



Unaudited Interim Condensed Consolidated

Financial Statements

As of June 30, 2005

Synthes, Inc. and subsidiaries
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Statements

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Synthes Announces Strong First Half-Year 2005 Results

Solothurn/Switzerland August 11, 2005

Synthes sales and profits grew by 19.6% and 53.3%, respectively, for the first half 2005 versus prior year results. Pro forma for the acquisition of Mathys' Osteosynthesis business as though the acquisition had occurred on January 1, 2004, sales and profits for the first half grew by 17.0% and 19.7%, respectively.

Synthes consolidated sales and profits were \$1,026.5 million and \$224.5 million, respectively, for the first half of 2005. Foreign exchange positively impacted pro forma consolidated sales and profit growth by 2.1% and 2.2%, respectively. First half 2005 earnings growth comparison of 53.3% versus first half 2004 was positively impacted by a write-off of \$40.9 million in 2004 associated with the acquisition of Mathys, and five months of Mathys' activity in 2004 versus six months in 2005.

Continued growth in all segments and regions driven by expanded sales force and increased training activities.

The Trauma and CMF divisions growth in the second quarter / first half 2005 continued to out-pace the market. Additionally, the introduction of the Trochanteric Fixation Nail (TFN) product line and the successful introduction of 24 Locking Compression Plate (LCP) products, thus far, are the primary drivers of the continuing growth in the Trauma division. The Spine division showed strong growth over the prior year primarily due to increased sales in the Anterior Thoracolumbar, Deformity and Biologics segments. Geographically, the second quarter / first half 2005 experienced strong sales growth in all regions versus prior year.

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 and regeneration of the human skeleton and its soft tissues.

Synthes, Inc and subsidiaries
Condensed Consolidated Balance Sheets
As of June 30, 2005, December 31, 2004 and June 30, 2004

	(Unaudited) June 30, 2005 <i>in 1,000 US\$</i>	Dec. 31, 2004 <i>in 1,000 US\$</i>	(Unaudited) June 30, 2004 <i>in 1,000 US\$</i>
Assets			
Current assets			
Cash and cash equivalents	280'316	263'646	209'300
Marketable securities	10	10	163
Accounts receivable			
Trade	348'959	333'282	296'276
Less Trade allowance	(6'627)	(6'479)	(4'470)
Other	29'774	23'630	24'342
Inventories, net	310'252	287'999	247'117
Prepaid expenses and other current assets	4'343	7'171	13'426
Deferred income taxes	11'730	47'013	17'443
Total current assets	978'757	956'272	803'597
Property, plant and equipment, net	481'493	489'771	433'583
Other assets			
Non-current portion of marketable securities	116	131	157
Intangible assets	973'217	1'088'429	983'386
Less accumulated amortization of intangibles	(49'840)	(39'437)	(24'998)
Goodwill	845'634	958'439	900'430
Other assets	28'012	29'434	19'035
Deferred income taxes	41'613	16'545	31'555
Total other assets	1'838'752	2'053'541	1'909'565
Total assets	3'299'002	3'499'584	3'146'745
Liabilities and stockholders' equity			
Current liabilities			
Current maturities of long-term debt	104'129	106'981	100'499
Accounts payable	43'265	48'287	36'729
Income taxes payable	52'728	41'064	43'762
Accrued expenses	194'605	189'189	167'752
Deferred income taxes	20'716	27'880	14'678
Total current liabilities	415'443	413'401	363'420
Long-term debt, net of current maturities	318'331	418'408	475'474
Deferred credit	52'953	52'953	79'888
Other long-term liabilities	26'395	27'354	29'558
Deferred income taxes	259'224	289'377	254'685
Minority interests	7'444	5'677	4'088
Total liabilities	1'079'790	1'207'170	1'207'113
Commitments and contingencies	-	-	-
Stockholders' equity			
Common stock CHF 0.001 par value, shares authorized - 150,000,000; shares issued - June '05 - 114,944,858; Dec. '04 and June '04 - 114,872,630	76	76	76
Additional paid-in-capital	1'510'493	1'504'847	1'504'687
Treasury stock - at cost	(590)	(652)	(626)
Retained earnings	669'286	511'642	334'218
Accumulated other comprehensive income	39'947	276'501	101'277
Total stockholders' equity	2'219'212	2'292'414	1'939'632
Total liabilities and stockholders' equity	3'299'002	3'499'584	3'146'745

See Notes to Condensed Consolidated Financial Statements (Unaudited).

Synthes, Inc and subsidiaries
Condensed Consolidated Statements of Operations (Unaudited)
For the six months ended June 30, 2005 and 2004

	June 30, 2005 <i>in 1,000 US\$</i>	June 30, 2004 <i>in 1,000 US\$</i>
Net sales	1'026'523	858'054
Cost of goods sold	165'211	217'404
Gross profit	861'312	640'650
Operating expenses		
Selling and promotion	290'284	232'765
General and administrative	122'833	85'578
Research and development	54'233	49'512
Royalty expense	36'849	32'812
Operating income	357'113	239'983
Other income (expense)		
Interest expense	(6'846)	(8'569)
Interest income	2'556	1'121
Foreign exchange gains	5'959	11'312
Other, net	(14'227)	(10'901)
Earnings before minority interest	344'555	232'946
Minority interest	1'423	(106)
Earnings before income taxes	343'132	233'052
Income taxes	118'605	86'566
Consolidated net earnings	224'527	146'486
Basic and diluted earnings per share (expressed in US\$)		
Consolidated earnings	1.95	1.29
	<i>in 1,000 of shares</i>	<i>in 1,000 of shares</i>
Weighted average number of common shares outstanding	114'905	113'859
Weighted average number of common shares outstanding with dilutive effect	114'960	113'860

See Notes to Condensed Consolidated Financial Statements (Unaudited).

Synthes, Inc and subsidiaries
Condensed Consolidated Statements of Changes in Stockholders' Equity (Unaudited)
For the six months ended June 30, 2005 and 2004

	<u>Common stock</u>		<u>Additional</u>	<u>Treasury</u>	<u>Retained</u>	<u>Accumulated</u>	<u>Consolidated</u>	<u>Comprehensive</u>
	<u>number</u>	<u>in 1,000 US\$</u>	<u>paid-in</u>	<u>stock</u>	<u>earnings</u>	<u>other</u>	<u>total</u>	<u>income</u>
	<u>of shares</u>		<u>capital</u>	<u>in 1,000 US\$</u>	<u>in 1,000 US\$</u>	<u>income</u>	<u>equity</u>	<u>(loss)</u>
			<u>in 1,000 US\$</u>	<u>in 1,000 US\$</u>	<u>in 1,000 US\$</u>	<u>(loss)</u>	<u>in 1,000 US\$</u>	<u>in 1,000 US\$</u>
						<u>in 1,000 US\$</u>		
Balance December 31, 2003	109'759	72	1'056'912	(1'772)	249'881	124'595	1'429'688	-
Net earnings YTD June 30, 2004	-	-	-	-	146'486	-	146'486	146'486
Issuance of common stock in connection with business acquisition	5'107	4	446'226	-	-	-	446'230	-
Issuance of common stock	7	-	344	-	-	-	344	-
Re-issuance of treasury shares	-	-	1'205	1'146	-	-	2'351	-
Dividends CHF 0.7000 (US\$ 0.5419) per share	-	-	-	-	(62'149)	-	(62'149)	-
Foreign currency translation adjustment YTD June 30, 2004	-	-	-	-	-	(23'318)	(23'318)	(23'318)
Balance June 30, 2004	114'873	76	1'504'687	(626)	334'218	101'277	1'939'632	123'168
Balance December 31, 2004	114'873	76	1'504'847	(652)	511'642	276'501	2'292'414	-
Net earnings YTD June 30, 2005	-	-	-	-	224'527	-	224'527	224'527
Issuance of common stock	72	-	5'587	-	-	-	5'587	-
Re-issuance of treasury shares	-	-	59	62	-	-	121	-
Dividends CHF 0.7000 (US\$ 0.5819) per share	-	-	-	-	(66'883)	-	(66'883)	-
Foreign currency translation adjustment YTD June 30, 2005	-	-	-	-	-	(236'554)	(236'554)	(236'554)
Balance June 30, 2005	114'945	76	1'510'493	(590)	669'286	39'947	2'219'212	(12'027)

See Notes to Condensed Consolidated Financial Statements (Unaudited).

Synthes, Inc and subsidiaries
Condensed Consolidated Statements of Cash Flows (Unaudited)
For the six months ended June 30, 2005 and 2004

	June 30, 2005 <i>in 1,000 US\$</i>	June 30, 2004 <i>in 1,000 US\$</i>
Cash flows from operating activities		
Net earnings	224'527	146'486
Adjustments to reconcile net earnings to net cash provided by operating activities		
Minority interest	1'423	(106)
Inventory charge related to business acquisition	-	52'438
Provisions for inventory obsolescence	6'353	6'743
Depreciation	66'948	48'591
Amortization	13'429	11'364
Changes in working capital and other	(54'036)	(68'613)
Net cash provided by operating activities	258'644	196'903
Cash flows from investing activities		
Capital expenditures for property, plant and equipment	(93'415)	(53'408)
Proceeds from disposal of property, plant and equipment	6	15
Business acquisitions, net of cash acquired	-	(833'468)
Investment in non-consolidated investments and other long-term assets	(1'402)	(2'031)
Disposals of non-consolidated investments and other long-term assets	264	6'754
Investment in licenses, patents and other intangibles	(1'613)	-
Disposals of licenses, patents and other intangibles	24	17
Issuance of loans	(331)	(254)
Proceeds from loans	1'392	4'974
Purchases of available-for-sale securities	-	(317)
Sales and maturities of available-for-sale securities	-	42
Net cash used in investing activities	(95'075)	(877'676)
Cash flows from financing activities		
Principal payments of debt and capital lease obligations	(76'605)	(66'426)
Proceeds from issuance of long-term debt	6'116	545'534
Proceeds from issuance of common stock in connection with stock options	4'505	344
Dividends paid to stockholders	(66'883)	(62'149)
Net cash (used in) provided by financing activities	(132'867)	417'303
Effects of exchange rate changes on cash and cash equivalents	(14'032)	47'044
Net increase (decrease) in cash and cash equivalents	16'670	(216'426)
Cash and cash equivalents as of January 1	263'646	425'726
Cash and cash equivalents as of June 30	280'316	209'300
Supplemental disclosures of cash flow information		
Interest paid	6'808	5'175
Income taxes paid	99'100	80'220
Non-cash transactions		
Issuance of common stock	1'082	446'230

See Notes to Condensed Consolidated Financial Statements (Unaudited).

1. Description and nature of operations

Synthes, Inc. (the Group) develops, manufactures, and distributes products for the operative treatment of bone fractures including both metallic and osteobiological materials in different areas of the world. Additionally, the Group has a power tools business including development, manufacturing and distribution.

2. Basis of the condensed consolidated financial statements

The accompanying unaudited condensed consolidated financial statements have been prepared in accordance with U.S. GAAP for interim reporting and do not include all the information and notes required by U.S. GAAP for complete financial statements. In the opinion of management, the unaudited condensed consolidated financial statements include all adjustments, consisting only of normal recurring accruals, considered necessary for a fair presentation of the financial position and the results of operations. Operating results for the six-month period ended June 30, 2005, are not necessarily indicative of the results that may be expected for a full fiscal year. For further information, refer to the consolidated financial statements and notes included in the Group's Annual Report for the year ended December 31, 2004.

The consolidated financial statements include the accounts of Synthes, Inc. and all companies in which Synthes, Inc. has directly or indirectly more than 50% voting interest or is the primary beneficiary of a variable interest entity. For those consolidated subsidiaries where ownership is less than 100%, the outside stockholders' interests are shown in minority interest in the accompanying financial statements. Subsidiaries are consolidated from the date of acquisition. Acquisitions of subsidiaries are accounted for using the purchase method of accounting. All intercompany transactions and balances between Group companies are eliminated.

3. Segment reporting

The Group's operations are classified into four reportable segments that manufacture similar products in different geographic areas. The North America, Europe, Asia Pacific and Latin America reportable segments derive their revenues from the sale of medical implants in the respective segments. The key determining factor in identifying the reportable segments is how the Group's Chief Executive Officer routinely reviews the Group's results.

Intersegment revenues are sales made between reportable segments, and are based upon transfer prices. The "Eliminations" column consist primarily of intercompany elimination between the reportable segments. Generally, the Group evaluates performance on the basis of revenues, operating profit and net profit.

Synthes, Inc. and subsidiaries
Notes to Condensed Consolidated Financial Statements (Unaudited)

3. Segment reporting (continued)

For the six months ended June 30, 2005	Reportable segments (in 1,000 US\$)					Consolidated total
	North America	Europe	Asia Pacific	Latin America	Elimi- nations	
External revenue	653'263	250'589	94'943	27'728	-	1'026'523
Intersegment revenue	6'807	142'044	-	-	(148'851)	-
Interest revenue	1'909	557	47	43	-	2'556
Interest expense	6'541	95	126	84	-	6'846
Depreciation and amortization	35'804	41'466	5'542	1'057	(3'492)	80'377
Segment operating income	246'625	112'410	6'251	2'553	(10'726)	357'113
Income tax expense (benefit)	90'781	27'097	2'956	800	(3'029)	118'605
Segment net earnings	155'123	73'700	3'230	1'697	(9'223)	224'527
Segment total assets	708'173	2'190'934	361'894	97'540	(59'539)	3'299'002
Expenditures for long-lived assets	64'543	28'732	7'349	1'858	(6'051)	96'431

For the six months ended June 30, 2004	Reportable segments (in 1,000 US\$)					Consolidated total
	North America	Europe	Asia Pacific	Latin America	Elimi- nations	
External revenue	560'920	208'224	66'947	21'963	-	858'054
Intersegment revenue	6'040	90'672	-	-	(96'712)	-
Interest revenue	685	387	26	23	-	1'121
Interest expense	7'992	452	85	40	-	8'569
Depreciation and amortization	28'386	33'939	1'140	800	(4'310)	59'955
Segment operating income	219'426	27'007 (a)	6'588	821	(13'859)	239'983
Income tax expense (benefit)	83'407	4'848	2'376	130	(4'195)	86'566
Segment net earnings	140'951	12'880	4'119	(600)	(10'864)	146'486
Segment total assets	601'230	2'159'176	347'246	81'999	(42'906)	3'146'745
Expenditures for long-lived assets	42'416	20'850	3'021	1'016	(11'794)	55'509

(a) Includes US \$52.4 million (US \$40.9 million after-tax) of one-time non-cash charge related to the sale of the written-up inventory resulting from the acquisition of Mathys.

4. Earnings per share (EPS)

The following is a calculation of basic and diluted earnings per share for the six months ended June 30, 2005 and 2004. For the diluted earnings per share, the weighted average shares are adjusted to assume conversion of all potential dilutive ordinary shares.

	For the six months ended June 30, 2005 <i>in 1,000 US\$</i>	For the six months ended June 30, 2004 <i>in 1,000 US\$</i>
Net earnings	224'527	146'486
	<i>in 1,000 of shares</i>	<i>in 1,000 of shares</i>
Weighted average number of common shares used in basic EPS	114'905	113'859
Effects of dilutive equity incentive plan stock options	55	1
Weighted average number of common shares and dilutive potential common shares used in diluted EPS	114'960	113'860
Basic EPS (expressed in US\$)	1.95	1.29
Diluted EPS (expressed in US\$)	1.95	1.29

5. Acquisitions

On February 6, 2004, the Group purchased 100% of the outstanding stock of Mathys Medizinaltechnik AG (Mathys), a manufacturer and marketer of Osteosynthesis instruments and implants. Prior to the acquisition date, Mathys' orthopedics business was incorporated into a new entity, which was not purchased by the Group. The consolidated financial statements include the operations of Mathys from the date of acquisition. The acquisition was made for the purpose of establishing a worldwide Osteosynthesis company, optimally positioned to drive innovation and market growth.

The unaudited pro forma information that follows assumes that Mathys had been acquired at the beginning of 2004 and includes the effects of depreciation and amortization of acquired fixed assets and intangible assets that were written up to fair value, respectively, from that date. The impact of the one-time non-cash charge related to the write-up of inventory is not included in these pro forma results. The pro forma information is presented for information purposes only and is not necessarily indicative of the results of operations that would have been achieved had the acquisition taken place at the beginning of 2004.

	For the six months ended June 30, 2004 <i>in 1,000 US\$</i>
Net sales	877'418
Consolidated Net Earnings	187'603
Basic earnings per share (expressed in whole US\$)	1.65
Diluted earnings per share (expressed in whole US\$)	1.65

6. Commitments and contingencies

The Group must observe the laws, government orders and regulations of the countries in which it operates,

Certain subsidiaries are currently involved in legal and administrative proceedings arising out of the normal conduct of their business. The Group records amounts for losses that are probable and reasonably estimable. In the opinion of management, the ultimate outcome of these proceedings is not expected to have a material impact on the consolidated financial position and results of operations.

The Group has, on occasion, been named as a defendant in lawsuits alleging product failure. These product liability cases are routinely handled by in-house and external counsel, and management does not anticipate that any material losses will be sustained by the Group as a result of these claims. Based on the advice of counsel, management has provided reserves for the estimated potential losses. Management believes the outcome of any litigation will not have a material adverse impact on the financial position or operations of the Group.