

**Langer**

**2004 Annual Report**

June 2005

Dear Fellow Share Owners:

2004 was a year of significant change for Langer. In September, Langer acquired Silipos, Inc., a leading designer, manufacturer and marketer of gel-based products focusing on the orthopedic, orthotic, prosthetic, and skincare markets.

The acquisition of Silipos broadens our distribution capability in our existing orthopedic market and provides us with an entrance into the skincare market. The acquisition significantly increased the size of the company based upon pro forma annualized net sales. Silipos sells most of its products through regional and national distributors while Langer's sales force historically targeted individual healthcare professionals. Our goal is to use Silipos' well-defined distribution channels to leverage Langer's products and services beyond individual healthcare professionals.

Our entry into the skincare market is a new and exciting opportunity. This market is expanding due to the growing emphasis on skin preservation and the increase in elective anti-aging procedures by the Baby Boomer generation.

In 2004, our revenue grew 22% to a record \$30.1 million as a result of the Silipos acquisition. Gross profit margin improved to 40.2% in 2004 which reflected the higher gross profit margin from Silipos. The Company has also changed the way we segment the reporting of our revenue. Previously, the Company reported its operations in two segments, custom orthotics and distributed products. Beginning October 1, 2004, the Company started reporting its operations in two new segments: orthopedics and skincare. Custom orthotics and the distributed products are now included in our orthopedics segment. We believe this realignment more accurately reflects the way in which we focus on business opportunities in the skincare markets and broader portions of the orthopedic markets.

Expanding product offerings was again one of management's key corporate initiatives. Both Langer and Silipos have a history of introducing new products. Since 2002 we have introduced over 30 products which were responsible, on a pro forma basis, for 11% of our 2004 revenue. We expect to introduce at least ten new products in 2005.

Product expansion is supported by the sales and marketing team. One of the first departments we integrated with Silipos was orthopedic sales and marketing. We combined our outside sales forces and created one marketing team.

Langer and Silipos continued to support education during 2004, holding 100 programs, including educational seminars, workshops, in-services and trade shows. We believe practitioners appreciate this training as a way to better understand utilization of our products in the non-invasive treatment of lower extremity disabilities.

During 2004, we continued to enhance our CAD/CAM operations. We improved the efficiency of our proprietary scanner which creates electronic images from plaster and foam impressions. This technology is expected to electronically link all of our orthotic fabrication facilities allowing us to redirect fabrication to any location where excess capacity exists. We expect this project to be completed by the end of 2005. Our professional customer scanner is proceeding through beta testing and we anticipate a new product launch during the fourth quarter of 2005. This scanner is the culmination of over four years of clinical research and development efforts. Initial demand indications for this product have been strong.

We emerge from 2004 as a more robust and energized organization. Since February 2001 the Company has increased sales by approximately 283% primarily as a result of three acquisitions. The Company continues to look for strategic acquisition opportunities to further strengthen our position within the orthopedic lower extremity and skincare markets. We continually look to add innovative and quality orthopedic offerings to our existing line of 500 products. We also plan on developing and marketing new skincare products to add to our existing line of over fifty product offerings.

We appreciate the support of our Company's Board of Directors, the diligence and hard work of our employees, and the loyalty of our customers. As always, we thank you for your support as well.

Sincerely,



Warren B. Kanders  
Chairman of the Board



Andrew H. Meyers, CPO  
President and CEO



W. Gray Hudkins  
Chief Operating Officer



## **CORPORATE INFORMATION**

### **BOARD OF DIRECTORS**

Warren B. Kanders  
Chairman

Andrew H. Meyers  
President and CEO

Burt R. Ehrlich  
Consultant

Jonathon R. Foster  
*Vice President,  
E-Trade Financial, Inc.*

Arthur Goldsein  
*Consultant*

Gregory Nelson  
*Consultant*

### **MANAGEMENT**

Warren B. Kanders  
Chairman

Andrew H. Meyers, CPO  
President and CEO

W. Gray Hudkins  
Chief Operating Officer

Joseph P. Ciavarella  
Vice President and Chief Financial  
Officer

## **STOCKHOLDER INFORMATION**

### **HEADQUARTERS**

Langer Inc.  
450 Commack Road  
Deer Park, NY 11729  
(631) 667-1200

### **INVESTOR RELATIONS CONTACT**

Joseph P. Ciavarella  
(203) 428-2000

### **STOCK QUOTATION**

The Company's common stock is quoted on the Nasdaq Small Cap under the symbol GAIT.

### **REGISTRAR AND TRANSFER AGENT**

Registrar and Transfer Company  
10 Commerce Drive  
Cranford, NJ 07016-3572

### **INDEPENDENT ACCOUNTANTS**

Deloitte & Touche LLP  
2 Jericho Plaza  
Jericho, NY 11753-1683

### **LEGAL COUNSEL**

Kane Kessler, P.C.  
1350 Ave. of the Americas  
New York, NY 10019

### **ANNUAL MEETING**

The Annual Meeting of Stockholders will be held on Thursday, June 23, 2005, at 10:30 am Eastern Daylight Time at One Landmark Square, 22<sup>nd</sup> Floor, Stamford, CT 06901. Detailed information about the meeting is contained in the Notice of Annual Meeting and Proxy Statement sent with a copy of this Annual Report.

### **MARKET QUOTES**

Current quotes for Langer common stock can be viewed at [www.langerinc.com](http://www.langerinc.com). No cash dividends have been declared.



