

Synthes First Half 2010: Solid Growth and Improved Profitability

West Chester (PA), USA, July 29, 2010

Synthes (SIX: SYST.VX) today announced its **First Half Year 2010** financial results with **sales and earnings growth of 10% and 11%**, respectively (8% and 9% in local currency).

First Half 2010

- **Consolidated sales** of US\$ 1,803.9 million increased 10.3% (7.9% in local currency [LC]) vs. prior year (PY).
- **Net earnings** of US\$ 424.6 million; with growth of 9.3% in LC that exceeded sales growth.
- **Operating expenses** as a percentage of sales (in LC) decreased by 110 bps (to 48.7%) vs. PY mainly due to ongoing productivity gain initiatives and lower legal expenses.
- **Income tax rate** decreased by 0.9 pps to 28.6% due to continued tax planning efforts.
- **Free cash flow** generation was US\$ 344.2 million.
- **North America** growth was fueled by good performances in Trauma and CMF, somewhat offset by the weaker performance of Spine.
- **Europe, Asia Pacific** and **Rest of World** performance was strong with double-digit LC sales growth.

Second Quarter 2010

- **Consolidated sales** of US\$ 892.2 million increased 7.4% (6.9% in LC) vs. PY.
- **Ongoing economic conditions**, coupled with pricing dynamics, continued to challenge growth in North America and Europe.
- **Asia Pacific's** growth continued to be solid with double-digit sales growth despite government-mandated price reductions in Japan.
- **Rest of World** gained momentum due to the first delivery of Middle Eastern tender order and improving distributor business in Latin America.
- **Synthes formally opened a new manufacturing facility in China** which supports the Company's global mission of providing high-quality, innovative solutions to more surgeons and patients worldwide.

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

"Synthes' first half 2010 delivered solid top-line growth performance with growth in profits exceeding sales growth. While challenging economic and industry conditions continue to impact growth in our markets, the cost control measures that we have implemented have allowed us to improve our profitability."

FINANCIAL SUMMARY

Sales Results (unaudited)

	First Half Year 2010 (January - June)			
Consolidated Net Sales (in US\$ millions)	2010	2009	% Change (in US\$)	% Change (in local currency)*
North America	1,064.5	1,011.4	5.3%	4.8%
Europe	421.4	376.1	12.1%	10.7%
Asia Pacific	201.8	161.4	25.0%	15.0%
Rest of World	116.2	87.1	33.4%	17.9%
Total	1,803.9	1,636.0	10.3%	7.9%

	Second Quarter 2010 (April - June)			
Consolidated Net Sales (in US\$ millions)	2010	2009	% Change (in US\$)	% Change (in local currency)*
North America	531.4	511.2	4.0%	3.6%
Europe	195.3	190.3	2.6%	8.2%
Asia Pacific	101.6	83.6	21.6%	13.3%
Rest of World	63.9	45.9	39.1%	27.2%
Total	892.2	831.0	7.4%	6.9%

Key Financial Results (unaudited)

Consolidated Operations in US\$ millions <i>(except no. of employees and per share data)</i>	Jan-Jun 2010	As a % of Sales	Jan-Jun 2009	As a % of Sales	% Change (in US\$)	% Change (in local currency)*
Net Sales	1,803.9	100.0%	1,636.0	100.0%	10.3%	7.9%
Gross Profit	1,485.6	82.4%	1,359.5	83.1%	9.3%	7.0%
Operating Income	602.9	33.4%	544.8	33.3%	10.7%	9.1%
Net Earnings	424.6	23.5%	381.7	23.3%	11.2%	9.3%
Earnings per share	3.58	n/a	3.22	n/a	11.2%	9.0%
No. of Employees on June 30 th	11,014	n/a	10,443	n/a	5.5%	n/a
Capital Expenditures	136.1	n/a	122.1	n/a	11.4%	7.6%
Free Cash Flow	344.2	n/a	364.9	n/a	-5.7%	-7.6%

*Local currency: 2010 results translated at 2009 foreign exchange rates.

REGIONAL PERFORMANCE (Second Quarter 2010)

North America experienced strong performances in Trauma and CMF, which was partially offset by Spine's performance. Solid growth in Trauma was achieved through two major factors. First, Trauma executed customer targeting and competitive conversion initiatives. Second, Trauma launched several new products that were quickly adopted by Surgeons, such as the TFN Lag Screw and the LCP Periarticular Proximal Humerus Plate. CMF delivered strong sales growth, due to increased adoption of the Matrix facial plating line and the growing popularity of thoracic products such as Titanium Sternal Fixation System that allow Synthes to serve new Surgeon customers. Spine's performance reflected market dynamics of a less favorable pricing environment coupled with a delayed product launch in the posterior lumbar fixation segment.

In Europe, Trauma and CMF continued to perform well, whereas Spine encountered some of the same challenges as in North America. Synthes continued to introduce new products and to expand its direct sales force into new markets.

Asia Pacific's sales performance was strong in spite of additional government-mandated price reductions in Japan as well as the strong base from PY. Growth was fueled by continued new product introductions and further expansion of a dedicated sales force across the region. Sales grew once again at a high double-digit rate in China and India.

Rest of World gained sales growth momentum with strong results positively impacted by the first shipments of a tender order to the Middle East and by slowly improving performance in countries with distributorships in Latin America.

FINANCIAL PERFORMANCE (First Half Year 2010)

First half year 2010 **gross profit margin of 82.4%** (as a percentage of sales) was lower vs. PY of 83.1% due to reduced overall average selling prices. However, the first half 2010 gross profit margin represents an improvement vs. second half 2009 of 82.0%.

Operating expenses (as a percentage of sales) improved by 90 bps vs. PY (110 bps in LC) mainly due to ongoing productivity improvements and lower legal expenses. **Other Income (Expense)** was unfavorably impacted by higher foreign exchange (FX) losses vs. 2009 primarily due to the strengthening of the Swiss Franc vs. several other currencies, most notably the Euro. An **income tax rate** improvement to 28.6% (vs. 29.5% in PY) was once again achieved through continued tax planning efforts.

Capital Expenditures of US\$ 136.1 million reflected Synthes' continuous commitment to business expansion and growth. Sales force equipment investments (implant and instrument sets) represent approximately 60% of total capital expenditures.

During the first half 2010, Synthes increased its staffing by **309 employees**. Approximately 80% of this increase consisted of sales force and manufacturing personnel. Synthes employed **11,014 employees** worldwide on June 30, 2010.

OUTLOOK

Synthes is committed to maintaining momentum in Trauma and CMF as well as implementing corrective measures to improve performance in Spine. The Company does not expect the challenging and dynamic market environment to change in the short-term.

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 2010 Interim Report

The First Half 2010 Financial Statements incl. Notes can be downloaded on <http://www.synthes.com/html/Financial-Reports.4355.0.html?&L=0>.

Media / Financial Analyst Phone Conference

For details about today's Media / Financial Analyst Phone Conference at 2.30 PM CEST please refer to the [Investor Relations Calendar](#).

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For further information please contact

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