBS). The SBS is a business process supported by lean tools and a culture of continuous improvement in all facets of the business. Lean is a philosophy of eliminating non-value-adding operations, equipment, and resources. It is our belief that anything that does not add value is waste, such as injuries, defects, excess inventory, over-production, waiting time, motion, transportation, and processing waste. The SBS process will drive the Corporation through a continuous cycle of change and improvement around processes and daily accountability to improve performance. Guiding all efforts is the simple focus on customer-facing priorities to include quality, lead-times, delivery, cost, and innovation. We believe that SBS will be a unique and a clear differentiator for our customers and the core business. We will continue to refine the tools over time and ensure we remain focused on value creation which is based on the voice of the customer.

*Increase New Product Offerings and Increase Gross Margin.* Our research & development team and our Design and Development Centers provide expertise and coordination for our design, engineering and prototyping offerings as well as internally innovated products. We intend to use this dedicated expertise to develop intellectual property and expand our line of innovative and independently developed instruments and cases and to generate additional development projects with our customers that will lead to increased sales and long-term manufacturing opportunities.

*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, manage their product manufacturing and logistic services.

*Continued Global Expansion.* We believe that we can best serve the marketplace with a broad range of manufacturing capabilities, including facilities in close proximity to our customers manufacturing and development centers, in high technology/specialized centers, in low cost labor countries, and in markets that provide us with exposure to end consumers to allow us to better serve their needs. Our investments in manufacturing infrastructure will continue to adhere to this approach. In 2011 we continued to expand our capacity in our Malaysian facility and acquired an instrument procurement center in Tuttlingen, Germany. Our acquisition of the Codman surgical instruments business has increased our direct to hospital footprint to over sixty countries and enhanced our efforts to expand globally.

## TABLE OF CONTENTS

*Leverage Technology and Manufacturing Capacity.* Our expertise in metal processing and, in particular, high integrity net shape forging enables us to utilize capacity and leverage infrastructure by pursuing a role as a niche supplier in certain other markets, such as the aerospace sector, where we supply engine aerofoil blades and other similar parts.

### Symmetry Surgical Focus:

*Develop Strategic Relationships With Large Hospital Customers Through Access to Key Decision Makers.* Our scale and expansive scope of products positions us as an important partner with our customers. This position gives us access to key decision makers with whom we intend to continue to build strategic relationships and serve their multiple hospital sites.

*Continue to Increase Our Presence In Surgical Specialties By Diversifying Our Revenue Base and Expanding Our Sales Channels to Market.* Since the acquisition of SSI in 2007, we have had access to hospitals in the United States. The 2011 acquisitions of Olsen Medical and the Codman surgical instruments portfolio give us a larger footprint in the surgical instruments market and a presence in a wide array of surgical interventions both domestically and abroad. We will continue to grow this channel serving clinicians, OR Directors, hospital Material Managers, and hospital Central Sterilization to identify unmet needs for product development that we can bring to our direct customers, all while not competing with our OEM Solutions customers.

*Leverage Sales Synergies by Cross-Selling Products and Offerings.* Our SSI unit sold approximately 10,000 products. With the addition of Olsen Medical and Codman product lines, our Symmetry Surgical segment now offers approximately 20,000 products to our global customers. We believe we can leverage the sales synergies created by this expansive product offering across these customers and our sales teams to generate increased revenue.

*Increase New Product Offerings.* Our new product development team identifies and provides solutions to the unmet needs of our customers. We intend to use this dedicated expertise to develop intellectual property and expand our line of innovative and independently developed instruments and cases.

*Continue to Expand our Collaboration With Proprietary Products.* We believe that comprehensive product offerings and global customer contacts offer new and innovative medical companies a meaningful channel to market, enabling us to realize revenue through helping these companies bring their products to market, manufacturing those products, and providing logistic services.

## **Symmetry Products**

In our OEM Solutions business we design, develop and manufacture implants, 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 market. In our Symmetry Surgical business we procure, market and sell reusable general surgical instruments used in the operating room and purchased by clinicians, OR Directors, and hospital material managers. In addition, we also sell other ancillary products, including instrumentation, fiber optic light sources and non-toxic enzymatic detergent. Our revenue from the sale of instruments, implants, cases and other products through our OEM Solutions segment represented 89% of our total revenue in fiscal 2011 with each product category representing 36.1%, 32.3%, 23.7% and 7.9%, respectively, compared with 36.1%, 34.1%, 22.9% and 6.9%, respectively, of our OEM Solutions revenue in fiscal 2010. Revenue from Symmetry Surgical represented 11% of our revenue in fiscal 2011 as compared to 10% in fiscal 2010.

## **OEM Solutions Implants**

We design, develop and manufacture implants for use in specific implant systems developed by our customers. The orthopedic implants we produce are used primarily in knee and hip implant systems. The orthopedic implants we

supply 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.

7

---

TABLE OF CONTENTS

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, routinely 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 precision 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. We do not develop or own proprietary products or intellectual property on implants.

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 (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, hooks and screws. We manufacture trauma and spinal plate implants to exact details to fit bone contours. We have in place a high precision machining cell to serve the spine market.

## **OEM Solutions 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. In addition, we have several proprietary orthopedic reamer systems used by many of our large customers. 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.

8

---

TABLE OF CONTENTS

We currently have over 1,500 Symmetry proprietary products in our catalog and are continually investing in creating or acquiring intellectual property protected new products.

We produce a wide variety of products, primarily 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 produced with our patented plastic thermal assembly process, which is designed to withstand the intense heat produced during frequent sterilizations. 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-branded 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-branded products, customers can leverage our extensive experience and expertise to complete their instrument sets more quickly and efficiently.

Our Symmetry-branded products include successful hip and knee revision systems and a new spinal system. 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. In recent years we have seen our Symmetry-branded product sets grow in demand as our large OEM customers distribute the products and we maintain the device files.

TABLE OF CONTENTS

**OEM Solutions Cases**

We produce a wide range of plastic, metal and hybrid cases used in over 25 medical device markets, including orthopedic, spinal, 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.

Many 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 not customized for a specific surgery. Over the past several years, we have made a significant investment to obtain 510(k) clearance for our 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 approval efforts, which provides us with a significant competitive advantage in selling our standard cases.

We believe that our complete line of plastic, metal and hybrid product offerings strategically positions us for growth in the case market. We also offer 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 utilizing the many types of sterilization methods.

*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.

*Sterilization Containers.* We produce the lightweight and durable Ultra Container System, which is designed for the sterilization of all surgical instruments. This product is primarily sold directly to hospitals through Symmetry Surgical.

*Other Cases.* We also manufacture and sell cases for arthroscopy, osteobiologic, cardiovascular, ophthalmology, diagnostic imaging and ear, nose and throat procedures. Additionally, we sell sterilization containers through our Symmetry Surgical segment.

**OEM Solutions Other (Specialized Non-Healthcare Products)**

We offer specialized non-healthcare products on a limited basis, primarily focused on the aerospace industry. Our core design, engineering and manufacturing competencies give us the expertise to offer aerospace products. Our aerospace products consist primarily of net shaped aerofoils and non-rotating aircraft engine forgings produced for our aerospace

customers. Additionally, our offering in the aerospace industry includes aerospace machining capabilities.

TABLE OF CONTENTS

## **Symmetry Surgical    General Surgical Instruments and Related Products**

We distribute a wide array of general surgical instruments directly to hospitals and other sites of care. These instruments comprise retracting, cutting, dissecting, grasping, cauterizing, ligating, coagulating, hot blade cutting, and bi-polar and mono-polar instruments both reusable and disposable instruments. Most of these instruments are sold into operating room settings, including neurology, orthopedics, ophthalmology, ENT, reconstructive, cardiovascular, thoracic, vascular, laparoscopic, gynecology, and general surgery. In some cases products are patent protected and are marketed under well-known brands including: SYMMETRY, BOOKWALTER® Retractor Systems, OPTI-LENGTH® Extended Length Surgical Instruments, QUAD-LOCK™ Sterilization Container Systems, RAPIDCLEAN® Detachable Kerrison Rongeurs, CLASSIC PLUS® and CLASSIC® Surgical Instruments, GREENBERG™ Neurosurgical Retractor System, KARLIN™ Surgical Instruments, MAGNAFREE® Non-Magnetic Surgical Instruments, FLASHPAK™, OLSEN™, RILEY™, ULTRA™, and ACCESS SURGICAL™. There are over 20,000 products available in our catalog.

We offer ancillary products through Symmetry Surgical, including sterilization containers, disposable instrumentation, fiber optic light sources and non-toxic enzymatic detergent, all of which are complementary to our call points and enable us to comprehensively meet customer needs.

## **Product Development**

Our research and development team and our Design and Development Centers provide dedicated expertise and greater coordination for our design, engineering and prototyping offerings. These capabilities support both our OEM Solutions as well as Symmetry Surgical business. Our main Design and Development Center is located in Warsaw, Indiana, where we bring together talented engineering and design personnel and provide them with state-of-the-art design software and prototyping equipment. We also have additional R&D resources in other Symmetry locations.

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. 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 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 salespeople partner with 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 instrument, case or implant. Working closely with our customers through the conceptual, planning and prototyping stages allows us to quickly scale up for manufacturing when the product is approved for production.

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-branded products for our OEM Solutions business, or specific branded products for Symmetry Surgical. 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-branded products in OEM Solutions, including instruments for spine, minimally invasive surgical implant procedures, and hip and knee revision systems. We hold 115 patents, with 61 pending, and are investing to increase our patent estate.

## **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.

TABLE OF CONTENTS**Customers**

Our OEM Solutions business supplies products primarily to manufacturers in the medical device market. Our customers include large orthopedic device manufacturers, including Biomet Inc., DePuy Orthopaedics, Inc., a subsidiary of Johnson & Johnson, ( DePuy ), Medtronic Inc., Smith & Nephew Plc, Stryker Corp. and Zimmer Holdings, Inc. ( Zimmer ) as well as a wide range of start-up and smaller companies in hip, knee, trauma, spine, and extremities. 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., Karl Storz, Edward Lifesciences and St. Jude Medical Inc. Our Symmetry Surgical business supplies products primarily to hospitals and other sites of care. With the acquisition of the Codman surgical instruments business, Symmetry Surgical will have the opportunity to serve every hospital in the U.S. as well as establish a growing presence with hospitals in 60 countries worldwide. Our relationships with sites of care are often through Group Purchasing Organizations, proprietary hospital chains, or government funded institutions.

In our OEM Solutions business we sold to over 650 customers in fiscal 2011 and in our Symmetry Surgical business we sold to over 1,500 customers. Sales to our ten largest customers across total Symmetry represented 68.3% and 71.3% of our revenue in fiscal 2011 and 2010, respectively. Our two largest customers accounted for 31.6% and 11.2% of our revenue in fiscal 2011 and were, in alphabetical order, DePuy and Stryker Corp. Our three largest customers accounted for 31.7%, 10.5% and 10.0% of our revenue in fiscal 2010 and were, in alphabetical order, DePuy, Stryker Corp and Zimmer. No other customer accounted for more than 10% of our revenue in fiscal 2011 or fiscal 2010. We typically serve several product teams and facilities within each of our largest customers, which mitigates our reliance on any particular customer. Over the past six years, we have reduced our concentration in the orthopedic industry through various acquisitions, which increased our presence in non-orthopedic markets. Our Symmetry Surgical segment went from no sales five years ago, to over 10% of our total Symmetry sales in 2011 and we expect Symmetry Surgical to represent approximately 25% of our sales in 2012.

We sell our products to customers domestically and in a number of regions outside the U.S. In addition, our customers often distribute globally products purchased from us in the U.S. Set forth below is a summary of percent of revenue by selected geographic locations in our last three fiscal years, based on the location to which we shipped our products:

	Fiscal Year Ended					
	2011		2010		2009	
United States	72.8	%	74.2	%	73.3	%
Ireland	6.3	%	8.8	%	10.2	%
United Kingdom	8.2	%	7.7	%	8.0	%
Other foreign countries	12.7	%	9.3	%	8.5	%
Total net revenues	100.0	%	100.0	%	100.0	%

**Sales and Marketing**

Our OEM Solutions sales and marketing efforts emphasize our design and engineering expertise, internally developed Symmetry products, manufacturing capabilities, international distribution network and ability to provide customers with a comprehensive product offering. We present our products to customers in a Total Solutions® concept which offers the customer a collaborator for developing complete implant, instrument and case solutions while working to create and respond to opportunities for any one of our product offerings. Our sales and marketing personnel are based worldwide and serve our OEM customers. Our sales personnel are trained in all of our products in order to cross-sell and identify opportunities outside their immediate area of focus. While we attempt to diminish our reliance on any one

purchasing decision by serving several product teams and facilities within each OEM customer, customers are increasingly consolidating their procurement activities across multiple entities. Our customer base for cases extends into nearly every segment of the medical device market. We believe there is an 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

12

---

## TABLE OF CONTENTS

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.

Our Symmetry Surgical sales and marketing efforts emphasize the quality, clinical performance, and comprehensive breadth of our product line. Sales and marketing personnel are predominantly located in the U. S., although we are establishing regionally-based marketing leaders to assist in driving growth through our global network of distributors.

U.S. sales are through a combination of direct representatives as well as valued distributors in certain geographic regions. Our hospital customers include clinicians, OR Directors, hospital Materials Management, hospital Central Sterilization, multi-hospital strategic sourcing entities, and Group Purchasing Organizations. Our efforts include: tender opportunities for new or updated OR where customers seek to outfit a full range of capabilities, new surgeons or new services being added to an existing OR requiring a specific clinical focus of instruments, introduction of specialized clinical innovation and new products, and replacement of existing products which have reached the end of their life cycle. Our customer interactions often involve training and education in the use of our products. Our sales personnel are technically trained and are based in the territories they serve. This enables us to be responsive to the needs of our customers and actively involved in the planning and developing of future opportunities.

## **Manufacturing and Materials**

Our OEM Solutions segment has manufacturing facilities in the U.S., United Kingdom, France, Ireland and Malaysia.

We continue to make investments 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 the United Kingdom.

*Plastic and Metal Forming.* Our know-how and technology facilitates our extensive plastic and metal forming capabilities. We use thermoform 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.

13

---

## TABLE OF CONTENTS

We use raw materials, including plastic, 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 Radel® R 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.

Our Symmetry Surgical business does not engage in manufacturing, although it operates quality and procurement centers in the United States and Germany. These centers engage with suppliers (including Symmetry Medical's OEM Solutions business) to manufacture to our specifications. Our manufacturers use raw materials, including plastic, 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 for our manufacturers, they may rely on a limited number of suppliers and in some cases on a single source vendor. For example, we are aware that the patented Radel® R plastic, which is designed to withstand intense heat produced during frequent sterilizations, is sourced from a single supplier for use in our 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 U.S., France, Malaysia and United Kingdom these regulations include the current good manufacturing practice regulations and other quality system regulations administered by the FDA. Specific U.S. based facilities are registered with and subject to inspection by the FDA. Our line of standard cases received FDA 510(k) clearance, which can reduce our customers' burden in obtaining FDA approval. The Europe, Malaysia and specific U.S. based facilities are ISO registered and audited annually. Our facilities have obtained numerous industry-specific quality and regulatory assurance certifications. We have made investments in statistical process controls to improve our overall quality system.

All aspects of the supply chain are integrated into our overall quality system. Our suppliers are evaluated and audited to assure compliance with all international trade compliance quality standards. Relative to our manufacturing processes we maintain and adhere to specific standard operating procedures within our quality systems to ensure compliance with our customers' requirements for their products. Our Symmetry Surgical business likewise operates under a comprehensive quality system to ensure compliance with all product quality and customer obligations. The suppliers we utilize in the distribution process are evaluated and audited to assure compliance to all international trade compliance quality standards.

We are not aware of any significant quality issues or concerns, although if we experience a breakdown in our quality systems that result in the sale or manufacture of noncompliance products we could incur costs and loss of business, recalls, lawsuits or other adverse results.

## **Regulatory Compliance**

We maintain an effective regulatory program to assure compliance with all applicable U.S. and international regulatory standards and directives with regard to both our manufacturing and Symmetry Surgical businesses. Our regulatory program focuses primarily on minimizing any risks associated with noncompliance with requirements or standards that could impact our products' fit, form and function. We also place great emphasis on maintaining and

following effective auditing practices and procedures to assure compliance with all internal and external standard operating procedures and 510(k) process requirements. Finally, we conduct ongoing due diligence to monitor and assure compliance with all country of origin requirements and certifications with regard to international regulatory agencies.

We are not aware of any failures to comply with applicable laws and regulations, although we cannot assure you that the costs of compliance or failure to comply with any obligations would not impact our business negatively.

TABLE OF CONTENTS

## **Competition**

Our OEM Solutions customers, to varying degrees, are capable of internally developing and producing most of 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 by utilizing our services, 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 compete on the basis of development capability, breadth of product offering, manufacturing quality, total cost/value relationship and on time delivery. We also compete with independent suppliers of implants, instruments and cases to medical device companies. A majority of these suppliers are privately owned and produce some, but not all, of the products required in orthopedic implant systems. We compete with other independent suppliers primarily on the basis of development capability, breadth of product offering, manufacturing quality, costs 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, manufacturing capabilities and brand recognition that are greater than ours. We estimate there to be less than ten (10) competitors who can offer implant manufacturing capabilities from forging/casting to finishing, less than fifty (50) competitors who can offer complete case manufacturing capabilities and nearly 1,000 who compete in instrument or implant machining.

Our Symmetry Surgical business competes with a range of large multi-national branded instrument companies including Asculap, V. Mueller, and Integra as well as hundreds of smaller, independent suppliers of specific instruments located throughout the world. We compete with our larger competitors on the basis of product quality, breadth of product offering, reputation for sourcing from quality manufacturers, clinically trained sales force, training / education, product performance, value / cost relationship, product availability, innovation, and responsiveness to tender opportunities and other customer needs. We compete with the smaller independent competitors on the basis of breadth of product offering, clinically trained sales force, training / education, product quality, product performance, value / cost relationship, product availability, innovation, and responsiveness to tender opportunities and other customer needs. Independent providers 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, 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.

Our research & development team manages our intellectual property across both our OEM Solutions and Symmetry Surgical businesses. Some patents held by our OEM Solutions segment are for products sold by Symmetry Surgical. For those Symmetry Surgical products not manufactured by OEM Solutions, Symmetry Surgical is the patent holder. We currently own 115 total issued patents and have 61 patents pending related to our cases and instruments. With the acquisition of the surgical instrument portfolio from Codman, we added ten (10) issued patents related to our cases and instruments. These patents expire at various times beginning in 2012 and ending in 2029. We also have 52 issued trademarks and twelve (12) pending trademarks. With the acquisition of the surgical instrument portfolio from Codman, we added 25 issued trademarks. Our policy is to 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. 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.

TABLE OF CONTENTS

## Employees

As of March 12, 2012 we had 2,520 employees. Our employees are not represented by any unions. 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.

## 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 as of March 15, 2011.

Name	Age	Position
Executive Officers:		
Thomas J. Sullivan	48	President and Chief Executive Officer
Fred L. Hite	44	Senior Vice President and Chief Financial Officer
D. Darin Martin	60	Senior Vice President, Quality Assurance/Regulatory Affairs and Compliance Officer
David C. Milne	44	Senior Vice President of Human Resources, General Counsel and Corporate Secretary
Ronda L. Harris	41	Chief Accounting Officer

Christopher W. Huntington 39 Chief Operating Officer, Symmetry Surgical, Inc.

**Thomas J. Sullivan** has served as President and Chief Executive Officer and has been a member of the Board of Directors since January 17, 2011. From 2007 to 2011, Mr. Sullivan served as the President of the Supply Chain & Business Process division of Johnson & Johnson Health Care Systems, Inc. In this role, he led the Commercial and Government Contracting processes in support of the J&J U.S. Medical Device & Diagnostics, Pharmaceutical, and Consumer health care customers. He also led the Logistics, e-Business, Channel Management, Program Management, and global Supply Chain/ERP Competency Centers for the J&J's Medical Device & Diagnostics Group. From mid-2010 until year end, Mr. Sullivan held additional responsibility as the Global Vice President, Customer Experience for the J&J Supply Chain Customer &

TABLE OF CONTENTS

Logistics Services Team accountable for customer facing roles in Distribution, Customer Service, and Transportation supporting all J&J commercial companies throughout the world. From 2005 to 2007, Mr. Sullivan was the President of DePuy Orthopaedics, Inc. From 2002 to 2005 he served as President of J&J Medical Products Canada. From 1999 to 2001, Mr. Sullivan served as General Manager for J&J Gateway LLC and Worldwide Vice President of e-Business. Mr. Sullivan graduated as a Palmer Scholar from The Wharton School in 1991 where he earned an MBA in Strategic Management and Information Technology. He also holds a Bachelor of Science magna cum laude in Applied Mathematics and Computer Science from the University of Pittsburgh.

**Fred L. Hite** has served as Senior Vice President and Chief Financial Officer since March 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.

**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.

**David C. Milne** joined Symmetry in 2009 as Senior Vice President of Human Resources, General Counsel and Corporate Secretary. From 2000 through 2009 Mr. Milne was employed by The Steak 'n Shake Company (NYSE: SNS), where he most recently served as Vice President, General Counsel and Corporate Secretary. After graduating *cum laude* from the Indiana University School of Law, Mr. Milne practiced with Bose, McKinney & Evans and Scopelitis, Garvin, Light, Hanson & Feary where he concentrated on representing employers in labor and employment law matters. Mr. Milne received his undergraduate degree from Wabash College and his MA English Literature from Indiana University, Bloomington.

**Ronda L. Harris** joined Symmetry in 2008 with extensive experience in financial management, planning and implementation of effective financial reporting and financial control processes. Prior to joining Symmetry, Ms. Harris served as Assistant Controller of General Electric's Consumer and Industrial Business. Ms. Harris began her career at PricewaterhouseCoopers. She received a Bachelor of Science degree from Indiana University and became a Certified Public Accountant in 1997.

**Christopher W. Huntington** joined Symmetry in August 2006 through Symmetry's acquisition of Everest Metal Orthopedics Inc. Initially serving as Vice President of Business Development, Mr. Huntington has progressed through the organization, serving most recently as Senior Vice President and Chief Operating Officer, Asia. As of January 1, 2012 he assumed the role of Chief Operating Officer of the Corporation's Symmetry Surgical segment. Prior to joining Symmetry, Mr. Huntington founded Everest Metal Orthopedics Inc., an Implant manufacturer with locations in Cork Ireland and Suffern, New York. Mr. Huntington received his BA from St. Lawrence University and his Law Degree from DePaul University College of Law.

## **Additional Information**

Although Mr. Hite was not alleged to know of or have any part in the accounting irregularities at the Corporation's Sheffield, UK operating unit (see Part 1 Item 3 of this Report), pursuant to an agreed order with the Securities and Exchange Commission (Commission) dated January 30, 2012, he agreed to payment of a civil fine to the Commission in connection with certain internal control deficiencies and reimbursement to the Corporation of, among other things, performance-based compensation paid during a time when the Corporation filed inaccurate financial statements.

17

---

## TABLE OF CONTENTS

For information regarding our directors, and additional information regarding our executive officers, see our 2012 Proxy Statement which will be filed with the Securities Exchange Commission no later than 120 days after the end of our fiscal year.

### **Family Relationships**

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

### **Available Information**

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 free of charge through our website as soon as reasonably practicable after we electronically file such material with, or furnish it to, the Securities and Exchange Commission (SEC). Our internet address is [www.symmetrymedical.com](http://www.symmetrymedical.com) (access the filings by using the Investor Relations link on the home page, and SEC Filings within the Investor Relations box located in the text). You may read and copy any materials we file with the SEC at the SEC's Public Reference Room at 100 F Street, N.E., 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. The SEC maintains an internet site that contains reports, proxy and information statements, and other information regarding issuers that file electronically with the SEC. The address of that site is <http://www.sec.gov>.

Information relating to our corporate governance, including our Corporate Governance Guidelines, Code of Business Conduct and Ethics and information concerning our executive officers, directors and Board committees (including committee charters), and transactions in Symmetry Medical Inc. securities by directors and officers, is available on or through our website at [www.symmetrymedical.com](http://www.symmetrymedical.com) under Investor Relations then Corporate Governance.

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 addressing Risk Factors. Although the following are not necessarily the only risks our company faces, our business, financial condition or results of operations could be materially adversely affected by the occurrence of any or all of them.

### **Risks Related to Our Business**

*We depend heavily on sales to our five largest OEM 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 predominant share of the orthopedic device market. We depend heavily on revenue from the top five companies in the orthopedic industry. Revenue from our ten largest customers represented approximately 68.3% of our revenue in fiscal year 2011 and 71.3% of our revenue in fiscal year 2010. Our largest customer accounted for approximately 31.6% of our revenue in the fiscal year 2011 and 31.7% in fiscal 2010.

We expect that we will continue to depend on a limited number of large customers for a significant portion of our revenue. Our sales may be impacted by significant changes in these customers' market share, cyclicalities, inventory reductions, capital budget investment in instruments and cases, unpredictability of their new product launch activity, changes in their supply chain management, as well as the impact the global economy has on these customers' buying patterns.

***Customer or competitor consolidation could adversely affect demand and pricing, which could adversely affect our business.***

Many healthcare companies are consolidating to create new companies that possess greater market power. As the healthcare industry continues to consolidate, our customers may delay purchases or new product launches as they integrate operations and products. Customer consolidation may also impact demand for our

TABLE OF CONTENTS

products, as the consolidated company implements its supply chain management philosophy. Competitor consolidation may also increase pressure as a result of the resulting larger company's greater product and services offerings. Consolidation of our customers or competitors may increase pricing pressure or reduce our revenue, either of which would impact our operating results.

***Loss of a large Group Purchasing Organization contract, a proprietary hospital system contract, or a country specific international distributor could adversely affect Symmetry Surgical's revenue and could adversely affect our business.***

We maintain positive relations with several Group Purchasing Organizations and large proprietary hospital systems.

As these organizations continue to pursue cost reduction opportunities, they may demand contractual concessions which we are not willing to accept. Additionally, outside the U.S., we sell through country specific distributors who may also demand contractual concessions which may be undesirable for us in that market. While we believe we could pursue other distributors in global markets and engage GPO or hospital system hospitals directly, the loss of their contracts would impede our ability to generate demand and revenue and could adversely affect sales and profitability.

***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.***

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 if the product advances we make are not sufficient for their needs, they may instead rely on internal capabilities. In addition, our independent competitors may produce products that are more appealing to our customers and thereby impair our ability to compete effectively with them. Our competitors' product development capabilities could also 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. Increased regulatory pressures and longer approval processes may impair our ability to develop and assist our customers in developing innovative products, as well as our ability to do so on a commercially effective timeline. If one or more of these events were to occur, our business, financial condition and results of operation could be adversely affected. Further, in recent years we have increased our investment in new product development and there is a risk that we may not realize the financial returns expected from that investment, which could also adversely impact our business.

***We face competition from our customers' in-house capabilities, established independent suppliers and potential new market entrants, and if we lose customers it would have an adverse effect on our revenue and operating results as many of our global facilities would be underutilized.***

Our largest 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 than we are and have greater financial and other resources than we do and can commit significant resources to product development and manufacturing. Many 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 continue to 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 developed, manufactured or sold by other companies, which could result in the loss of customers and, as a result, decreased revenue and operating results. Because we have multiple global facilities with associated fixed overhead, our profits vary widely depending on volume. If we were to lose customers and/or key volumes, it could significantly impact our profits.