

Media Release

Synthes Announces Strong Full Year 2007 Sales and Net Earnings Growth of 15.4% and 20.4% (12.5% and 18.7% in local currencies)

West Chester (PA), USA, February 28, 2008

Synthes (SWX: SYST.VX) today announced its Full Year 2007 financial results.

Fourth Quarter 2007

- **Consolidated sales** increased by 17.4% (13.1% in local currencies) over prior year (PY) to US\$ 738.0 million
- Synthes received **FDA approval of ProDisc-C**
- Synthes completed **acquisition of N Spine**

Full Year 2007

- **Consolidated sales** increased by 15.4% (12.5% in local currencies) over PY to US\$ 2,759.7 million
- **Continued sales growth** in all divisions and regions was primarily due to enhanced product offerings, sales force expansion and a strong dedication to customer service
- Strong sales growth in **North America**, mainly driven by Trauma
- **Europe** and **Rest of the World** benefited from further penetration of new products while expanding educational efforts
- **Asia Pacific's** growth was impacted by the implementation of two government mandated price cuts; absent the price decreases, the region would have experienced double-digit sales growth
- Strong **gross margin** at 81.0%, despite increased provisions for inventory obsolescence
- **Operating expenses** as a percentage of sales decreased vs. PY by 1.8 pps
- **Income tax rate** increased by only 0.5 pps, despite the FIN 48 impact of approximately +2.0 pps
- **Net earnings** of US\$ 612.6 million represent an increase of 20.4% (18.7% in local currencies) vs. PY and once again exceeded double-digit sales growth
- **Strong profitability** and improved working capital management resulted in the cash balance increasing by 88% vs. PY to US\$ 544.9 million
- **Dividend** increases from CHF 0.75 to CHF 0.90

Michel Orsinger, President and CEO of Synthes, comments the 2007 performance:

"We are very pleased with our sales growth and operational results in all regions. Our strategy of focusing on innovation, sales force and education, continues to be effective, as evidenced by our double digit growth in all divisions. We are determined to further strengthen Synthes' market position in 2008."

Financial Summary

Sales

In US\$ millions	4 th Quarter 2007 (October – December)			
Consolidated Net Sales	2007	2006	% Change (in US\$)	% Change (in local currencies) ¹
North America	447.0	391.4	14.2%	13.7%
Europe	177.9	139.3	27.7%	15.9%
Asia Pacific	73.3	64.3	13.9%	6.8%
Rest of the World	39.8	33.9	17.7%	6.9%
Total	738.0	628.9	17.4%	13.1%

In US\$ millions	Full Year 2007 (January – December)			
Consolidated Net Sales	2007	2006	% Change (in US\$)	% Change (in local currencies) ¹
North America	1,721.0	1,525.1	12.8%	12.6%
Europe	637.3	519.1	22.8%	13.4%
Asia Pacific	248.4	220.1	12.8%	8.7%
Rest of the World	153.0	127.3	20.3%	13.9%
Total	2,759.7	2,391.6	15.4%	12.5%

¹ Local currencies – 2007 results translated at 2006 foreign exchange rates.

Key Financial Results

Consolidated Operations in US\$ millions (except no. of employees and per share data)	Jan–Dec 2007	As a % of Sales	Jan–Dec 2006	As a % of Sales	% Change (in US\$)	% Change (in local currencies) ¹
Net Sales	2,759.7	100.0%	2,391.6	100.0%	15.4%	12.5%
Gross Profit	2,234.7	81.0%	1,957.9	81.9%	14.1%	11.9%
Operating Income	904.6	32.8%	762.6	31.9%	18.6%	17.0%
Net Earnings	612.6	22.2%	508.8	21.3%	20.4%	18.7%
Earnings per share	5.16	n/a	4.38	n/a	17.8%	16.2%
No. of Employees on Dec. 31 st	9,070	n/a	8,451	n/a	7.3%	n/a
Capital Expenditures	223.1	n/a	190.3	n/a	17.2%	13.8%
Free Cash Flow	602.0	n/a	343.6	n/a	75.2%	72.6%

¹ Local currencies – 2007 results translated at 2006 foreign exchange rates.

FOURTH QUARTER 2007

Strong growth at 13.1% in local currencies vs. PY

North America's solid performance was in large part fueled by the continued strong growth above market in Trauma (including Power Tools) and CMF (Cranio-Maxillofacial) resulting from important new products, technical service and high quality educational programs.

In **Europe**, Synthes continued to gain market share with double-digit growth in Trauma, Spine and CMF. Growth was fueled by the expansion of Synthes' highly qualified sales force, increased educational offerings and the introduction of new products. The UK, Spain and Italy experienced exceptionally strong growth. Synthes Europe delivered high growth, primarily as a result of volume.

In **Asia Pacific**, growth was achieved in all divisions with strong growth in Spine. In Trauma, the Asia-specific intramedullary nail PFNA continued to be well received in Japan.

SECOND HALF 2007

Second half 2007 was an improvement vs. first half 2007. Local currency sales growth increased to 13.1% (vs. 11.9%), while operating expenses as a percentage of sales declined to 47.2% (vs. 49.3%), both of which contributed to second half earnings growth of 22.1% (vs. 14.9%) in local currencies.

FULL YEAR 2007

2007 full year gross profit margin of 81.0% (as a percentage of sales) declined versus full year 2006 of 81.9% due to increased inventory obsolescence. Excluding the impact of incremental inventory obsolescence charges, gross profit margins improved slightly to 82.1% in 2007 versus prior year as a result of manufacturing efficiency gain initiatives.

Operating expense as a percentage of sales improved in 2007 versus prior year as a result of productivity improvements and lower AO royalty payments. Reductions in Selling & Promotion and General & Administrative expenses resulted from various productivity improvement programs.

Other income (expense) was favorably impacted by higher foreign exchange gains and the settlement of the Globus litigation.

Synthes adopted the new US GAAP requirements of Financial Accounting Standards Board (FASB) No. 48, Accounting for Uncertainty in Income Taxes (FIN 48), on January 1, 2007. FIN 48 lowers the threshold with respect to recognition of income tax liabilities. Improvements in the income tax rate were achieved due to tax planning efforts (decrease of approximately 1.5 pps), however they were slightly more than offset by the negative impact of FIN 48 (increase of approximately 2.0 pps).

Synthes continued to invest heavily in its future growth as evidenced by full year 2007 capital expenditures of US\$ 223 million, including sales support equipment investments of US\$ 138 million, representing an increase of 16% versus prior year.

Synthes' cash generated from operating activities increased 66% to US\$ 868.6 million versus prior year, resulting in a free cash flow of US\$ 602.0 million.

During 2007, Synthes increased its staffing by more than 600 employees, half of which were field sales consultants. On December 31, 2007 the group employed 9,070 staff worldwide.

N Spine Acquisition

In December 2007 Synthes acquired N Spine to enter the dynamic stabilization market for the lumbar spine. The acquisition price included US\$ 32.4 million (cash and transaction costs), payments of up to US\$ 45 million based upon the achievement of certain milestones and, furthermore, additional earn-out payments based on product sales.

ProDisc®-C

ProDisc®-C Total Disc Replacement was fully approved for commercial sale and distribution in the United States by the US FDA (Food and Drug Administration) in December 2007.

Dividend Approval

The Board of Directors of Synthes, Inc. has approved a dividend of CHF 0.90 per share for the year 2007 payable on April 30, 2008. The stock will trade ex-dividend on March 26, 2008. Stock positions held on the record date, March 28, 2008, are entitled to dividend payments.

Product Highlights (Fourth Quarter 2007)

Significant growth contributors in **TRAUMA** in the fourth quarter were the **TFN** (Trochanteric Fixation Nail) and the **PFNA** (Proximal Femoral Nail). Both products are femoral nails which are used to treat one of the most common fractures (upper leg).

The **RAFN** (Retrograde Antegrade Femoral Expert Nail), another product for the fixation of the femur, has also had a significant impact on growth, especially in the US.

The **LCP (Locking Compression Plate) platform** continued to add to the fourth quarter growth with increased sales in new products like the LCP Olecranon Plates (elbow), the LCP Mini Fragment system and the new LCP Volar Column plates used to treat fractures of the distal radius (wrist).

New product Trauma launches in the fourth quarter included **DBX Strip**, the **Pediatric LCP Hip Plate** system and the **Locking Foot Module**.

DBX Strip is the newest formulation of demineralized bone matrix in the DBX family of tissue forms that include DBX Paste and Putty. It had previously been used in Spine applications, however, has been adapted for use in Trauma.

The Pediatric Hip Plate system and the Locking foot modules are extensions of the LCP technology. The Hip Plate system is designed for the fixation of fractures in the proximal femur in children, adolescents and small statured adults. The Locking Foot module is for the fixation of fractures, osteotomies and fusions of small bones and small bone fragments in the foot and ankle, particularly in osteopenic bone.

In **SPINE**, the **SynFix-LR**, a cage with screws to replace and fuse a diseased intervertebral disc, is still proving its clinical superiority with its unique anterior-only access and was a key contributor to the division's growth in the fourth quarter.

The **Pangea** pedicle screw-system, used to stabilize degenerated lumbar spine segments, also continued to gain momentum and contributed significantly to Spine's growth.

Synthes began with surgeon training and a controlled roll-out of **ProDisc®-C Total Disc Replacement** in January 2008. Synthes became the first company to offer both a lumbar as well as a cervical artificial disc replacement on the US market.

An important fourth quarter 2007 product launch in Spine was the **Synapse** system, a comprehensive set of instruments and implants designed for posterior stabilization of the upper spine. The implants provide the flexibility required to accommodate variations in patient anatomy, therefore, satisfying the implantation preferences of different surgeons while simplifying the procedure.

In **CMF**, most notably **MatrixNEURO** contributed to the result on a global scale. MatrixNEURO is a complete plate-and-screw system for fast closure of bone flaps and rapid fixation of cranial fractures.

Patient-Specific Implants (PSI) also significantly contributed to CMF's growth in the fourth quarter. PSI are customized implants offered in PEEK or Titanium and provide a solution to patients with large craniofacial defects

Outlook

For 2008, Synthes expects to achieve low double-digit local currency sales growth.

Synthes: A leading medical device company

Synthes is a leading global medical device company. We develop, produce and market instruments, implants and biomaterials for the surgical fixation, correction and regeneration of the human skeleton and its soft tissues.

Audio-Webcast

Today's Media/Financial Analysts Conference at 11:00 am CET will be webcast live on <http://www.synthes.com/html/index.php?id=7326&L=0>. A recording will be available on the same website as of 3:00 pm CET.

Image Bank

A selection of product and company images can be found at <http://www.synthes.com/html/Media-Corner.7325.0.html?&L=0>.

For further information please contact

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