

CENTERPULSE LTD
Form SC 14D9/A
July 09, 2003

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SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

SCHEDULE 14D-9/A
(RULE 14D-101)

SOLICITATION/RECOMMENDATION STATEMENT
UNDER SECTION 14(D) (4) OF THE
SECURITIES EXCHANGE ACT OF 1934

AMENDMENT NO. 1

CENTERPULSE LTD.
(NAME OF SUBJECT COMPANY)

CENTERPULSE LTD.
(NAME OF PERSON FILING STATEMENT)

REGISTERED SHARES, PAR VALUE CHF 30 PER SHARE, INCLUDING SHARES
REPRESENTED BY AMERICAN DEPOSITARY SHARES
(TITLE AND CLASS OF SECURITIES)

NOT APPLICABLE*
(CUSIP NUMBER OF CLASS OF SECURITIES)

DR. MAX LINK
CHAIRMAN OF THE BOARD OF DIRECTORS
AND CHIEF EXECUTIVE OFFICER
CENTERPULSE LTD.
ANDREASSTRASSE 15
CH-8050, ZURICH
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(NAME, ADDRESS AND TELEPHONE NUMBER OF PERSON AUTHORIZED TO RECEIVE NOTICES AND
COMMUNICATIONS ON BEHALF OF THE PERSON(S) FILING STATEMENT)

COPY TO:

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WEIL, GOTSHAL & MANGES LLP
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NEW YORK, NEW YORK 10153
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* There is no CUSIP Number assigned to the Registered Shares. CUSIP No. 152005104 has been assigned to the American Depositary Shares of Centerpulse Ltd. that are quoted on the New York Stock Exchange under the symbol "CEP". CUSIP No. 152005203 has been assigned to the American Depositary Shares of Centerpulse Ltd. that were issued pursuant to a restricted ADR facility and are not publicly traded.

CHECK THE BOX IF THE FILING RELATES SOLELY TO PRELIMINARY COMMUNICATIONS MADE BEFORE THE COMMENCEMENT OF A TENDER OFFER.

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This constitutes Amendment No. 1 to the Solicitation/Recommendation Statement on Schedule 14D-9 initially filed with the Securities and Exchange Commission (the "SEC") on July 2, 2003 (the "Initial Schedule 14D-9") by Centerpulse Ltd., a corporation organized under the laws of Switzerland ("Centerpulse" or the "Company"), relating to the exchange offer (the "Zimmer Offer") by Zimmer Holdings, Inc., a Delaware corporation ("Zimmer"), being made pursuant to the Prospectus, dated June 19, 2003 (the "Zimmer Prospectus"), forming a part of Zimmer's Registration Statement (No. 333-105561) on Form S-4 (the "Zimmer Registration Statement") filed with the SEC.

The information in the Initial Schedule 14D-9 is hereby amended, restated and superceded in its entirety as follows:

ITEM 1. SUBJECT COMPANY INFORMATION.

The name of the subject company is Centerpulse Ltd. The address of the principal executive offices of the Company is Andreasstrasse 15 CH-8050, Zurich, Switzerland. The telephone number of the Company at its principal executive offices is 41-1-306-9696. Under its articles of incorporation, Centerpulse has three legal names, each of which identifies the same legal entity: Centerpulse AG, Centerpulse Ltd. and Centerpulse Inc.

The title of the class of equity securities to which this Solicitation/Recommendation Statement on Schedule 14D-9 (together with the Exhibits hereto, this "Statement") relates is the registered shares, par value CHF 30 per share, of Centerpulse ("Centerpulse Shares"), including Centerpulse Shares represented by the American Depositary Shares of Centerpulse ("Centerpulse ADSs"). As of June 30, 2003, there were 11,912,678 Centerpulse Shares outstanding, including Centerpulse Shares represented by Centerpulse ADSs.

As more fully described in Item 2 below, this Statement relates to the Zimmer Offer. Centerpulse is also currently the subject company of an exchange offer by Smith & Nephew Group plc, a public limited company organized under the laws of England and Wales ("S&N Group"), for all the outstanding Centerpulse Shares, including Centerpulse Shares represented by Centerpulse ADSs (the "S&N Offer"). The S&N Offer is being made pursuant to (a) the Preliminary Prospectus, dated April 25, 2003, forming a part of S&N Group's Registration Statement (No. 333-104751) on Form F-4 filed with the SEC (the "S&N Registration Statement") and (b) the combination agreement, dated as of March 20, 2003 (the "Combination Agreement"), among Smith & Nephew plc, a public limited company organized under the laws of England and Wales ("S&N"), S&N Group and Centerpulse. Centerpulse has filed a Solicitation/Recommendation Statement on Schedule 14D-9 relating to the S&N Offer (together with the Exhibits thereto and as it may be amended from time to time, the "S&N Offer 14D-9") with the SEC.

ITEM 2. IDENTITY AND BACKGROUND OF FILING PERSON.

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The name, business address and business telephone number of Centerpulse, which is the person filing this Statement, are set forth in Item 1 above.

Pursuant to the Zimmer Offer, Zimmer is offering to exchange (a) for each outstanding Centerpulse Share, 3.68 shares of common stock, par value \$0.01 per share, of Zimmer ("Zimmer Shares") and CHF 120 in cash, without interest, and (b) for each outstanding Centerpulse ADS, 0.368 of a Zimmer Share and the US dollar equivalent of CHF 12 in cash, without interest. The Zimmer Offer is subject to the terms and conditions set forth in the Zimmer Prospectus. According to the Zimmer Prospectus, the Zimmer Offer will contain a mix and match election feature, whereby tendering holders of Centerpulse Shares and Centerpulse ADSs may elect to receive either more Zimmer Shares or more cash than the standard entitlement; however, this election will be available to holders of Centerpulse Shares and Centerpulse ADSs only to the extent that off-setting elections have been made by other tendering security holders in the

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Zimmer Offer and Zimmer's offer (the "Zimmer InCentive Offer") for all the outstanding bearer shares ("InCentive Shares") of InCentive Capital AG, a corporation organized under the laws of Switzerland ("InCentive").

According to the Zimmer Prospectus, the principal executive offices of Zimmer are located at 345 East Main Street, Warsaw, Indiana 46580, and the telephone number at its principal executive offices is 574-267-6131.

ITEM 3. PAST CONTACTS, TRANSACTIONS, NEGOTIATIONS AND AGREEMENTS.

COMPENSATION ARRANGEMENTS OF THE CENTERPULSE SENIOR MANAGEMENT

Employment Agreements. The employment agreements of the following members of the senior management of Centerpulse contain change of control clauses providing for the following compensation (plus, in each case, applicable social security system payments on behalf of such individuals) to be granted in the event the employment agreements of these employees are terminated during the 12-month period following the completion of the Zimmer Offer, either by Centerpulse, or by those employees should their respective position with Centerpulse be materially changed:

MEMBER OF SENIOR MANAGEMENT -----	COMPENSATION CHANGE OF C -----
Mike McCormick.....	\$1,260,
David Floyd.....	\$1,530,
Richard Fritschi.....	CHF 1,650,
Steven Hanson.....	\$1,354,
Urs Kamber.....	CHF 1,850,
Matthias Molleney.....	CHF 1,525,
Hans-Rudolf Schurch.....	CHF 917,
Christian Stambach.....	CHF 1,332,
Beatrice Tschanz.....	CHF 1,526,
Thomas Zehnder.....	CHF 1,600,

In addition, the employment agreement of Max Link, the Chairman and Chief Executive Officer of Centerpulse, as the Chief Executive

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Officer of Centerpulse entitles him to terminate his employment as Chief Executive Officer upon a change of control. The compensation that is payable upon a termination by Dr. Link following the completion of the Zimmer Offer is CHF 4,950,000, plus Swiss social security system payments. Should all employment agreements described above be terminated within the 12-month period following the completion of the Zimmer Offer, the total compensation payable to such employees as a group would amount to CHF 22,628,466 (\$16,738,269), translated from Swiss francs into US dollars at the noon buying rate on June 30, 2003, plus applicable social security system payments.

Bonus Payments. The board of directors of Centerpulse (the "Centerpulse Board") has granted a bonus payment to the members of the senior management of Centerpulse for work performed in the first half year of 2003. The amount of these payments corresponds to 50% of the bonus payments of 2002 (excluding extraordinary bonus payments).

ARRANGEMENTS WITH S&N AND S&N GROUP UNDER THE COMBINATION AGREEMENT

Board Seats. Dr. Link will be invited to join the board of directors of S&N Group as a non-executive director and one of two Vice Chairmen upon completion of the S&N Offer. Rene Braginsky, a member of the Centerpulse Board and the Chief Executive Officer of InCentive, will also be invited to join the board of directors of S&N Group as a non-executive director. As directors of

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S&N Group, Dr. Link and Mr. Braginsky will receive director fees and reimbursement of expenses in accordance with S&N Group policies.

Conversion of the Centerpulse Stock Options. All outstanding stock options of Centerpulse (the "Centerpulse Stock Options") will be converted into stock options (the "New S&N Group Stock Options") for shares of S&N Group ("S&N Group Shares") at an exchange ratio of 34 S&N Group Shares for each Centerpulse Share issuable upon exercise of a Centerpulse Stock Option. The New S&N Group Stock Options will vest 30 days after completion of the S&N Offer, and the exercise period for the New S&N Group Stock Options will be the 18-month period following the completion of the S&N Offer. The exercise prices of the New S&N Group Stock Options will be calculated by dividing the existing exercise price by 34 and converting the resulting amount into pounds sterling at the prevailing exchange rate on the settlement date. As of June 30, 2003, members of the Centerpulse Board held 4,638 Centerpulse Stock Options in the aggregate and members of the senior management of Centerpulse held 62,578 Centerpulse Stock Options in the aggregate.

Potential Compensation Payable to S&N Group. Under certain circumstances, in the event the S&N Offer is not completed, Centerpulse would be obligated to pay S&N Group a fixed compensation sum of CHF 20 million.

Commitment by S&N and S&N Group With Respect to Certain Members of the Centerpulse Senior Management. S&N and S&N Group have agreed to use their reasonable best endeavors to offer senior operating management of Centerpulse suitable posts in the combined entity after the completion of the S&N Offer.

OTHER INTERESTS OF MR. BRAGINSKY

In addition to being a director of Centerpulse, Mr. Braginsky is also a shareholder of InCentive, holding approximately 20% of the outstanding InCentive Shares, the InCentive delegate to the Centerpulse Board and the Chief Executive Officer of InCentive. In connection with the S&N Offer, pursuant to the InCentive Transaction Agreement (as defined below), S&N Group

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has agreed to offer to acquire all outstanding InCentive Shares in the S&N InCentive Offer. In addition, Mr. Braginsky, in his capacity as a shareholder of InCentive, is a party to the InCentive Tender Agreement (as defined below).

The InCentive Transaction Agreement. On March 20, 2003, InCentive, which may be deemed to be an affiliate of Centerpulse, entered into a transaction agreement with S&N Group and S&N (the "InCentive Transaction Agreement"). Under the terms of the InCentive Transaction Agreement, InCentive is obligated to dispose of its investments, other than Centerpulse Shares, so that, were S&N Group's offer for the outstanding InCentive Shares (the "S&N InCentive Offer") to reach completion, InCentive's assets at that time would consist only of Centerpulse Shares and cash. Pursuant to the InCentive Transaction Agreement, under certain circumstances, InCentive could be obligated to pay S&N Group a fixed compensation sum of CHF 4.0 million.

The InCentive Tender Agreement. On March 20, 2003, S&N Group and S&N also entered into a tender agreement (the "InCentive Tender Agreement") with Mr. Braginsky, Hans Kaiser, "Zurich" Versicherungs-Gesellschaft and III Institutional Investors International Corp., who collectively hold approximately 77% of InCentive's issued share capital (the "InCentive Shareholders"). Pursuant to the InCentive Tender Agreement, the InCentive Shareholders agreed, among other things: (i) not to acquire any S&N Group Shares or shares of S&N ("S&N Shares") or rights to acquire S&N Group Shares or S&N Shares until six months after the end of the subsequent offering period of the S&N InCentive Offer without S&N Group's or S&N's consent, unless the S&N InCentive Offer has previously failed, except that acquisitions or sales on account of third parties in respect of asset management agreements shall be permitted; (ii) to indemnify S&N Group or S&N for any loss resulting from an

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acquisition by the InCentive Shareholders of InCentive Shares or Centerpulse Shares which would cause S&N Group or S&N to be obligated under Swiss law to increase the offer price under the S&N InCentive Offer or the S&N Offer; and (iii) to not be entitled to withdraw any InCentive Shares tendered by them in the S&N InCentive Offer, unless S&N Group announces that the S&N InCentive Offer or the S&N Offer has failed for reasons other than a competing offer for InCentive Shares or Centerpulse Shares and Centerpulse ADSs. The InCentive Tender Agreement further provides in the event that a competing offer for InCentive Shares and/or Centerpulse Shares and Centerpulse ADSs is made which has a higher economic value than the consideration offered by S&N, and the competing offer has become or been declared unconditional, S&N may (A) declare the S&N InCentive Offer unconditional or (B) permit InCentive to tender its Centerpulse Shares into the competing offer for Centerpulse Shares and Centerpulse ADSs during the statutory extension period.

On June 11, 2003, the Swiss Takeover Board (the "STOB") issued recommendations in connection with the Zimmer Offer and the Zimmer InCentive Offer which, among other things, held that the limitations on withdrawal rights of the InCentive Shareholders were invalid. S&N, S&N Group and InCentive have appealed such recommendations to the Swiss Banking Commission.

Except as set forth above, there are no other material agreements, arrangements or understandings and actual or potential conflicts of interest between Centerpulse or, to its knowledge, its affiliates and (1) Centerpulse, its executive officers, directors or affiliates or (2) Zimmer, its executive officers, directors or affiliates.

ITEM 4. THE SOLICITATION OR RECOMMENDATION.

BACKGROUND; CONTACTS BETWEEN ZIMMER AND CENTERPULSE

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Prior to 2001, Centerpulse, known as Sulzer Medica Ltd. at such time, was a subsidiary of Sulzer AG ("Sulzer"). In 2001, Sulzer distributed substantially all its shares of Sulzer Medica Ltd. pro rata to Sulzer shareholders. In May 2002, Sulzer Medica Ltd. changed its name to Centerpulse Ltd. Also in May 2002, a US district court approved a settlement of litigation relating to Inter-Op(TM) shells and tibial base plates (the "US Litigation"), which was funded in November 2002 using the proceeds of a rights offering to Centerpulse's existing shareholders in October 2002. From time to time during 2002, Centerpulse also evaluated different strategies to improve its competitive position and enhance shareholder value, including opportunities for divestitures, alliances or other strategic transactions. On June 12, 2002, the Centerpulse Board announced that it had decided to focus Centerpulse on its core activities--orthopedics, spine and dental implants and biologics--and to divest itself of the businesses represented by its cardiovascular division, ITI, Vascutek and Carbomedics. On August 30, October 3 and November 26, 2002, Centerpulse executed a definitive purchase agreement for the divestiture of each of ITI, Vascutek and Carbomedics, respectively. The ITI and Vascutek divestitures closed in November 2002 and the Carbomedics divestiture closed in January 2003.

On March 10, 2002, J. Raymond Elliott, Chairman, President and Chief Executive Officer of Zimmer, and Dr. Link, met in New York, New York to discuss a potential business combination between Zimmer and Centerpulse.

According to the Zimmer Prospectus, on March 12, 2002, Zimmer formally engaged Credit Suisse First Boston to act as its exclusive financial advisor in connection with its potential interest in the acquisition of Centerpulse.

On June 30, 2002, Mr. Elliott and Sam R. Leno, Senior Vice President and Chief Financial Officer of Zimmer, met in Madrid, Spain with Dr. Link to discuss the potential of a business combination between Zimmer and

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Centerpulse, including the merits of such a combination, potential structure and timing and general views as to valuation.

In early July 2002, Mr. Elliott and Dr. Link, at the conclusion of a telephonic conversation regarding a potential business combination of Zimmer and Centerpulse, determined to discontinue talks regarding the combination of the two companies because of significant differences between the parties regarding the relative valuations of Zimmer and Centerpulse.

According to the Zimmer Prospectus, on August 20, 2002, Mr. Braginsky and a representative of Credit Suisse First Boston met in Zurich for purposes of a general business discussion. Among other matters, the subject of a potential business combination between Zimmer and Centerpulse was discussed, and Mr. Braginsky suggested the reopening of discussions between Zimmer and Centerpulse. Subsequent to the August 20 meeting, the parties agreed to schedule another meeting between representatives of Zimmer and Centerpulse.

On September 5, 2002, a representative of Credit Suisse First Boston contacted Prof. Dr. Rolf Watter, a member of the Centerpulse Board, to discuss a potential re-initiation of discussions between Zimmer and Centerpulse.

On September 7, 2002, Dr. Watter communicated to the Credit Suisse First Boston representative that certain members of the Centerpulse Board, including Dr. Link, Dr. Watter and Johannes Randegger, would be willing

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to meet Mr. Elliott and Mr. Leno in Zurich, Switzerland on September 22, 2002.

On September 22, 2002, Mr. Elliott and Mr. Leno met in Zurich, Switzerland with Dr. Link, Urs Kamber, Chief Financial Officer of Centerpulse, Dr. Randegger and Dr. Watter to discuss the strategic compatibility of Zimmer and Centerpulse. At the conclusion of the meeting, Centerpulse informed Zimmer that its priority was the completion of a rights offering to finance the settlement of the US Litigation.

On October 9, 2002, after Centerpulse had completed its rights offering, representatives of Zimmer and Centerpulse met in New York, New York and had a brief exploratory discussion about a potential business combination between Zimmer and Centerpulse. At this meeting, Dr. Link requested that Zimmer submit a written offer to Centerpulse regarding its interest in a business combination with Centerpulse.

On October 17, 2002, the Centerpulse Board received a preliminary non-binding proposal from Mr. Elliot regarding a possible business combination of Zimmer and Centerpulse under which Centerpulse shareholders would receive a combination of Zimmer Shares and cash that valued each Centerpulse Share, based on the then current market price of Zimmer Shares and the then current exchange rate between the US dollar and Swiss franc, at approximately CHF 250. The proposal indicated that it "could have additional limited upside" following due diligence and that Zimmer was willing to proceed with due diligence only on an exclusive basis. In late October 2002, Dr. Link informed Mr. Elliott that the Centerpulse Board had reviewed Zimmer's proposal, deemed Zimmer's proposal inadequate and was not prepared at that time to pursue further discussions with Zimmer regarding a potential business combination between Zimmer and Centerpulse.

On October 22, 2002, the Centerpulse Board met to discuss Centerpulse's strategic options, including remaining as a stand-alone entity, and authorized senior management of Centerpulse to initiate a formal process to explore a possible sale of Centerpulse as an entirety to, or a possible business combination of Centerpulse with, a third party.

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On December 11 and 20, 2002, the Centerpulse Board formally engaged UBS Securities LLC ("UBS Securities") and Lehman Brothers Inc. ("Lehman Brothers"), respectively, to represent Centerpulse in exploring a possible sale of Centerpulse as an entirety to, or a possible business combination of Centerpulse with, a third party.

Between December 11, 2002 and January 16, 2003, representatives of Lehman Brothers and UBS Securities had telephonic conversations with ten potential acquirors who had previously expressed an interest in pursuing a possible strategic transaction with Centerpulse during 2002. Each of these parties was invited to participate in a process, authorized by the Centerpulse Board, which could ultimately lead to a sale of the Company. Six of these parties, including Zimmer, declined to participate in this process. Upon execution of a confidentiality agreement, a process letter was sent out to the remaining parties along with a confidential information memorandum. The process letter requested that recipients submit a written indication of interest to Lehman Brothers and UBS Securities, containing a preliminary non-binding proposal for a transaction with Centerpulse as an entirety, no later than January 14, 2003.

On January 14, 2003, S&N submitted a letter to Lehman Brothers and UBS Securities containing S&N's preliminary non-binding proposal to acquire Centerpulse through a stock-for-stock exchange offer for all outstanding

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Centerpulse Shares at an exchange ratio that, based on the then current market price of S&N Shares and the then current exchange rate between pound sterling and Swiss franc, represented a premium to the then current market price of Centerpulse Shares. S&N's preliminary non-binding proposal was subject to completion of satisfactory due diligence and negotiation of the terms and conditions of the exchange offer and the necessary documentation. In its preliminary non-binding proposal, S&N also indicated that, to the extent that some Centerpulse shareholders preferred cash consideration to S&N Shares, S&N intended to make a significant element of cash consideration available in the exchange offer. The three other written indications of interest received by Lehman Brothers and UBS Securities related to specific business units rather than Centerpulse as an entirety.

On January 16, 2003, Dr. Link and Christopher J. O'Donnell, the Chief Executive Officer of S&N, and, separately, representatives of Lazard & Co., Limited, S&N's primary financial advisor ("Lazard"), and representatives of Lehman Brothers and UBS Securities held discussions relating to S&N's preliminary non-binding proposal and S&N's desire that it be granted a period of exclusivity during which to complete its due diligence investigation of Centerpulse. Following these discussions, on January 17, 2003, Lazard delivered a letter to Lehman Brothers and UBS Securities confirming S&N's willingness to make a small increase to the exchange ratio set forth in S&N's preliminary non-binding proposal if S&N were granted a period of exclusivity and access to due diligence information. Also, on January 17, 2003, the Centerpulse Board met to discuss S&N's preliminary non-binding proposal and the three other written indications of interest. At that meeting, the Centerpulse Board authorized senior management of Centerpulse to pursue further discussions with S&N regarding its preliminary non-binding proposal and decided not to pursue the three other written indications of interest because they related to specific business units rather than Centerpulse as an entirety.

On January 21, 2003, Lehman Brothers and UBS Securities sent a letter to Lazard describing the terms on which the Centerpulse Board was prepared to grant S&N a period of exclusivity in which to complete its due diligence investigation of Centerpulse. The letter also indicated that Centerpulse would prefer offer consideration consisting of approximately 25% to 30% cash, proposed that the applicable exchange ratio would be subject to increase upon a decrease of a S&N Share's price or upon foreign exchange rate fluctuations adversely impacting the value of the consideration to be offered in the S&N Offer and indicated that Centerpulse wished to conduct due diligence on S&N. The letter indicated that Centerpulse was seeking non-executive representation on the board of directors of S&N commensurate with the ownership of Centerpulse shareholders of the outstanding S&N Shares after the completion

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of the S&N Offer. Centerpulse also sought confirmation that Centerpulse's Winterthur facility would continue to be a major manufacturing operation for at least three years following completion of the S&N Offer and that the heads of Centerpulse's four business units would be offered their existing or equivalent positions. Centerpulse noted that it would require a secondary listing of S&N Shares on the SWX Swiss Stock Exchange (the "SWX") and that in Centerpulse's view, the S&N Offer should be subject only to conditions relating to approval of the transaction by S&N shareholders, listing of the S&N Shares to be issued to Centerpulse shareholders on the London Stock Exchange, clearance by relevant competition law authorities and acceptance of the S&N Offer by the holders of the minimum required percentage of Centerpulse Shares. The letter proposed a staged process for S&N's due diligence, with the first phase to culminate in S&N's submission of a confirmed proposal on February 20, 2003, after which, assuming the proposal was acceptable to Centerpulse, S&N would be afforded access to the more sensitive second phase due diligence. On January 22, 2003,

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senior management of S&N and representatives of Lazard met with senior management of Centerpulse and representatives of Lehman Brothers and UBS Securities to discuss these matters.

On January 23, 2003, Lazard sent a letter to Lehman Brothers and UBS Securities confirming the matters discussed at the January 22, 2003 meeting, including S&N's requirement for exclusivity commitments from both Centerpulse and InCentive and for a fixed exchange ratio. The letter also confirmed S&N's proposal that Dr. Link would become a non-executive Vice Chairman of S&N, and S&N's expectation that it would keep the Winterthur plant in operation, and stated that S&N could not make any commitment in relation to the positions to be offered to the heads of Centerpulse's four business units. The letter also indicated S&N would not agree to a mechanism that guaranteed that the value of the offer consideration would not be negatively affected by share price or foreign exchange rate fluctuations. The letter changed the outside date for S&N's confirmed proposal to February 23, 2003.

In late January 2003, prior to January 24, 2003, representatives of UBS Securities made further contact with representatives of Zimmer in which Zimmer was given an opportunity to reconsider its decision not to participate in the process. Again, Zimmer declined to participate in the process.

On January 24, 2003, Centerpulse agreed, for a period ending January 29, 2003, except as otherwise required by law, not to negotiate with any other party or solicit proposals or offers from, or furnish information to, any third parties in connection with or furtherance of an acquisition transaction involving the sale of Centerpulse. On the same date, legal counsel to Centerpulse delivered a draft of the Combination Agreement to legal counsel to S&N.

On January 29, 2003, Lehman Brothers and UBS Securities, on behalf of Centerpulse, and Lazard, on behalf of S&N, signed a letter memorializing the parties' discussions to date with respect to the S&N Offer. The letter extended the term of the January 24, 2003 exclusivity agreement to March 3, 2003, subject to immediate termination if Centerpulse did not receive an acceptable confirmed proposal from S&N by February 23, 2003.

From January 27, 2003 through February 21, 2003, senior management of S&N, representatives of Lazard, S&N's legal counsel, S&N's accounting advisors and S&N's outside management consultants met with the senior management of Centerpulse and representatives of Lehman Brothers and UBS Securities on numerous occasions in Zurich, Switzerland and New York, New York to perform financial, operational and legal due diligence.

On January 31, 2003, at a meeting in Zurich, Switzerland among representatives of Lazard, senior management of S&N and senior management of InCentive, senior management of InCentive proposed that S&N conduct a separate exchange offer for all of the InCentive Shares.

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On February 5, 2003, Lazard sent a letter to Mr. Braginsky indicating that any separate exchange offer for InCentive Shares by S&N would require indemnification by InCentive shareholders and possibly an escrow arrangement to protect S&N from any residual liabilities of InCentive. On February 7, 2003, InCentive agreed, for a period ending March 3, 2003, not to negotiate with any other party or solicit offers from, or furnish information to, any third parties in connection with a sale or related transaction involving InCentive or the Centerpulse Shares held by InCentive, subject to certain conditions.

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On February 13, 2003 and February 14, 2003, Centerpulse senior management, representatives of Lehman Brothers and UBS Securities, Centerpulse's legal counsel and Centerpulse's accounting advisors conducted a due diligence review of S&N in London, England, pursuant to a confidentiality agreement executed on February 11, 2003. On February 13, 2003, S&N and InCentive each executed mutual confidentiality agreements and representatives of InCentive attended S&N's due diligence presentations to Centerpulse and its advisors.

On February 15, 2003, legal counsel to S&N delivered comments to the draft of the Combination Agreement to Centerpulse's legal counsel.

On February 27, 2003, Mr. O'Donnell sent a letter to Dr. Link that indicated that, as a result of movements in the market prices of S&N Shares and Centerpulse Shares and adverse currency fluctuations and in light of S&N's assessment of Centerpulse upon completion of its due diligence review, S&N would not be prepared to proceed with a transaction at the exchange ratio proposed in S&N's preliminary non-binding proposal. In his letter, Mr. O'Donnell suggested two alternative ways to proceed with a possible transaction: (1) an at market price business combination that included a cash element or (2) a business combination with an exchange ratio, which, based on the then current market price of S&N Shares and the then current exchange rate between pounds sterling and Swiss francs, represented a slight premium to the then current market value of Centerpulse Shares, but provided that a portion of the cash element of the offer consideration would be contingent for five years.

On February 28, 2003, the Centerpulse Board met to discuss Mr. O'Donnell's letter of February 27, reviewed the two alternatives proposed in the letter, rejected the business combination alternative contemplating a contingency structure and authorized senior management of Centerpulse to pursue further discussions with S&N regarding an at market price business combination.

On March 3, 2003, Mr. O'Donnell and Peter Hooley, finance director of S&N, met with Dr. Link and Mr. Braginsky in London, England to discuss the idea of an at market price business combination.

Also, on March 3, 2003, after the expiration of the exclusivity period between S&N and Centerpulse, a representative of Lehman Brothers met with representatives of Zimmer at the Lehman Brothers healthcare conference. At that meeting, the representative of Lehman Brothers informed the representatives of Zimmer that the process relating to Centerpulse was moving forward, but that the result was unclear, and that there was therefore an opportunity for Zimmer to reconsider whether it was interested in pursuing a business combination with Centerpulse. The representatives of Zimmer did not indicate any interest in such a transaction with Centerpulse at such time.

On March 5, 2003, S&N submitted a non-binding confirmed proposal to Lehman Brothers and UBS Securities in which S&N described the terms under which S&N would offer to exchange each Centerpulse Share for a total consideration equal to 33.6 S&N Shares, including a total cash component of (pound)400 million to be offered to Centerpulse shareholders through a "mix and match facility". The transaction proposed by S&N would give Centerpulse shareholders ownership of approximately 24% of the outstanding S&N Shares after completion of the transaction, in addition to the (pound)400 million of total cash consideration. S&N indicated its willingness to proceed with a separate exchange offer for all of the InCentive Shares at an exchange offer consideration equal to the amount that, and in the same form as, InCentive would

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have received had it tendered the Centerpulse Shares held by it in the S&N Offer, with additional cash consideration being paid in respect of the cash assets of InCentive resulting from the liquidation of InCentive's non-Centerpulse Share assets. S&N also increased to two the number of Centerpulse directors it would invite to join the board of the combined company, indicated that it would seek to offer senior operating management of Centerpulse suitable posts in the combined company, clarified that it envisaged the Winterthur facility continuing to be an important center for the combined group for a number of years and confirmed that it would seek a secondary listing on the SWX by the completion of the S&N Offer. S&N stated that its non-binding confirmed proposal was subject to satisfactory completion of any outstanding first phase or second phase due diligence, negotiation of the terms and conditions of the S&N Offer, including a combination agreement containing an appropriate break fee, negotiation of indemnification, escrow and irrevocable tender arrangements with InCentive's major shareholders and final approval of the board of directors of S&N.

On March 5 and March 6, 2003, representatives of Lazard and representatives of Lehman Brothers and UBS Securities had a number of discussions in which Centerpulse's financial advisors indicated that S&N would have to increase the exchange ratio in order to gain the approval of the Centerpulse Board. On the morning of March 7, 2003, S&N indicated that it was willing to increase the exchange ratio to 34.0 S&N Shares per Centerpulse Share, but would not increase the exchange ratio any further. S&N also indicated that S&N would want key shareholders of InCentive to escrow funds to be used to indemnify S&N against possible liabilities of InCentive. On March 7, 2003, the Centerpulse Board met to discuss and consider the terms set forth in S&N's non-binding confirmed proposal. After such meeting, Dr. Link indicated in a letter to Mr. O'Donnell that, as of that date, and subject to Centerpulse Board approval of definitive agreements, Centerpulse would be willing to proceed upon the terms set forth in S&N's non-binding confirmed proposal. The letter suggested that each party provide a break fee to the other not to exceed CHF 20 million, noting the limitations on break fees under Swiss law. Dr. Link also indicated that Centerpulse would extend S&N's exclusivity period to March 20, 2003. On March 8, 2003, Mr. O'Donnell sent a letter to Dr. Link advising him that S&N believed that a CHF 40 million break fee was appropriate.

On March 10, 2003, S&N submitted to representatives of InCentive a proposed term sheet detailing the terms and conditions under which S&N would be willing to acquire the InCentive Shares in a separate exchange offer. Also on March 10, 2003, Mr. Braginsky delivered a letter to Mr. O'Donnell indicating that InCentive would be willing to proceed with a transaction structured as an exchange offer for InCentive Shares on the terms previously outlined by S&N, subject to the execution of the transaction agreements. On the same date, legal counsel to Centerpulse delivered a revised draft of the Combination Agreement to legal counsel to S&N.

During the week of March 10, 2003, S&N and its financial and legal advisors conducted additional due diligence on Centerpulse and InCentive. On March 12, 2003, legal counsel to S&N delivered S&N's comments on the revised draft of the Combination Agreement to legal counsel to Centerpulse. On March 13 and March 15, 2003, at meetings of senior management of S&N and Centerpulse and their respective financial and legal advisors and independent auditors, representatives of S&N presented a proposal to include the proposed reorganization of S&N by way of a court-approved scheme of arrangement as part of the transaction structure. Representatives of S&N explained that under the revised structure, the exchange offers for Centerpulse and InCentive would be made by S&N Group, the proposed holding company of S&N. Representatives of S&N further explained that the proposed structure would enable S&N Group shareholders to receive dividends without incurring withholding tax under Swiss law (other than those S&N Group shareholders who are Swiss tax residents, who may obtain a refund or tax credit in the full amount of the withholding tax).

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Between March 13 and March 19, 2003, senior management of S&N and Centerpulse and their respective financial and legal advisors negotiated the terms of the Combination Agreement, including the conditions to the S&N

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Offer. At the same time, senior management of S&N and InCentive and their respective legal advisors negotiated the terms of the InCentive Transaction Agreement, as well as the InCentive Tender Agreement pursuant to which the InCentive Shareholders agreed to tender their InCentive Shares in the S&N InCentive Offer and, in the case of a third party offer, granted S&N Group a right to purchase such InCentive Shares at the third party offer price. In addition, pursuant to the InCentive Tender Agreement, the InCentive Shareholders agreed to indemnify S&N Group against certain liabilities of InCentive and to escrow a portion of the consideration they would receive in the S&N InCentive Offer to support the indemnity.

On March 19, 2003, the Centerpulse Board met with senior management of Centerpulse, Centerpulse's legal counsel and representatives of Lehman Brothers and UBS Securities to consider the S&N Offer. Representatives of Lehman Brothers and UBS Securities presented their analyses of the S&N Offer and each of Lehman Brothers and UBS Securities rendered to the Centerpulse Board its oral opinion (each of which opinion was subsequently confirmed by delivery of a written opinion dated March 20 and 19, 2003, respectively) that, as of such date and based on and subject to the matters described in the opinion, the consideration to be received by the holders of Centerpulse Shares (other than InCentive and its affiliates) pursuant to the S&N Offer is fair, from a financial point of view, to such holders. Representatives of Lehman Brothers and UBS Securities then responded to questions raised by the Centerpulse Board regarding their respective analyses and opinions. The Centerpulse Board then engaged in a full discussion of the terms of the proposed Combination Agreement, the various factors considered by the Centerpulse Board in approving the Combination Agreement and recommending the S&N Offer and the analyses and opinions of Lehman Brothers and UBS Securities. Thereafter, the Centerpulse Board determined that the Combination Agreement and the transactions contemplated thereby, including the S&N Offer, are fair to, and in the best interests of, shareholders of Centerpulse and recommended that the shareholders of Centerpulse accept the S&N Offer.

Also on March 19, 2003, the board of directors of InCentive met with senior management of InCentive, InCentive's legal counsel and representatives of InCentive's financial advisor, Lombard Odier, to consider the proposed S&N InCentive Offer. Representatives of Lombard Odier presented their analysis of the S&N InCentive Offer and rendered to the InCentive board of directors its oral opinion (which opinion was subsequently confirmed by delivery of a written opinion dated March 19, 2003) that as of such date and based on and subject to the matters described in the opinion, the consideration to be received by holders of InCentive Shares in the S&N InCentive Offer is fair, from a financial point of view, to such holders. Thereafter, the InCentive board of directors approved the InCentive Transaction Agreement and the S&N InCentive Offer, determined that the terms of the S&N InCentive Offer are fair to, and in the best interests of, shareholders of InCentive and recommended that the shareholders of InCentive accept the S&N InCentive Offer.

Negotiations of the Combination Agreement and the InCentive Transaction Agreement, as well as the InCentive Tender Agreement, continued until the morning of March 20, 2003, when each of these agreements was executed by the parties thereto. In the morning of March 20, 2003, the execution of the transaction agreements relating to the S&N Offer and the S&N InCentive Offer was publicly announced by way of a press release in the United Kingdom and the

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United States as well as Swiss pre-announcements of the S&N Offer and the S&N InCentive Offer. Later that day, S&N filed the press release and the pre-announcements with the SEC pursuant to Rule 425 under the Securities Act of 1933.

On April 4, 2003, due to comments of the STOB to the effect that a fairness opinion should be obtained from a financial advisor that did not have a fee arrangement contingent upon the completion of the S&N Offer, Centerpulse retained KPMG Fides Peat ("KPMG") to render to the Centerpulse Board an opinion as to the fairness, from a financial point of view, of the consideration to be received by the holders of Centerpulse Shares (other than InCentive and its affiliates) pursuant to the S&N Offer. On April 10, 2003, KPMG

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rendered its opinion that, as of such date, the consideration to be received by the holders (other than InCentive and its affiliates) of Centerpulse Shares in the S&N Offer is fair, from a financial point of view, to such holders.

On April 14, 2003, by circular resolution (written consent), the Centerpulse Board adopted the board report formally recommending that Centerpulse shareholders accept the S&N Offer based on the Centerpulse Board's assessment of various strategic considerations and the fairness opinions provided by Lehman Brothers, UBS Securities and KPMG.

On April 25, 2003, S&N filed the S&N Registration Statement with the SEC and commenced the S&N Offer and the S&N InCentive Offer.

On May 20, 2003, Zimmer announced that, subject to certain conditions contained in its Swiss pre-announcement, it planned to commence an unsolicited exchange offer for Centerpulse Shares in which it would offer 3.68 Zimmer Shares and CHF 120 for each Centerpulse Share. Zimmer also announced that it would also make an unsolicited exchange offer for InCentive Shares. On that same day, Dr. Link received a letter from Mr. Elliott regarding Zimmer's intention to make an exchange offer, subject to due diligence and other conditions, for all outstanding Centerpulse Shares and Centerpulse ADSs. Later that day, the Company issued a press release stating, inter alia, that the Centerpulse Board was evaluating the value, the conditions to and the certainty of execution of Zimmer's proposal and intended to make a further announcement in due course.

On May 21, 2003, Mr. Elliott and other Zimmer representatives met with Dr. Randegger and Dr. Watter to discuss, among other things, the pre-announcement of Zimmer's planned exchange offer for Centerpulse Shares and the process for the due diligence to be conducted by Zimmer.

On May 25, 2003, Centerpulse engaged Goldman Sachs International ("Goldman Sachs") to act as an additional advisor to the Centerpulse Board in relation to the sale of Centerpulse and to advise the Centerpulse Board on, among other things, the S&N Offer and the Zimmer Offer.

In connection with each party's proposed due diligence review of the other party, on May 26, 2003, Zimmer and Centerpulse executed a confidentiality agreement relating to information to be provided to Zimmer and its representatives, and on June 9, 2003, Zimmer and Centerpulse executed a confidentiality agreement relating to information to be provided to Centerpulse and its representatives. Following these dates, the parties provided each other with access to information and personnel for due diligence purposes.

On May 27, 2003, Zimmer filed the Zimmer Registration Statement and a registration statement relating to the Zimmer InCentive Offer

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(the "Zimmer InCentive Registration Statement") with the SEC.

On May 29, 2003, Zimmer announced that it was notifying the STOB that the Zimmer Offer would no longer contain the conditions included in Zimmer's May 20, 2003 Swiss pre-announcement relating to (1) the US Litigation and (2) confirmation that the completion of the Zimmer Offer and the related acquisition of InCentive will not trigger a corporate income tax liability in connection with Centerpulse's spin-off from Sulzer.

On May 30, 2003, the Centerpulse Board met to review the situation with representatives of Lehman Brothers, UBS Securities and Goldman Sachs.

On June 11, 2003, the STOB issued recommendations in connection with the Zimmer Offer which, among other things, specified a timetable for the Zimmer Offer and the S&N Offer and held that the limitations

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on withdrawal rights of the InCentive Shareholders were invalid. S&N, S&N Group and InCentive have appealed such recommendations to the Swiss Banking Commission.

Also, on June 11, 2003, Zimmer and InCentive executed confidentiality agreements relating to due diligence information to be provided to each party. Thereafter, Zimmer and InCentive conducted due diligence reviews of one another.

On June 19, 2003, the Zimmer Registration Statement and the Zimmer InCentive Registration Statement were declared effective by the SEC, and Zimmer commenced the Zimmer Offer and the Zimmer InCentive Offer. Later that day, Centerpulse issued a press release stating, among other things, that the Centerpulse Board would issue a report to Centerpulse shareholders on the Zimmer offer as soon as it had an opportunity to study the Zimmer Offer in detail and in accordance with Swiss Takeover Law. In the meantime, the Centerpulse Board advised Centerpulse shareholders that they were not required to take any further action at that point. In the early evening of June 19, 2003, the Centerpulse Board met to review and discuss the S&N Offer and the Zimmer Offer with representatives of Lehman Brothers, UBS Securities and Goldman Sachs.

On June 20, 2003, Dr. Link sent a letter to Centerpulse shareholders stating, inter alia, that in accordance with Swiss Takeover Law, the Centerpulse Board intends to make a report to Centerpulse shareholders on the Zimmer Offer by July 9, 2003, once the Centerpulse Board has had the opportunity to study the Zimmer Offer in detail. The letter also reiterated that Centerpulse shareholders are not required to take any action in the meantime.

On June 30, 2003, Mr. Kamber sent a letter to Mr. Leno objecting to certain statements in the Zimmer Prospectus and reiterating a request for access to undisclosed schedules to Zimmer's credit agreements that are said to contain conditions precedent to funding the cash portion of the consideration for the Zimmer Offer. Mr. Leno and Mr. Kamber exchanged further correspondence on these matters on July 3 and 7, 2003, respectively, and Zimmer furnished the requested information to Centerpulse.

On July 3, 2003, the STOB issued further recommendations specifying the timetable for the S&N Offer and the Zimmer Offer.

On July 7, 2003, at the request of S&N Group, Mr. Kamber and another representative of Centerpulse, together with representatives of Lehman Brothers, UBS Securities and Goldman Sachs, met a representative of S&N

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Group and representatives of Lazard regarding the timetable specified by the STOB. On July 8, 2003, Dr. Link met with Mr. O'Donnell in Zurich, Switzerland about the same subject.

On July 8, 2003, the Centerpulse Board met with senior management of Centerpulse, Centerpulse's legal counsel and independent accountants, an independent industry specialist and representatives of Lehman Brothers, UBS Securities and Goldman Sachs to consider the Zimmer Offer and compare it to the S&N Offer. The Centerpulse Board reviewed the results of the business, financial and legal due diligence Centerpulse and its advisors had conducted with respect to Zimmer. Representatives of Lehman Brothers, UBS Securities and Goldman Sachs then presented their financial analyses of the Zimmer Offer and a comparison of the Zimmer Offer to the S&N Offer. After discussion, the Centerpulse Board adopted the report (the "July 8 Centerpulse Board Report") attached to this Statement as Annex B.

On July 9, 2003, Dr. Link sent letters to Centerpulse shareholders, a copy of which is attached to this Statement as Annex A, and Centerpulse employees informing such shareholders and such employees about the issuance of the July 8 Centerpulse Board Report and the position of the

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Centerpulse Board taken therein. On that same day, Centerpulse also issued a press release regarding the issuance of the July 8 Centerpulse Board Report.

POSITION OF THE CENTERPULSE BOARD WITH RESPECT TO THE ZIMMER OFFER AND THE REASONS THEREFOR

Reference is made to the July 8 Centerpulse Board Report attached to this Statement as Annex B, which is incorporated herein by reference.

INTENT OF CERTAIN PERSONS TO TENDER

The directors and executive officers of Centerpulse have not indicated how they intend to tender under the changed circumstances.

ITEM 5. PERSONS/ASSETS RETAINED, EMPLOYED, COMPENSATED OR USED.

Pursuant to a letter agreement, dated as of December 20, 2002, Centerpulse engaged Lehman Brothers to act as its co-financial advisor in connection with the sale of the Company. Pursuant to the terms of this engagement letter, Centerpulse (1) has paid to Lehman Brothers an opinion fee of \$1.5 million in connection with the delivery of a fairness opinion regarding the S&N Offer, which will be offset against the transaction fee referred to below, and (2) has agreed to pay Lehman Brothers a transaction fee of 0.3% of the transaction value of any transaction involving the sale of the Company upon completion of such transaction. Centerpulse also has agreed to reimburse Lehman Brothers for its reasonable out-of-pocket expenses, including attorneys' fees, and to indemnify Lehman Brothers against certain liabilities, including certain liabilities under the United States federal securities laws. Lehman Brothers is an internationally recognized investment banking firm and, as part of its investment banking activities, is regularly engaged in the valuation of businesses and their securities in connection with mergers and acquisitions, negotiated underwritings, competitive bids, secondary distributions of listed and unlisted securities, private placements and valuations for corporate and other purposes. The Centerpulse Board selected Lehman Brothers because of its expertise, reputation and familiarity with Centerpulse and the orthopedic industry generally, and because its investment banking professionals have substantial experience in transactions comparable to the contemplated

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transaction. In the ordinary course of its business, Lehman Brothers may actively trade in the debt or equity securities of Centerpulse, S&N or Zimmer for its own account and for the accounts of its customers and, accordingly, may at any time hold a long or short position in such securities.

Pursuant to a letter agreement, dated as of December 11, 2002, Centerpulse engaged UBS Securities to act as its co-financial advisor in connection with the sale of the Company. Pursuant to the terms of this engagement letter, Centerpulse (1) has paid to UBS Securities an opinion fee of \$1.5 million in connection with the delivery of a fairness opinion regarding the S&N Offer, which will be offset against the transaction fee referred to below, and (2) has agreed to pay UBS Securities a transaction fee of 0.3% of the transaction value of any transaction involving the sale of the Company upon completion of such transaction. Centerpulse also has agreed to reimburse UBS Securities for its reasonable out-of-pocket expenses, including attorneys' fees, and to indemnify UBS Securities against certain liabilities, including certain liabilities under the United States federal securities laws. Centerpulse selected UBS Securities based on its experience, expertise and reputation. UBS Securities is an internationally recognized investment banking firm that regularly engages in the valuation of securities in connection with mergers and acquisitions, negotiated underwritings, competitive bids, secondary distributions of listed and unlisted securities, private placements and valuations for estate, corporate and other purposes. Prior to this engagement, UBS Securities and its predecessors have provided investment banking and other financial services to Centerpulse and its affiliates and received customary compensation for the rendering of such services. In the ordinary course of

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business, UBS Securities, its successors and affiliates may trade or have traded securities of Centerpulse, S&N, InCentive or Zimmer for their own accounts and, accordingly, may at any time hold a long or short position in such securities.

Pursuant to a letter agreement, dated as of May 25, 2003, Centerpulse engaged Goldman Sachs to act as advisor to the Centerpulse Board in relation to the sale of the Company and to advise the Centerpulse Board on, among other things, the S&N Offer and the Zimmer Offer. Pursuant to the terms of this engagement letter, Centerpulse has agreed to pay Goldman Sachs \$6 million upon the completion of a sale of the Company. Centerpulse also has agreed to reimburse Goldman Sachs for its reasonable out-of-pocket expenses, including attorneys' fees, and to indemnify Goldman Sachs against certain liabilities, including certain liabilities under the United States federal securities laws. Goldman Sachs, as part of its investment banking business, is continually engaged in performing financial analyses with respect to businesses and their securities in connection with mergers and acquisitions, negotiated underwritings, competitive biddings, secondary distributions of listed and unlisted securities and private placements as well as for estate, corporate and other purposes. Goldman Sachs is familiar with Centerpulse having acted as its financial advisor from time to time. Goldman Sachs also may provide investment banking services to Zimmer or S&N in the future. Goldman Sachs provides a full range of financial, advisory and securities services and, in the course of its normal trading activities, may from time to time effect transactions and hold positions in the debt and equity securities, including derivative securities, of Centerpulse or Zimmer or S&N for its own account and for the account of customers.

Except as set forth above, neither Centerpulse nor any person acting on its behalf has employed, retained or compensated, or currently intends to employ, retain or compensate any person to make solicitations or recommendations to holders of the Centerpulse Shares, including Centerpulse Shares represented by Centerpulse ADSs, on its behalf with respect to the Zimmer

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Offer, except that such solicitations or recommendations may be made by directors, officers or employees of Centerpulse, for which services no additional compensation will be paid.

ITEM 6. INTEREST IN SECURITIES OF THE SUBJECT COMPANY.

The following table sets forth information regarding the exercise of stock options by the executive officers of Centerpulse listed below:

NAME ----	DATE ----	WEIGHTED AVERAGE EXERCISE PRICE -----
David Floyd	May 23, 2003	\$9.46 per Centerpulse ADS
Steven Hanson	May 22, 2003	\$12.53 per Centerpulse ADS
	May 23, 2003	\$19.02 per Centerpulse ADS
Matthias Moelleney	May 14, 2003	CHF 147 per Centerpulse Share
	June 2, 2003	CHF 147 per Centerpulse Share
Beatrice Tschanz	May 30, 2003	CHF 198 per Centerpulse Share
Thomas Zehnder	May 27, 2003	CHF 131 per Centerpulse Share
	May 27, 2003	CHF 76 per Centerpulse Share
	June 2, 2003	CHF 198 per Centerpulse Share

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The following table sets forth information regarding the sale of Centerpulse Shares or Centerpulse ADSs, as the case may be, by the executive officers of Centerpulse listed below:

NAME ----	DATE ----	WEIGHTED AVERAGE SALE PRICE -----	NUMBER -----
David Floyd	May 23, 2003	\$26.40 per Centerpulse ADS	17,36
	May 23, 2003	\$26.30 per Centerpulse ADS	1,000
Steven Hanson	May 22, 2003	\$25.87 per Centerpulse ADS	19,25
	May 23, 2003	\$26.75 per Centerpulse ADS	17,50
Mike McCormick	May 16, 2003	\$22.40 per Centerpulse ADS	3,750
	May 19, 2003	\$22.65 per Centerpulse ADS	1,680
Matthias Moelleney	May 14, 2003	CHF 289 per Centerpulse Share	1,000
	June 2, 2003	CHF 355 per Centerpulse Share	250 C
Beatrice Tschanz	May 30, 2003	CHF 350 per Centerpulse Share	1,250
Thomas Zehnder	May 27, 2003	CHF 340 per Centerpulse Share	1,750
	June 2, 2003	CHF 355 per Centerpulse Share	1,250

The information above as to sales has been provided to the Company by the relevant executive officer of Centerpulse.

Except as set forth above, no transactions in the Centerpulse Shares or the Centerpulse ADSs have been effected during the past 60 days by Centerpulse or any subsidiary of Centerpulse or, to Centerpulse's knowledge, by any executive officer, director or affiliate of Centerpulse.

ITEM 7. PURPOSES OF THE TRANSACTION AND PLANS OR PROPOSALS.

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(a) Except as set forth in this Statement or the S&N Offer 14D-9, which information is incorporated by reference in this Statement, Centerpulse is not undertaking or engaged in any negotiations in response to the Zimmer Offer that relate to: (1) a tender offer or other acquisition of Centerpulse's securities by Centerpulse, any subsidiary of Centerpulse or any other person; (2) an extraordinary transaction, such as a merger, reorganization or liquidation, involving Centerpulse or any subsidiary of Centerpulse; (3) any purchase, sale or transfer of a material amount of assets of Centerpulse or any subsidiary of Centerpulse or (4) any material change in the present dividend rate or policy, or indebtedness or capitalization, of Centerpulse.

(b) Except as set forth in this Statement or the S&N Offer 14D-9, which information is incorporated by reference in this Statement, there are no transactions, board resolutions, agreements in principle or signed contracts entered into in response to the Zimmer Offer that relate to one or more of the matters referred to in Item 7(a) above.

ITEM 8. ADDITIONAL INFORMATION.

The information contained in all of the Exhibits referred to in Item 9 below is incorporated herein by reference in its entirety.

ITEM 9. MATERIAL TO BE FILED AS EXHIBITS.

The following Exhibits are filed herewith:

- (a) (1) Not applicable
- (a) (2) (A) Letter of the Chairman and Chief Executive Officer of Centerpulse to the Centerpulse Shareholders, dated June 20, 2003 (incorporated by reference to Exhibit (a) (14) of Centerpulse's Amendment No. 4 to Schedule 14D-9 filed with the SEC on June 24, 2003).
- (a) (2) (B) Letter of the Chairman and Chief Executive Officer of Centerpulse to the Centerpulse Shareholders, dated July 9, 2003 (included as Annex A hereto).+
- (a) (2) (C) Letter of the Chairman and Chief Executive Officer of Centerpulse to Centerpulse Employees, dated July 9, 2003.+
- (a) (2) (D) Report of the Centerpulse Board to the Centerpulse Shareholders, dated July 8, 2003 (included as Annex B hereto).+
- (a) (3) Not applicable
- (a) (4) Not applicable
- (a) (5) (A) Press release issued by Centerpulse on June 19, 2003 (incorporated by reference to Exhibit (a) (13) of Centerpulse's Amendment No. 4 to Schedule 14D-9 filed with the SEC on June 24, 2003).
- (a) (5) (B) Press release issued by Centerpulse on May 20, 2003 (incorporated by reference to Exhibit (a) (12) of

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Centerpulse's Amendment No. 1 to Schedule 14D-9 filed with the SEC on May 21, 2003).

- (a) (5) (C) Press release issued by Centerpulse on July 2, 2003.*
- (a) (5) (D) Press release issued by Centerpulse on July 9, 2003.+
 - (e) (1) Combination Agreement, dated as of March 20, 2003, among S&N, S&N Group and Centerpulse (incorporated by reference to Exhibit 4.30 of Centerpulse's Annual Report on Form 20-F filed with the SEC on April 24, 2003).
 - (e) (2) Transaction Agreement, dated as of March 20, 2003, among S&N, S&N Group and InCentive.*
 - (e) (3) Tender Agreement, dated as of March 20, 2003, among S&N, S&N Group and certain shareholders of InCentive listed therein.*
 - (e) (4) Employment Agreement of Dr. Max Link, dated August 21, 2002, including an addendum, dated September 12, 2002 (incorporated by reference to Exhibit (e) (4) to Centerpulse's Schedule 14D-9 filed with the SEC on April 25, 2003).
 - (e) (5) Form of Change of Control Agreement for US Members of Centerpulse Senior Management (incorporated by reference to Exhibit (e) (5) to Centerpulse's Schedule 14D-9 filed with the SEC on April 25, 2003).
 - (e) (6) Form of Change of Control Agreement for non-US Members of Centerpulse Senior Management (incorporated by reference to Exhibit (e) (6) to Centerpulse's Schedule 14D-9 filed with the SEC on April 25, 2003).

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- (e) (7) Centerpulse's Amended and Restated 1997 Management Stock Option Plan, as amended (incorporated by reference to Exhibit 4.1 of Centerpulse's Annual Report on Form 20-F filed with the SEC on April 24, 2003).
- (e) (8) Centerpulse's Amended and Restated 2001 Stock Option Plan, as amended (incorporated by reference to Exhibit 4.2 of Centerpulse's Annual Report on Form 20-F filed with the SEC on April 24, 2003).
- (e) (9) Centerpulse's Amended and Restated 2001 Long-Term Stock Option Plan, as amended (incorporated by reference to Exhibit 4.3 of Centerpulse's Annual Report on Form 20-F filed with the SEC on April 24, 2003).
- (e) (10) Sulzer Medica's 2001 Employee Stock Purchase Plan (incorporated by reference to Exhibit 4 of Centerpulse's Annual Report on Form 20-F filed with the SEC on June 18, 2001).
- (e) (11) Sulzer Medica's 2002 Employee Stock Purchase Plan United States and Canada (incorporated by reference to Exhibit 4.3 of Centerpulse's Registration Statement on Form S-8 filed with the SEC on April 2, 2002 (Registration Number

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333-85388)).

- (e) (12) Centerpulse's 2003 Employee Stock Purchase Plan United States and Canada (incorporated by reference to Exhibit 4.3 of Centerpulse's Registration Statement on Form S-8 filed with the SEC on March 20, 2003 (Registration Number 333-103946)).
- (e) (13) Centerpulse's 2003 Stock Option Plan (incorporated by reference to Exhibit 4.3 of Centerpulse's Registration Statement on Form S-8 filed with the SEC on March 20, 2003 (Registration Number 333-103945)).
- (e) (14) Centerpulse's 2003 Long-Term Stock Option Plan (incorporated by reference to Exhibit 4.3 of Centerpulse's Registration Statement on Form S-8 filed with the SEC on March 20, 2003 (Registration Number 333-103944)).
- (g) None.

+ Filed herewith.

* Filed as an Exhibit to the Initial Schedule 14D-9.

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SIGNATURE

After due inquiry and to the best of my knowledge and belief, I certify that the information set forth in this Statement is true, complete and correct.

CENTERPULSE LTD.

By: /s/ Max Link

Max Link
Chairman and Chief Executive Officer

By: /s/ Urs Kamber

Urs Kamber
Chief Financial Officer

Dated: July 9, 2003

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ANNEX A

[LETTERHEAD OF CENTERPULSE]

Zurich, July 9, 2003

Dear Shareholder,

I have enclosed for your information a copy of the Centerpulse Board's report of July 8 on the offer by Zimmer Holdings, Inc., as required by Swiss Takeover Law.

You will notice that the Board has not made any recommendation at this time regarding the offer by Zimmer. We believe that it would be premature to do so given the current share-price for Centerpulse and market expectations. In our deliberations we have concluded that a combination of Centerpulse with Zimmer or Smith & Nephew Group plc would better serve the long-term interests of shareholders rather than the continued independence of Centerpulse. We believe that both are well run companies and a combination of Centerpulse with either of them will produce an industry leader. However, at this stage,

- o The offers differ considerably in respect of conditionality
- o The value of the offers is subject to fluctuation due to changes in the respective bidders' share prices and currency exchange rates, and
- o It is possible that either one or both of the offers may be increased.

The Board will make a final recommendation and it is our intention to recommend the offer that constitutes the better value for Centerpulse's shareholders. The Board will also make an effort to receive final offers as quickly as possible, so as to provide shareholders, employees and customers with clarity as to the future.

May I remind you that in the meantime Centerpulse shareholders are not required to take any action.

The offer period for the Zimmer offer opened on July 3 and will close on August 27, 2003. The Smith and Nephew offer period will be extended to the same dates as the Zimmer offer - that is until August 27, 2003.

For your information, also attached is an indicative timetable of the next steps

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in the offer process. Please note that the timetable is subject to further change. I will write to you again in due course to update you on significant further developments.

If you have any questions, please also feel free to contact the Centerpulse Shareholder Helpline, telephone +41 (0) 848 372 436, Monday to Friday 8.30am to 5.30pm CET.

Yours sincerely,

/s/ Max Link

Max Link
Chairman of the Board and Chief Executive Officer

Indicative Timetable - Subject to Change

July 31, 2003	Latest day for a third party to launch an offer
August 18, 2003	Latest day for Smith & Nephew to amend its offer
August 27, 2003	End of both the Smith & Nephew and the Zimmer offer (With the prior approval of the Swiss Takeover Board, both Smith & Nephew and Zimmer reserve the right to extend their offer periods beyond 40 days.)
August 28, 2003	Publication of the preliminary interim results of the offers by Smith & Nephew and Zimmer (press release)
September 2, 2003	Publication of the definitive interim results of the offers by Smith & Nephew and Zimmer (newspaper ads)
September 2, 2003	Start of the additional acceptance period of the successful offer
September 15, 2003	End of the additional acceptance period of the successful offer
September 16, 2003	Publication of the preliminary final results of the successful offer (press release)
September 19, 2003	Publication of the definitive final results of the successful offer (newspaper ads)
September 29, 2003	Settlement

ANNEX B

REPORT OF THE BOARD OF DIRECTORS OF CENTERPULSE AG FOLLOWING ZIMMER'S PUBLIC TAKEOVER OFFER, AS PER ART. 29 OF THE FEDERAL ACT ON STOCK EXCHANGES AND SECURITIES TRADING AND ART. 29-32 OF THE ORDINANCE OF THE TAKEOVER BOARD ON PUBLIC TAKEOVERS

1 BACKGROUND

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On March 20, 2003 Smith & Nephew plc and Centerpulse AG ("Centerpulse") announced that they had agreed the terms and conditions of a public exchange and takeover offer in the form of a combination agreement (the "Combination Agreement"). On April 16, 2003 the board of directors of Centerpulse ("Board") issued a recommendation to accept Smith & Nephew's offer. On April 25, 2003 Smith & Nephew Group plc ("Smith & Nephew") issued an offer for all outstanding shares of Centerpulse (the "Smith & Nephew Offer").

On May 20, 2003 Zimmer Holdings, Inc. ("Zimmer") published the pre-announcement of a competing public exchange and takeover offer for all outstanding shares of Centerpulse. Zimmer subsequently filed the competing public exchange and takeover offer on June 19, 2003 (the "Zimmer Offer"). According to the timetable published by the Swiss Takeover Board, Smith & Nephew has until 18 August 2003 to improve its offer if it decides to do so. A third bidder would have to publish its offer by 31 July 2003. Such offer may not contain any condition other than an acceptance condition.

Swiss takeover law stipulates that the report of the board of directors of the target company must be published at the latest on the 15th trading day following the publication of an offer. For this reason this publication is made at this time, despite the fact that all facts and circumstances relevant for the final assessment of the offers are not yet known.

2

OPINION OF THE BOARD

The Board, together with management, has again analysed the short- and long-term prospects of Centerpulse as an independent enterprise and carefully evaluated, with a view to the market position of Centerpulse in certain key markets, the advantages of joining forces with a strategic partner, particularly with one of the bidders. The Board has, supported by an independent advisor, evaluated the strategic implications of the two offers from the perspective of all stakeholders. In addition, the Board has weighed the financial aspects of the offers with strategic and financial advisors and, together with external auditors and legal counsel, has conducted a due diligence review of Zimmer, comparable in scope and depth to that conducted on Smith & Nephew.

The Board has examined the Zimmer Offer, compared it to the Smith & Nephew Offer and, based on its analysis and after consultation with its advisors, has concluded that joining forces with either Smith & Nephew or Zimmer would be in the interests of Centerpulse, its customers, employees and shareholders. The Board has therefore decided that the bidder's offer that constitutes the better value for Centerpulse's shareholders should be recommended, as soon as such value can be sufficiently ascertained. This is currently not the case, as:

- the offers differ considerably in respect of conditionality,
- the value of both Zimmer's and Smith & Nephew's consideration is subject to fluctuation due to changes in the respective bidders' share prices and currency exchange rates, and
- it is possible that either one or both of the offers may be increased.

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The final recommendation with regard to the acceptance of an offer will therefore be made and published at a later stage. The Board, in the interest of Centerpulse, will, in accordance with its role and

within the limitations of a regulated public takeover process, make an effort to receive final offers as quickly as possible, so as to provide shareholders, employees and customers with clarity as to Centerpulse's future.

3

POTENTIAL CONFLICTS OF INTEREST OF BOARD MEMBERS AND MANAGEMENT AND COUNTERMEASURES

The Combination Agreement provides for Dr. Max Link, CEO and Chairman of the Board, and Rene Braginsky, member of the Board, to be proposed for election as members of the board of directors of Smith & Nephew Group plc and for a further three members of the Board to conclude temporary mandate agreements with Smith & Nephew plc following the combination. The terms and conditions of such mandates have not yet been set. There is no such agreement with Zimmer. The Zimmer Offer does, however, provide that each member of the Board will be required to make certain undertakings as to how the business of Centerpulse is to be managed until the new members of the Board (to be proposed by Zimmer and elected by an extraordinary shareholders' meeting) may take up their office. No such statements have been provided by the current members of the Board as of the date of this report.

The members of the Board, with the exception of Dr. Max Link, are not entitled to any special severance payments. One half of the ordinary compensation of the Board members is payable after the first six months of this year, with the payment for the second half scheduled for December 2003. Rene Braginsky is shareholder, delegate to the board of directors and CEO of InCentive Capital AG, a major shareholder of Centerpulse (see below). In his capacity as one of several shareholders of InCentive Capital AG Rene Braginsky, together with other shareholders of InCentive Capital AG, concluded an agreement with Smith & Nephew plc and Smith & Nephew Group plc under which Smith & Nephew plc and Smith & Nephew Group plc undertook to make a public exchange and takeover offer for all shares of InCentive Capital AG, and according to which the respective shareholders of InCentive Capital AG committed to irrevocably tender their InCentive Capital AG shares. The main shareholders of InCentive Capital AG had already tendered their shares to Smith & Nephew Group plc when, on May 20, 2003, the pre-announcement of the Zimmer Offer occurred. The Swiss Takeover Board has, in the meantime, rejected the permissibility of irrevocable tenders. As a result, Smith & Nephew Group plc as well as Incentive Capital AG have each launched appeals on the matter to the Swiss Federal Banking Commission.

The Combination Agreement with Smith & Nephew stipulates that all outstanding options on Centerpulse shares, which are part of Centerpulse's employee stock option plan, are to be exchanged for options on shares in Smith & Nephew Group plc. All members of senior management as well as three members of the Board (Dr. Max Link, Larry L. Mathis and Prof. Dr. Steffen Gay) hold options that would be exchanged for share options of Smith & Nephew Group plc upon consummation of the offer. Furthermore, the Combination Agreement contains the general obligation of Smith & Nephew Group plc to make a reasonable effort to offer senior management of Centerpulse appropriate positions. As of today, there are no such agreements with Zimmer. The Combination Agreement with Smith & Nephew contains a

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clause, according to which Centerpulse must pay Smith & Nephew the sum of CHF 20 million in the event that the combination does not occur with Smith & Nephew Group plc, but with a competing bidder, such as Zimmer.

Apart from the aforementioned agreements the Board does not have any knowledge of contractual agreements or other links with Smith & Nephew or Zimmer that may constitute a conflict of interest of certain of its members or members of senior management.

The employment contracts of the following members of senior management contain provisions that provide for severance payments (plus corresponding social security payments) in the event that the employment relationship is terminated within 12 months following a change of control by Centerpulse or the employee, however, in the latter case only if the position of the employee has substantially deteriorated: Mike McCormick (USD 1'260'000), David Floyd (USD 1'530'000), Richard Fritschi (CHF 1'650'375), Steven Hanson (USD

1'354'500), Urs Kamber (CHF 1'850'370), Matthias Molleney (CHF 1'525'140), Hans-Rudolf Schurch (CHF 917'955), Christian Stambach (CHF 1'332'000), Beatrice Tschanz (CHF 1'526'250) and Dr. Thomas Zehnder (CHF 1'600'800). Dr. Max Link is entitled to terminate his employment contract as CEO in the event of a change of control. His severance payment is CHF 4'950'000, plus respective social security payments. The Board has granted the members of senior management, including Dr. Max Link, bonus payments for their work during the first half of 2003. The amount of such payments is equal to half of the bonus payments made the preceding year (excluding extraordinary bonuses).

With the exception of the aforementioned items the Board has no knowledge of possible financial effects of the offers of Smith & Nephew or Zimmer on members of the Board or senior management that may constitute a conflict of interest for members of the Board or senior management. While Rene Braginsky has abstained from the discussions and votes in connection with the assessment of the present offers and with regard to this report due to his aforementioned conflict of interest, Dr. Max Link has, based on a decision of the Board, led the negotiations to date and participated in the discussion and voting with regard to this recommendation. No additional measures following the recommendation of the Board dated April 16, 2003 were deemed necessary, as Dr. Max Link fully supports the Board's decision to recommend the offer with the higher value at a later stage. Furthermore, the Board is considering commissioning an additional fairness opinion in due course.

4

INTENTIONS OF SHAREHOLDERS HOLDING MORE THAN 5% OF VOTING RIGHTS

InCentive Capital AG, directly or indirectly through its 100%-owned subsidiary InCentive Jersey Ltd, holds 18.9% of the Centerpulse shares (as disclosed up to 7 July 2003). InCentive Capital AG entered into the aforementioned agreement regarding the public takeover offer to all shareholders of InCentive Capital AG with Smith & Nephew plc and Smith & Nephew Group plc; as mentioned, the legal fate of the irrevocability of the tender obligation remains undecided.

The Board is not aware of any further shareholders holding more than 5% of the voting rights of Centerpulse.

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Dr. Max Link
Chairman of the Board of Directors
Centerpulse AG

Zurich, 8 July 2003

Centerpulse has filed separate statements on Schedule 14D-9 with the US Securities and Exchange commission with respect to the offers for Centerpulse shares by Smith & Nephew Group plc and by Zimmer Holdings, Inc. Centerpulse shareholders in the United States and holders of Centerpulse American Depositary Shares are urged to read these Statements and any further amendments thereto filed with the SEC by Centerpulse, because they contain important information about the offers. You may obtain free copies of these documents from the SEC's website at www.sec.gov.