

Synthes' First Half 2009 Results

West Chester (PA), USA, July 29, 2009

Synthes (SWX: SYST.VX) today announced its **First Half Year 2009** financial results, with sales and earnings growth of 4.0% and 9.4%, respectively (10.4% and 12.7%, respectively, in local currencies).

Second Quarter 2009

- **Sales gained momentum** vs. Q1 2009 with 11.2% growth in local currencies (LC) vs. prior year (PY)
- **Consolidated sales** of US\$ 831.0 million increased by US\$ 38.5 million vs. PY
- **North America** sales growth accelerated in spite of continued economic challenges
- **Asia Pacific** also gained momentum and generated strong growth due to the performance in developing markets
- **Global product development** processes and organizations continue to be strengthened

First Half Year 2009

- **Net earnings** of US\$ 381.7 million, compared to US\$ 348.8 million in 2008, grew in excess of double-digit sales growth in LC
- **Consolidated sales** of US\$ 1,636.0 million increased by US\$ 62.5 million (US\$ 164.0 million in LC)
- **Double-digit sales growth** was achieved in all regions and product groups outside of North America
- **North America's** growth was driven by new Spine and Trauma products, despite a recessionary U.S. economy
- **Gross margin** remained solid at 83.1%
- **Income tax rate decreased** by 2.8 pps vs. PY to 29.5%
- **Free cash flow generation** of US\$ 364.9 million, was significantly higher vs. H1 2008, resulting in a record cash balance of US\$ 1,133.1 million (30% growth vs. year end 2008)
- **Increased penetration of new products**, sales force expansion, and ongoing educational efforts continue to positively influence future growth

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

"We are pleased with our performance, especially our strong low double-digit top-line growth during the second quarter 2009. This is a solid result considering the challenging economic environment. Our continued focus on new product launches, sales force expansion, education, and productivity improvements allowed us to deliver good financial results."

FINANCIAL SUMMARY

Sales Results (unaudited)

	Second Quarter 2009 (April - June)			
Consolidated Net Sales (in US\$ millions)	2009	2008	% Change (in US\$)	% Change (in local currency)*
North America	511.2	471.7	8.4%	8.9%
Europe	190.3	196.1	-2.9%	14.1%
Asia Pacific	83.6	74.4	12.3%	19.3%
Rest of World	45.9	50.3	-8.7%	10.2%
Total	831.0	792.5	4.9%	11.2%

	First Half Year 2009 (January - June)			
Consolidated Net Sales (in US\$ millions)	2009	2008	% Change (in US\$)	% Change (in local currency)*
North America	1,011.4	943.5	7.2%	7.8%
Europe	376.1	387.1	-2.9%	14.8%
Asia Pacific	161.4	149.9	7.7%	13.6%
Rest of World	87.1	93.0	-6.2%	14.2%
Total	1,636.0	1,573.5	4.0%	10.4%

Financial Results (unaudited)

Consolidated Operations in US\$ millions <i>(except no. of employees and per share data)</i>	Jan-Jun 2009	As a % of Sales	Jan-Jun 2008	As a % of Sales	% Change (in US\$)	% Change (in local currency)*
Net Sales	1,636.0	100.0%	1,573.5	100.0%	4.0%	10.4%
Gross Profit	1,359.5	83.1%	1,310.0	83.3%	3.8%	8.3%
Operating Income	544.8	33.3%	530.8	33.7%	2.6%	5.2%
Net Earnings	381.7	23.3%	348.8	22.2%	9.4%	12.7%
Earnings per share	3.22	n/a	2.94	n/a	9.5%	12.6%
No. of Employees on June 30 th	10,443	n/a	9,617	n/a	8.6%	n/a
Capital Expenditures	122.1	n/a	126.5	n/a	-3.4%	4.4%
Free Cash Flow	364.9	n/a	161.9	n/a	125.4%	131.5%

* Local currency: 2009 results translated at 2008 foreign exchange rates

REGIONAL PERFORMANCE (Second Quarter 2009)

North America gained momentum vs. the first quarter and achieved high single-digit growth despite a challenging economic environment. In Trauma, Synthes leveraged its product development strength, product quality and the skills of its highly trained sales force to launch a number of new products and maintain its leadership position. Spine's good performance continued as a result of new product introductions and sales force expansion. These achievements were realized despite reduced procedure volumes, a more challenging pricing environment and pressure on inventory reduction from our hospital customers.

In **Europe**, Synthes continued to generate double-digit local currency growth across all product groups. This was the result of the organization's ongoing focus on sales force expansion, introduction of new products, educational initiatives to improve patient outcomes, and the establishment of a direct sales force in Northern Germany. Our new minimal invasive Spine products, such as In-Space and VBS (Vertebral Body Stent), combined with the introduction of our new locking screw concept for Trauma nails (ASLS) have gained widespread market acceptance.

Asia Pacific's sales growth accelerated due to double-digit sales growth in China and India. In Japan, Synthes posted low double-digit sales growth (in LC) despite government mandated price decreases. The expansion of the sales force in underpenetrated markets and the launch of a significant number of products continued to positively influence growth across the entire region. Additionally, the LCP platform and PFNA product lines were again well received by customers.

Rest of World (Latin America and Middle East) continued to experience strong growth across all product groups, primarily as a result of the major Latin American countries growing at a double-digit local currency rate. This growth was achieved in spite of the absence of Middle Eastern tenders, which favorably impacted the second quarter of 2008. New product launches across all product groups and sales force expansion contributed to the solid performance.

FINANCIAL PERFORMANCE (First Half Year 2009)

First half year 2009 **gross profit margin** of 83.1% (as a percentage of sales) remained strong.

Operating expenses (as a percentage of sales) were slightly up vs. PY due to a negative FX impact. Productivity improvements remained a priority and helped to partially offset increased legal expenses.

Other Income (Expense) in relation to PY was favorably impacted by an absence of FX losses which were experienced in 2008. Interest income declined despite increasing cash balances, due to the reduction in interest rates.

Improvement in the **income tax rate** to 29.5% (vs. 32.3% in H1 2008) was achieved due to a continuation of tax planning efforts and favorable settlement of tax contingencies.

Capital Expenditures of US\$ 122.1 million reflect Synthes' commitment to business expansion. Sales force equipment investments (implant and instrument sets) represent approximately 60% of total capital expenditures. Sales force investments demonstrate Synthes' continued support of its sales force and new product launches.

Synthes' **net cash flow** of US\$ 261.5 million vs. year end 2008 resulted in a record cash balance of US\$ 1,133.1 million.

Inventory turns (LC) improved to 1.1 vs. PY 1.0, whereas **inventory levels** increased by US\$ 50.5 million. This increase was primarily due to seasonal holiday build-up and an increase to support growth in Asia Pacific.

During the first half year 2009, Synthes increased its staffing by almost 500 employees. Over 80% of the increase consisted of sales force and manufacturing personnel. On June 30, 2009, Synthes employed **10,443 employees** worldwide.

OUTLOOK

Synthes continues to remain focused and committed to its core strategies of innovative new product launches, sales force expansion and education. Synthes expects to maintain its current performance for the balance of the year, despite a challenging global economic environment.

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.

First Half 2009 Interim Report

The First Half 2009 Financial Statements incl. Notes can be downloaded on <http://www.synthes.com/html/Financial-Reports.4355.0.html>.

Financial Analyst Phone Conference

For details about today's Financial Analyst Phone Conference at 2.30 PM CEST please refer to the Investor Relations Calendar on <http://www.synthes.com/html/index.php?id=7326&L=0>.

Image Bank

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

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In addition, it should be noted that past financial and operational performance of the company is not necessarily indicative of future financial and operational performance. Synthes undertakes no obligation to update any forward-looking statements, whether as a result of new information, future events or otherwise.

The securities of Synthes have been offered and sold outside the United States and have not been and will not be registered under the U.S. Securities Act of 1933, as amended ("Securities Act"). Such securities may not be offered, sold or transferred in the U.S. or to U.S. Persons (as defined in the regulations of the Securities Act), except pursuant to a registration statement filed under the Securities Act or under an applicable exemption under the Securities Act. Hedging transactions involving such securities may not be conducted unless in compliance with the Securities Act. The Synthes securities are deemed "Restricted Securities" as that term is defined in Rule 144 under the Securities Act.