

# **SYNTHESTRATEC, Inc.**

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## **Public Exchange Offer (the «Exchange Offer»)**

of

**SYNTHESTRATEC, Inc., Wilmington, Delaware, USA  
(«SYNTHESTRATEC» or the «Corporation»)**

for all

**registered «B» shares in STRATEC Holding Ltd, Oberdorf  
(«STRATEC»)**

with a nominal value of CHF 30 each

- Offer period:** 31 March to 29 April 1999, 4 p.m. (Swiss time)
- Exchange ratio:** 1 STRATEC registered «B» share with a nominal value of CHF 30 («STRATEC Registered «B» Shares») will be exchanged for 6 SYNTHESTRATEC shares of common stock («Common Stock») of CHF 0.01 par value and CHF 5 stated capital registered in the name of the Swiss Nominee Company («SNOC») (hereinafter «Shares»).
- Listing:** The Common Stock of SYNTHESTRATEC is expected to be listed on the Swiss Exchange SWX as from 31 May 1999, and settlement through SEGA Swiss Security Clearing Corporation («SEGA») is expected to take place in the form of Shares registered in the name of SNOC.
- Restrictions:** THIS DOCUMENT IS NOT TO BE REPRODUCED OR DISTRIBUTED OR GIVEN TO ANY PERSON OTHER THAN THE RECIPIENT. NEITHER THIS DOCUMENT NOR ANY COPY HEREOF MAY BE TAKEN OR RETRANSMITTED INTO THE UNITED STATES OR REDISTRIBUTED IN THE UNITED STATES OR TO ANY U.S. PERSON (WITHIN THE MEANING OF REGULATION S UNDER THE U.S. SECURITIES ACT OF 1933, AS AMENDED (THE «SECURITIES ACT»)).

This Exchange Offer is not being made in the United States and is subject to terms, conditions and procedures that are not customary and that differ in important respects from those for similar transactions (see «Transfer Restrictions»).

**Applicable Law  
and Jurisdiction:**

Swiss law / Zurich 3

## **CREDIT SUISSE FIRST BOSTON**

- STRATEC Holding AG Registered «B» Shares: not notified for exchange
- STRATEC Holding AG Registered «B» Shares: notified for exchange
- SYNTHESTRATEC Shares following the implementation of the Exchange Offer

Swiss security number:

449,809

423,046

551,581

ISIN:

CH 000 449 809 0

CH 000 423 046 9

CH 000 551 581 9

Exchange Offer Prospectus of 31 March 1999

# Transfer Restrictions

## United States

Each recipient of Shares will be deemed to have represented and agreed as follows (terms used in this paragraph that are defined in Regulation S under the Securities Act are used herein as defined therein):

- (1) The recipient is, and the person, if any, for whose account it is acquiring the Shares is outside the United States and is not a U.S. Person;
- (2) The recipient is aware that the Shares have not been and will not be registered under the Securities Act and are being offered only outside the United States;
- (3) The recipient agrees that, for at least one year after the closing of the Exchange Offer, such recipient will take all reasonable steps not to offer, resell, pledge or otherwise transfer the Shares in the United States or to or for the benefit of any U.S. Persons;
- (4) If in the future the recipient decides to offer, resell, pledge or otherwise transfer such Shares, he may do so only in accordance with the following legend, which the Shares will bear unless otherwise determined by the Corporation in accordance with applicable law:

THESE SECURITIES HAVE BEEN OFFERED AND SOLD OUTSIDE THE UNITED STATES AND HAVE NOT BEEN AND WILL NOT BE REGISTERED UNDER THE U.S. SECURITIES ACT OF 1933, AS AMENDED (THE «SECURITIES ACT»). THESE SECURITIES MAY NOT BE OFFERED, SOLD OR TRANSFERRED IN THE UNITED STATES OR TO OR FOR THE BENEFIT OF U.S. PERSONS AS DEFINED IN REGULATION S OF THE SECURITIES ACT, EXCEPT PURSUANT TO A REGISTRATION STATEMENT FILED UNDER THE SECURITIES ACT OR UNDER AN APPLICABLE EXEMPTION UNDER THE SECURITIES ACT, INCLUDING REGULATION S. THESE SECURITIES ARE DEEMED «RESTRICTED SECURITIES» AS THAT TERM IS DEFINED IN RULE 144 UNDER THE SECURITIES ACT AND THE ISSUER HAS PUT INTO EFFECT PROCEDURES REASONABLY DESIGNED TO PREVENT THE OFFER AND SALE OF THESE SECURITIES IN THE UNITED STATES OR TO U.S. PERSONS (AS DEFINED IN REGULATION S), EXCEPT IN COMPLIANCE WITH THE SECURITIES ACT; AND

- (5) Any offer, sale, pledge or other transfer made other than in compliance with the above stated restrictions shall not be recognised by the Corporation, and the Corporation reserves the right to suspend dividend and voting rights with respect to Common Stock received by U.S. Persons in violation of the foregoing restrictions.

These restrictions apply equally to STRATEC Registered «B» Shares notified for exchange.

## Jurisdictions other than the United States

This document does not constitute an offer to sell or the solicitation of an offer to buy any of the securities offered hereby to any person in any jurisdiction to whom it is unlawful to make such offer in such jurisdiction. The distribution of this document in other jurisdictions may be restricted by law and therefore persons into whose possession this document comes are required to inform themselves about and observe any such restrictions. Any failure to comply with these restrictions may constitute a violation of the securities laws of any such jurisdiction. This Exchange Offer Prospectus («Exchange Offer Prospectus») may not be used for, or in connection with, any offer to, or solicitation by, anyone in any jurisdiction or under any circumstances in which such offer or solicitation is not authorised or is unlawful.

In the case of inconsistencies between the English original and the German translation thereof, the English version shall prevail.

# SYNTHES-STRATEC Exchange Offer

## Business Activities

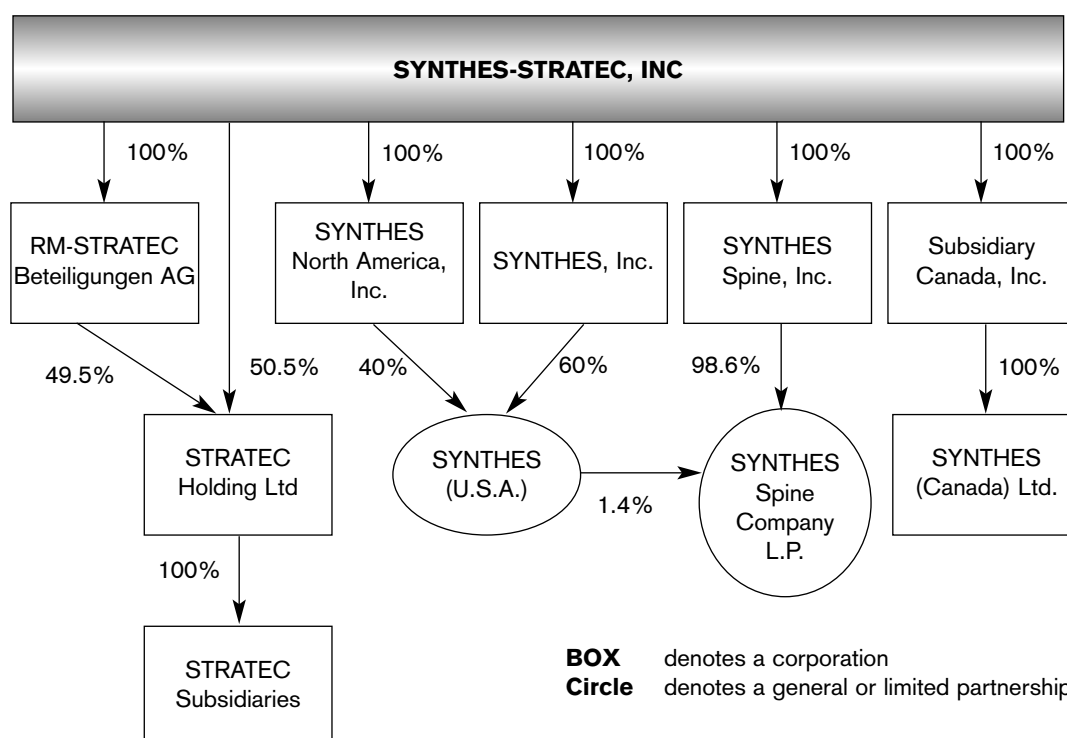
SYNTHES, Inc., SYNTHES North America, Inc., SYNTHES Spine, Inc. and SYNTHES (Canada) Ltd. and their respective subsidiaries (collectively «SYNTHES») and STRATEC and its subsidiaries (the «STRATEC Group») develop, manufacture and distribute products used in orthopaedic trauma (also commonly known as osteosynthesis) – the operative treatment of bone fractures – each under a license agreement with Synthes AG Chur, Switzerland. SYNTHES focuses on the North American market while STRATEC Group services certain parts of Europe and Latin America. The STRATEC Group also develops, manufactures and distributes products for artificial joint replacement (also commonly known as prosthetics).

## Combination

On 25 February 1999, SYNTHES and the STRATEC Group announced their agreement to combine their respective businesses (the «Combination») pursuant to the terms of a combination agreement (the «Combination Agreement») signed by SYNTHES, STRATEC, the Corporation and the other signatories thereto on 24 February 1999. The Boards of Directors of SYNTHES and STRATEC believe that the Combination will enable the combined group to further strengthen its position in the orthopaedic trauma field.

## SYNTHES-STRATEC Group Structure

Assuming 100 percent acceptance of the Exchange Offer, the SYNTHES-STRATEC companies will be structured upon consummation of the Combination and completion of the Exchange Offer (the «Closing Date») as follows:



## A. Exchange Offer

### 1. Offer

**The Exchange Offer of SYNTHES-STRATEC extends to all 400,000 STRATEC Registered «B» Shares.**

This offer is made to all class «B» shareholders of STRATEC, but may not be accepted by U.S. Persons. Where the Corporation determines that an appropriate exemption exists under the Securities Act, shareholders who are U.S. Persons will receive private placement offer materials to exchange their STRATEC Registered «B» Shares into Common Stock on substantially similar terms as the Exchange Offer (the «Private Placement»). Such U.S. Persons will also receive 6 shares of Common Stock of SYNTHES-STRATEC for each STRATEC Registered «B» Share, but such shares will be subject to certain restrictions under applicable U.S. securities laws.

### 2. Offer Period

The Exchange Offer may be accepted from **31 March to 29 April 1999, 4 p.m. (Swiss time).**

The Board of Directors of SYNTHES-STRATEC (the «Board of Directors») reserves the right to extend the offer period one or more times. The extension of the offer period by more than forty trading days requires the prior consent of the Takeover Board.

### 3. Exchange Ratio

**1 STRATEC Registered «B» Share with a nominal value of CHF 30**

will be exchanged for

**6 SYNTHES-STRATEC Shares of CHF 0.01 par value and CHF 5 stated capital registered in the name of SNOG**

Rudolf Maag will receive on the Closing Date 1,685,418 shares of SYNTHES-STRATEC, plus an aggregate cash payment of CHF 1,200 in exchange for all shares of RM-STRATEC Beteiligungen AG. This exchange is effected at conditions economically equal to those for all other shares of STRATEC, i.e., one STRATEC registered «A» share with a par value of CHF 10 each will in general be exchanged into 2 shares of Common Stock of SYNTHES-STRATEC, and one STRATEC Registered «B» Share with a par value of CHF 30 each will be exchanged into 6 shares of Common Stock of SYNTHES-STRATEC.

### 4. Dividend Entitlement

The Shares will be entitled, subject to the determination of the Board of Directors, to dividends declared after the Closing Date.

### 5. Delisting of STRATEC Registered «B» Shares

The board of directors of STRATEC reserves the right to apply for the delisting of the STRATEC Registered «B» Shares once the Exchange Offer has been completed.

### 6. Historical price trend of STRATEC Registered «B» Shares

The price trend of STRATEC Registered «B» Shares on the Swiss Exchange SWX is as follows (in CHF):

STRATEC Registered «B» Shares	1996 <sup>1</sup>	1997	1998	1999 <sup>2</sup>
High	1,735	2,410	2,350	2,550
Low	1,130	1,735	1,450	1,848

Source: Datastream

Closing price prior to announcement of Exchange Offer (24 February 1999): CHF 1,962

Closing price on 26 March 1999: CHF 2,450

<sup>1</sup> since listing on 29 April 1996; prior to this date there was no market for STRATEC shares

<sup>2</sup> based on the period from 1 January – 26 March 1999

### 7. Additional Acceptance Period

If the Exchange Offer is successful (as determined pursuant to Section A.9. below), the offer period will be extended by ten trading days.

## **8. Procedure**

The exchange of STRATEC Registered «B» Shares for SYNTHES-STRATEC Shares will be completed no later than ten trading days after all the conditions (see Section «Conditions/Right of Withdrawal» below) have been fulfilled or waived.

## **9. Conditions/ Right of Withdrawal**

The consummation of the Exchange Offer is conditional on certain conditions set out in the Combination Agreement which are summarized below and which are subject to the more detailed provisions provided in the Combination Agreement. A copy of the corresponding section of the Combination Agreement is available free of charge to shareholders at the address mentioned at the end of this Exchange Offer Prospectus.

### **(a) Regulatory Requirements**

The transactions contemplated by the Combination Agreement shall have been approved by any federal, state, foreign or local governmental or regulatory authorities without there being imposed on any of the parties any material condition, requirement or commitment.

All waiting periods arising under any applicable antitrust or merger control laws in all countries in which the combined yearly sales of the STRATEC Group and SYNTHES exceed USD 1,000,000 shall have duly lapsed or been terminated, without there being imposed on any of the parties any material condition, requirement or commitment.

### **(b) No Injunctions or Prohibitions**

No judgment, injunction or order shall have been issued by any competent authority on behalf of any private party, and no proceedings shall have been instituted, be pending or threatened by any competent authority, which:

- (i) would challenge, prohibit or impair the consummation of the transactions contemplated under the Combination Agreement; or make illegal, impose a fine of more than CHF 100,000 on, or otherwise substantially impair the ability of the parties to consummate the transactions contemplated under the Combination Agreement;
- (ii) would impose or seek to impose any substantial limitation on the ability of SYNTHES-STRATEC to (aa) acquire or hold any of the shares or ownership interests in any company constituting part of the STRATEC Group, SYNTHES or RM-STRATEC Beteiligungen AG, or (bb) operate as a going concern for its account any material portion of RM-STRATEC Beteiligungen AG, the STRATEC Group or SYNTHES, taken individually and as a whole.

### **(c) Approval of Listing of SYNTHES-STRATEC on the Swiss Exchange SWX**

The Swiss Exchange SWX shall have given its final approval to the listing of the Shares, such listing to become effective no later than one business day after the Closing Date.

### **(d) Acceptance of the Exchange Offer**

The Exchange Offer shall have been accepted by such number of shareholders of STRATEC that will result, upon consummation of the Exchange Offer, in SYNTHES-STRATEC acquiring at least eighty percent (80%) of the outstanding voting rights and at least eighty percent (80%) of the outstanding share capital of STRATEC (including shares in STRATEC held by RM-STRATEC Beteiligungen AG which are to be indirectly acquired by SYNTHES-STRATEC). Such number of acceptances shall, in addition, represent a sufficient number to ensure that the Common Stock will be listed on the Swiss Exchange SWX immediately after the Closing Date.

**(e) Accuracy of Representations and Warranties;  
No Material Adverse Effect**

- (i) The representations and warranties of the parties given in the Combination Agreement shall be true and correct at the Closing Date except in any case where the failure to be true and correct would not, in the aggregate, have a Material Adverse Effect (as defined below) on SYNTHES taken as a whole or on RM-STRATEC Beteiligungen AG or the STRATEC Group taken as a whole; and
- (ii) There shall not have occurred from the date of the Combination Agreement a Material Adverse Effect on RM-STRATEC Beteiligungen AG or the STRATEC Group taken as a whole, or on SYNTHES taken as a whole.

For purposes of this condition (e), a Material Adverse Effect shall be deemed to have occurred if the overall impact of all misrepresentations, breaches of warranties or events taken together (disregarding certain Minor Breaches as defined in the Combination Agreement) attributable to one party (the «Breaching Party») exceeds USD 150,000,000 on the pre-tax profits and/or on the balance sheet of the Breaching Party. In the Combination Agreement, the parties have agreed to determine jointly the impact of any event which could have a Material Adverse Effect on the consolidated or combined pre-tax profits and on the consolidated and combined balance sheet of the Breaching Party (each such event, an «Event»). If the parties cannot reach an agreement on the impact of any Event, they will appoint an investment bank or auditing firm of international repute («Appraiser») to determine the impact of such Event. The determination by the Appraiser shall be final and binding on the parties (except in case of fraud, gross negligence or manifest error of the Appraiser).

All of the above conditions must be fulfilled or waived no later than 15 August 1999.

Conditions (a), (b) and (d) above constitute conditions precedent according to Art. 14 para. 1 of the Ordinance of the Takeover Board on Public Takeover Offers («O-TB»). Conditions (c) and (e) will constitute conditions precedent until expiry of the (possibly extended) offer period. Following expiry of the (possibly extended) offer period, such conditions will constitute conditions subsequent according to Art. 13 para. 4 O-TB.

Should the above-mentioned conditions not be fulfilled by the end of the (possibly extended) offer period (or not be waived for the purposes of this Exchange Offer), SYNTHES-STRATEC is entitled to:

- (i) Declare that the Exchange Offer has been successful and postpone completion of the Exchange Offer with the agreement of the Takeover Board, if condition (c) is not fulfilled at that time (or not waived for the purposes of this Exchange Offer); or
- (ii) Extend the offer period for a specified period; such an extension is to be made after consultation with the Takeover Board should the offer period exceed a total of forty trading days; or
- (iii) Declare that the Exchange Offer has failed.

SYNTHES-STRATEC is further entitled to withdraw at any time from the Exchange Offer (even after it has been declared successful) after expiration of the additional acceptance period – but before the closing of the Exchange Offer – in the event that condition (b) with regard to the absence of injunctions or prohibitions or the conditions necessary for the completion of the Combination Agreement are not fulfilled and have not been waived for the purposes of this Exchange Offer.

## **B. Information on the Offeror**

### **1. Information on SYNTHES-STRATEC (the «Corporation»)**

#### **Name, Registered and Other Offices**

The name of the Corporation is SYNTHES-STRATEC, Inc. The address of the Corporation's registered office in the State of Delaware, United States of America, is at RL&F Service Corp., One Rodney Square, 10th Floor, Tenth and King Streets, Wilmington DE 19801, USA.

The principal executive office of the Corporation is at Eimattstrasse 3, 4436 Oberdorf (BL), Switzerland. The Corporation maintains two regional head offices, one in Paoli, Pennsylvania, United States of America (for North America), the other in Oberdorf (BL), Switzerland (for Europe and Latin America). The Corporation may have other offices, either within or outside the State of Delaware, as designated by the Board of Directors.

#### **Incorporation and Duration**

The Corporation was incorporated on 23 February 1999 and is organized under the General Corporation Law of the State of Delaware. The duration of the Corporation is unlimited.

#### **Purpose**

The purpose of the Corporation is to engage in any lawful act or activity for which corporations may be organized under the General Corporation Law of the State of Delaware.

#### **Corporate Governance Matters including Certain Comparisons with Corresponding Rules of Swiss and Delaware Law**

SYNTHES-STRATEC was formed under the laws of the State of Delaware. Therefore, the corporate structure and governance of SYNTHES-STRATEC corresponds to Delaware legal standards. Nevertheless, because the Shares are expected to be traded on the Swiss Exchange SWX, a number of Swiss concepts have been integrated into the Corporation's certificate of incorporation, as amended (the «Certificate of Incorporation») and its by-laws (the «By-laws»), its governing corporate documents, as described below.

#### **Share Capital**

The total number of shares which the Corporation is authorized to issue under the Certificate of Incorporation is 15,150,000 shares denominated in Swiss Francs («CHF»), divided into two classes as follows:

- (i) 15,000,000 shares of Common Stock, par value CHF 0.01 per share and stated capital CHF 5 per share («Common Stock»); and
- (ii) 150,000 shares of Preferred Stock, par value CHF 0.01 per share and stated capital CHF 5 per share («Preferred Stock»).

On the Closing Date, the issued and outstanding share capital of SYNTHES-STRATEC will consist of no more than 10,967,742 registered shares of Common Stock.

As expressively provided in the Certificate of Incorporation, the Corporation may issue additional shares of Common Stock upon proper approval by the holders of Common Stock. Preferred Stock is authorized only for issuance upon exercise of rights issued pursuant to a shareholder rights plan. See below under «Protection of Minority Shareholders in Takeover Situations».

### ***Description of Common Stock and Shares***

The Common Stock of the Corporation is issued only in registered form. In general, such Common Stock issued in the Exchange Offer will trade on the Swiss Exchange SWX through transfers of Shares registered in the name of SNOC. SNOC is a corporation incorporated in Switzerland and owned by a number of Swiss banks. SNOC provides nominee services for the benefit of beneficial holders of shares.

Any investor who holds Common Stock, rather than Shares registered in the name of SNOC, and who desires to sell such Common Stock on the Swiss Exchange SWX, will be required, among other things, to register the Common Stock through a bank in the name of SNOC in order for such shares of Common Stock to be eligible for settlement through SEGA and tradeable as Shares on the Swiss Exchange SWX. This will require in particular a bank safe custody account of the beneficial owner.

SNOC will be the registered owner of all Common Stock held by investors in book entry form through SNOC. Holders of Shares will, however, be able to participate and vote in shareholders' meetings (as will be any duly registered holders of Common Stock) and will be able to direct the exercise of other shareholders' rights in accordance with the relevant regulations set out in the Corporation's Certificate of Incorporation and the By-laws. However, the Corporation reserves the right to suspend dividend and voting rights with respect to Common Stock received by U.S. Persons during the one-year period following completion of the Exchange Offer (other than those U.S. Persons whose Common Stock was issued in the Private Placement).

Communications by the Corporation to its shareholders who hold Shares through SNOC regarding general meetings and dividend payments will be transmitted through SNOC and SEGA to the financial system and from there to shareholders.

Any dividend or other payments on Shares will be made by the Corporation to its transfer or payment agent who, upon receipt of such payments, will credit SNOC for the amount of such payments. Payments by SNOC to the bank accounts of the beneficial owners of Shares will be governed by SNOC's and SEGA's customary practices, and will be the sole responsibility of SNOC subject to any statutory or regulatory requirements as may be in effect from time to time. **Any dividends will be declared and paid in CHF and distributed by SEGA, and will be subject to U.S. withholding taxes.**

### ***Protection of Minority Shareholders in Takeover Situations***

Swiss law requires the purchaser of more than one third of the voting rights of a listed Swiss company to make a bid to all remaining shareholders of such company. In contrast, Delaware law does not contain any provision requiring a purchaser of a substantial interest in a corporation to make a mandatory bid to the remaining shareholders. As a substitute, SYNTHES-STRATEC will adopt a shareholder rights plan or «poison pill» which will have the effect of forcing any large acquirer of a large portion of Common Stock to negotiate with the Board of Directors, which will be required by law to protect the legitimate interests of all shareholders. Under the terms of the shareholder rights plan, if the acquirer complies in substance with the Swiss mandatory bid requirement, the shareholder rights plan does not come into play.

A summary of the shareholder rights plan is included in the Preliminary Listing Prospectus, available as set out on page 16.



### Activity

Once the Combination has been completed, SYNTHES-STRATEC will be a leading developer, manufacturer and distributor of implants and instruments for use in orthopaedic trauma (osteosynthesis) procedures in both the Americas and those parts of Europe in which it focuses its activities. SYNTHES-STRATEC divides its orthopaedic trauma (osteosynthesis) business into four fields of activities: Trauma, Spine, Maxillofacial and Power Tools and Cases.

- **Trauma:** Products used in the surgical treatment of fractures, deformities and tumor diseases of long bones (arms and legs), the pelvis and the shoulder. The most important products include plates, screws (including cannulated screws), intra-medullary nails, external fixation devices and hip screw systems.
- **Spine:** Products for use in the operative treatment of fractures, tumors, degenerative instabilities and deformities of the spine.
- **Maxillofacial:** Products for the operative treatment of fractures, corrections of deformities and for reconstructive surgery of skull and face.
- **Power Tools and Cases:** Electrical and air powered tools for use during orthopaedic procedures as well as cases that facilitate easy access to the Corporation's products during operating procedures.

SYNTHES and STRATEC will continue to be licensees of Synthes AG Chur, Switzerland, which is wholly owned by the AO ASIF Foundation in Davos, Switzerland. Accordingly, the Corporation will continue to distribute implants and instruments for use in orthopaedic trauma procedures under the Synthes® brand name. The license agreements of SYNTHES and STRATEC with Synthes AG Chur are presently being renegotiated to bring them fully in line with current legal requirements.

In addition to the activities mentioned above, SYNTHES-STRATEC also has two small development stage businesses in prosthetics and computer assisted surgery which represented approximately 6% of pro forma 1998 sales.

Additional information on the business and strategy of SYNTHES-STRATEC going forward, including information on the risks inherent in investing in shares of SYNTHES-STRATEC, can be found in the Preliminary Listing Prospectus, available in English from Credit Suisse First Boston (see reference on page 16).

### Board of Directors and Principal Officers of SYNTHES-STRATEC

Hansjörg Wyss	Chairman
Robert Jeker	Vice Chairman
Rudolf Maag	President, Chief Executive Officer and Vice President European and Latin American Division <i>ad interim</i>
Robert Bland	Member of Board
Amin Khoury	Member of Board
Allen Misher	Member of Board
Rolf Soiron	Member of Board
Charles Hedgepeth	Vice President North American Division

### Major Shareholders

SYNTHES-STRATEC has not issued any Common Stock as of the date of this Exchange Offer Prospectus. Upon the Closing Date, Common Stock will be issued in accordance with the terms of the Combination Agreement. Assuming 100 percent acceptance of the Exchange Offer, Hansjörg Wyss and associates (primarily family members and members of management of SYNTHES) subject

to a voting trust directed by him, will hold 69.0% of the voting rights, and Rudolf Maag and members of the management of STRATEC will hold 16.7% of the voting rights, of SYNTHES-STRATEC.

### **Persons Acting in Concert**

In the context of this Exchange Offer, only the following persons are acting in concert with SYNTHES-STRATEC:

Hansjörg Wyss and associates (as described above)  
 Rudolf Maag  
 RM-STRATEC Beteiligungen AG  
 STRATEC Holding Ltd and all its subsidiaries  
 SYNTHES

### **General information on accounting**

SYNTHES-STRATEC will use CHF as its reporting currency and will publish its financial statements in accordance with International Accounting Standards (IAS).

The combination of SYNTHES and STRATEC will be accounted for as an acquisition and therefore will create a goodwill of approximately CHF 1.1 to 1.2 billion. SYNTHES-STRATEC plans to amortise this goodwill over five years.

### **Annual Financial Statements: Consolidated Pro-Forma Key Figures of SYNTHES-STRATEC**

<b>(CHF Millions)</b>	<b>YEAR ENDED 31 DECEMBER,</b>		
	<b>1996</b>	<b>1997</b>	<b>1998</b>
Sales	593.2	783.4	882.8
Earnings before Interest Taxes Depreciation and Goodwill Amortization («EBITDA»)	193.0	267.9	320.1
Net Income before Goodwill Amortization	106.8	148.3	181.9
Cash & Cash Equivalents	39.1	42.5	42.6
Working Capital <sup>(1)</sup>	222.5	250.7	279.1
Financial Debt <sup>(2)</sup>	54.1	63.2	168.0
Tangible Shareholders' Equity <sup>(3)</sup>	285.0	319.9	264.3
Employees (at year end)	2,054	2,280	2,530

(1) Inventories plus trade receivables less trade payables

(2) Includes short term debt and the current and non-current portion of long-term debt

(3) Shareholders' equity excluding goodwill and intangible assets

### **Dividends before closing**

According to the Combination Agreement, each of SYNTHES and STRATEC are permitted to pay to their respective shareholders prior to the consummation of the Exchange Offer substantial payments in the form of dividends. Subject to approval by the Annual General Meeting of Shareholders on April 7, 1999 STRATEC shareholders will receive a special dividend of CHF 39.1 million. A determination of the amount of dividend payments to the owners of SYNTHES has not yet been made. However, the amount is expected not to exceed the sum of (i) USD 10 million in respect of earlier business years, and (ii) the Corporation's pro-forma earnings from January 1, 1999 to the Closing Date attributable to SYNTHES.

## **2. STRATEC Capital Structure; SYNTHES-STRATEC's Holding in STRATEC**

The share capital of STRATEC is CHF 17,000,000, divided into 500,000 registered «A» shares with a par value of CHF 10 and 400,000 Registered «B» Shares with a par value of CHF 30. In addition, there is a conditional share capital of CHF 499,980; no options or conversion rights have been issued in respect of such conditional capital.

At the time of publishing this Exchange Offer Prospectus, SYNTHES-STRATEC and SYNTHES, acting in concert with SYNTHES-STRATEC, do not hold any shares in STRATEC. Hansjörg Wyss and associates hold 30 STRATEC Registered «B» Shares.

RM-STRATEC Beteiligungen AG, owned solely by Rudolf Maag, and acting in concert with SYNTHES-STRATEC, holds 500,000 STRATEC Registered «A» shares with a nominal value of CHF 10 each and 114,237 STRATEC Registered «B» Shares with a nominal value of CHF 30 each, amounting to 68.25% of all votes and 49.57% of the entire issued capital of CHF 17,000,000 of STRATEC.

Rudolf Maag in his individual capacity holds 10,023 STRATEC Registered «B» Shares with a nominal value of CHF 30 each, constituting 1.11% of all votes, and 1.77% of the entire issued capital, of STRATEC.

The STRATEC Group holds 1,450 STRATEC Registered «B» Shares with a nominal value of CHF 30 each, constituting 0.26% of the entire issued capital of CHF 17,000,000, and 0.16% of the votes, of STRATEC.

During the twelve months prior to the Exchange Offer, SYNTHES-STRATEC and all persons acting in concert with SYNTHES-STRATEC did not buy nor sell any STRATEC Shares with the following exception: a subsidiary of STRATEC bought 5 STRATEC Registered «B» Shares with a nominal value of CHF 30 each at a price of CHF 1,910.– per share. There were no sales, but the same subsidiary disposed of a not material number of STRATEC Registered «B» Shares with a nominal value of CHF 30 by allocating them according to its bonus plan to members of the Board of Directors and Executives of STRATEC, including Rudolf Maag.

### **3. Listing on the Swiss Exchange SWX**

SYNTHES-STRATEC will submit an application to the Swiss Exchange SWX for the listing of its Common Stock, such listing to become effective no later than the day of the completion of this Exchange Offer.

The Common Stock will only be listed on the Swiss Exchange SWX. It is not intended that SYNTHES-STRATEC will seek to list the Common Stock on any other stock exchange or regulated securities market.

## **C. Financing**

The SYNTHES-STRATEC shares necessary for the Exchange Offer will be created by means of a new issuance of Common Stock. In a resolution made on 24 March 1999 the Board of Directors has irrevocably committed to issue such number of shares of Common Stock as are necessary to complete the Exchange Offer.

## **D. Information on the Target Company**

### **Intentions of SYNTHES-STRATEC with regard to STRATEC**

STRATEC will operate as a subsidiary of SYNTHES-STRATEC. The transaction contemplated by the Combination Agreement is expected to have no material effect on the operations of STRATEC. The principal executive office will remain at Oberdorf (BL), Switzerland, and the production sites will remain at the following sites in Switzerland: Oberdorf (BL), Hägendorf (SO) and Mezzovico (TI).

### **Agreements between SYNTHES-STRATEC and STRATEC, its Governing Bodies and Shareholders**

The transactions to be effected under the Combination, including the Exchange Offer described herein, are contemplated and more fully described in the Combination Agreement, the relevant provisions of which have been described in this document (see above 3–10).

## **Confidential Information**

SYNTHES-STRATEC confirms that neither it nor the persons acting in concert with it have directly or indirectly received confidential information on STRATEC from STRATEC itself or from the companies under its control which could cast a significantly different light on the Exchange Offer from the point of view of the public shareholders.

## **E. Publication**

A summary of this Exchange Offer will be published in German in the *Neue Zürcher Zeitung*, *Schweizerisches Handelsamtsblatt* and *Finanz und Wirtschaft* and in French in *Le Temps*. This summary information will also be supplied to at least one electronic exchange information system.

## **F. Report of the Board of Directors of STRATEC**

In connection with the Exchange Offer, STRATEC Registered «B» Shares, except those held by U.S. Persons, will be exchanged for Shares in SYNTHES-STRATEC. Shares will be exchanged at the ratio of six Shares in SYNTHES-STRATEC with CHF 0.01 par value and CHF 5 stated capital for one STRATEC Registered «B» Share with a nominal value of CHF 30.

The Board of Directors of STRATEC supports the Exchange Offer as the combination of SYNTHES and STRATEC unites two partners with common roots and leading positions in the geographic areas on which they focus. SYNTHES-STRATEC will be an important global medical device company focused in orthopaedic trauma. Although not crucial in the transaction, cost savings are expected in product development, sales force training and manufacturing. No job losses due to the Combination are expected.

All STRATEC shareholders will receive the same consideration under the Combination Agreement with SYNTHES. The major shareholder Rudolf Maag, who currently controls 69% of the voting rights and 51% of the share capital of STRATEC, has accepted the terms of the Combination and supports the Exchange Offer.

Three members of the Board of Directors of STRATEC, namely Mr. Jeker, Mr. Maag and Mr. Soiron, are expected to be appointed to the Board of Directors of SYNTHES-STRATEC upon Closing of the Combination Agreement on terms set by such Board of Directors after Closing. All members of the Board of Directors of STRATEC (including those board members of STRATEC who will not be appointed to the Board of Directors of SYNTHES-STRATEC) unanimously consider the Exchange Offer to be fair and recommend that shareholders of STRATEC accept the Exchange Offer. Furthermore, the Board of Directors of STRATEC has retained the services of Merrill Lynch, Pierce, Fenner & Smith Incorporated to render a fairness opinion in connection with the combination. On February 23, 1999 Merrill Lynch, Pierce, Fenner & Smith Incorporated rendered a fairness opinion to the Board of Directors of STRATEC that, subject to the assumptions and limitations set forth therein and as of the date thereof, the exchange ratio is fair, from a financial point of view, to the shareholders of STRATEC.

Other than as described in this Exchange Offer Prospectus, the Board of Directors of STRATEC is not aware of any contractual agreements or other arrangements between its members or members of the senior management of STRATEC and SYNTHES-STRATEC which might result in a conflict of interest.

Oberdorf, 26 March 1999

Robert A. Jeker  
Chairman of the Board

Rudolf Maag  
Chief Executive Officer

## G. Valuation

Merrill Lynch, Pierce, Fenner & Smith Incorporated («Merrill Lynch») rendered a valuation of the Common Stock to SYNTHES-STRATEC. In its valuation, Merrill Lynch calculated a range of hypothetical fair market values derived from theoretical financial analyses and valuation techniques customarily used in the investment banking industry. Merrill Lynch calculated its valuation assuming that the mergers of SYNTHES, Inc., SYNTHES North America, Inc. and SYNTHES Spine, Inc. with and into wholly-owned subsidiaries of SYNTHES-STRATEC, and the restructuring of SYNTHES Canada Ltd. into a wholly-owned indirect subsidiary of SYNTHES-STRATEC had been completed and that a special dividend had been paid to shareholders of SYNTHES, but that this Exchange Offer and the acquisition of RM-STRATEC Beteiligungen AG by SYNTHES-STRATEC had not yet occurred. On March 25, 1999, Merrill Lynch rendered its written opinion (the «Valuation Letter») to the Board of Directors of SYNTHES-STRATEC that, as of February 25, 1999, the date of the announcement of the transaction, and based upon and subject to the factors and assumptions set forth in the Valuation Letter, the range of hypothetical fair market values for the SYNTHES-STRATEC Common Stock would be CHF 425 to CHF 525 per share of Common Stock. Among other qualifications and limitations, the Valuation Letter notes that there can be no assurance that a market for the Common Stock of SYNTHES-STRATEC will develop in the future and that the range of hypothetical fair market values is not necessarily indicative of the price at which a holder may be able to sell all or part of its SYNTHES-STRATEC Common Stock; the market trading price for such Common Stock following the Closing of the Combination Agreement may be significantly higher or lower than the valuation range set forth above.

A copy of the Valuation Letter can be obtained free of charge from Credit Suisse First Boston at the address mentioned at the end of this Exchange Offer Prospectus.

## H. Report of the Review Body pursuant to Article 25 of the Federal Act on Stock Exchanges and Securities Trading

As auditors recognised by the supervisory authority to review public takeover offers in accordance with the Federal Act on Stock Exchanges and Securities Trading («SESTA»), we have reviewed this Exchange Offer Prospectus and the summary provided for in Article 18 para. 3 of the Ordinance of the Takeover Board on Public Takeover Offers («O-TB») pursuant to Article 25 of the SESTA and Article 26 of the O-TB taking into consideration the exceptions granted by the Takeover Board. The Report of the Board of Directors does not form part of our review.

We note, however, that the valuation to be delivered under Article 24.5 O-TB has been provided by Merrill Lynch. We have not reviewed such valuation, and we assume no responsibility therefor.

The Exchange Offer Prospectus and the summary are the responsibility of the Board of Directors. Our responsibility is to express an opinion on these two documents based on our review.

Our review has been conducted in accordance with the professional standards, which require that a review be planned and performed to verify the formal completeness in conformity with the SESTA and the O-TB and to obtain reasonable assurance about whether the Exchange Offer Prospectus and the summary are free from material misstatement. We have checked some of the material information thoroughly, some on a test basis. Furthermore, we have verified the compliance with the SESTA and O-TB. We believe that our review provides a reasonable basis for our opinion.

In our opinion, the Exchange Offer Prospectus and the summary comply with the SESTA and the O-TB. In particular:

- the present Exchange Offer Prospectus and the summary are complete and accurate;
- the recipients of the offer are treated equally;
- SYNTHES-STRATEC has taken all reasonable measures to have the SYNTHES-STRATEC Common Stock required for the exchange at its disposal and to make these available on the Closing Date.

Basel, 26 March 1999

PricewaterhouseCoopers AG  
Dr. L. Imark                      Dr. R. Schindler  
Swiss Certified  
Public Accountant

## I. Recommendation of the Takeover Board

The Exchange Offer was submitted to the Takeover Board prior to its publication. In the recommendation dated 26 March 1999, the Takeover Board held as follows:

The offer of SYNTHES-STRATEC complies with the Stock Exchange Act.

The Takeover Board grants the following exemptions from the Takeover Ordinance (Art. 4): waiver of the cooling-off period (Art. 14.1); and conditions subsequent (Art. 13.4).

## K. Execution of the Exchange Offer

- 1. Information/Submission of Applications**
  - Shareholders whose shares are held in a safe custody account**

Shareholders (other than U.S. Persons) whose STRATEC Registered «B» Shares are held in a safe custody account will be informed of the Exchange Offer by the custodian bank and are asked to proceed according to its instructions.
  - Shareholders who keep their shares at home**

Shareholders (other than U.S. Persons) who keep their STRATEC Registered «B» Shares at home or in a bank safe will be informed of the Exchange Offer by the registrar of STRATEC. They are asked to complete and sign the form entitled «Declaration of Acceptance and Assignment» and to submit it, together with the bank safe custody account details, along with the corresponding share certificate(s), **not invalidated**, directly to their bank or an exchange agent by 4 p.m. (Swiss time) on 29 April 1999 at the latest.
- 2. Offer Manager**

SYNTHES-STRATEC has appointed Credit Suisse First Boston, Zurich, to handle the execution of the Exchange Offer.
- 3. Exchange Agents**

Credit Suisse First Boston, Zurich  
All Swiss branches of Credit Suisse
- 4. STRATEC Registered «B» Shares notified for Exchange**

STRATEC Registered «B» Shares which have been notified for exchange for Shares will be assigned the following Swiss security number by the custodian banks:

STRATEC Registered «B» Shares with a nominal value of CHF 30 each, notified for exchange, Swiss security number 423,046.

This Swiss security number must be used for safe custody accounts and in dealings with SEGA until such time as the STRATEC Registered «B» Shares notified for exchange are actually exchanged for Shares.
- 5. Exchange Trading**

Trading in STRATEC Registered «B» Shares on the Swiss Exchange SWX during the offer period – i.e. from 31 March 1999 to the day on which this Exchange Offer is completed – will be organized as follows:

STRATEC Registered «B» Shares with a nominal value of CHF 30 each

  - First line: shares not notified for exchange  
Swiss security number: 449,809
  - Second line: shares notified for exchange  
Swiss security number: 423,046
- 6. Exchange**

STRATEC Registered «B» Shares notified for exchange will be exchanged for Shares, with the Swiss security number 551,581. At the closing of the Exchange Offer, the security designation will be changed from STRATEC Registered «B» Shares notified for exchange, to Shares.

## 7. Charges and Taxes

For shareholders who hold their STRATEC Registered «B» Shares in safe custody at Swiss banks, the exchange during the offer period and the additional acceptance period will be free of cost and charges.

The Swiss federal stamp duty levied on the Exchange Offer will be borne by the Corporation.

Taxation will be governed by the following principles:

- The exchange of STRATEC Registered «B» Shares in the context of the Exchange Offer will be income tax-free for individual shareholders domiciled in Switzerland holding their shares as part of their private property.
- In the case of STRATEC Registered «B» Shares held as business assets by shareholders domiciled in Switzerland, current taxation practice – and prevailing opinion – indicates that the exchange will also be income tax-free, provided that the book values remain unchanged.
- The taxation of shareholders domiciled abroad will be subject to the relevant foreign tax legislation. Each shareholder is recommended to have his or her personal tax situation examined.

After the consummation of the Exchange Offer, shareholders of STRATEC accepting the Exchange Offer will hold shares of a U.S. corporation. As a consequence, the dividends of SYNTHES-STRATEC will be subject to U.S. withholding taxes, part of which may be refunded to SYNTHES-STRATEC shareholders with tax residence in Switzerland if the dividend income is duly declared in the shareholders' income tax return, and part of which may be credited to SYNTHES-STRATEC shareholders with tax residence in Switzerland under certain circumstances against a shareholders' overall tax liability. Dividend payments on Shares held through SNOC will be made net of applicable withholding taxes. Shareholders with tax residence outside of Switzerland may also be able to reclaim or credit part of the U.S. withholding tax depending on the applicable double taxation treaties and legislation.

Common Stock held by shareholders directly, i.e. outside of SNOC, may be subject to additional taxes in the United States or elsewhere. Each shareholder is advised to consult his or her tax adviser in connection with any such direct shareholdings.

## 8. Dividend Rights

The newly issued Common Stock of SYNTHES-STRATEC resulting from the Exchange Offer, including the Shares eligible for trading on the Swiss Exchange SWX will rank *pari passu* with regard to dividends from the Closing Date.

## 9. Delisting and Invalidation of STRATEC Registered «B» Shares

The Board of Directors of STRATEC reserves the right to apply for the delisting of the STRATEC Registered «B» Shares once this Exchange Offer has been completed.

If, after the completion of this exchange offer, SYNTHES-STRATEC controls more than 98% of all votes of STRATEC, SYNTHES-STRATEC will request the cancellation of the remaining shares in accordance with Art. 33 of the Federal Act on Stock Exchanges and Securities Trading.

## 10. Applicable Law and Place of Jurisdiction

The Exchange Offer and all rights and obligations resulting therefrom shall be subject to **Swiss law**. The exclusive place of jurisdiction shall be **Zurich 3**.

## L. Expected Timetable

31 March 1999	Start of the offer period
	First trading day for STRATEC Registered «B» Shares notified for exchange (second line)
29 April 1999	End of the offer period <sup>1</sup>
6 May 1999	Start of the additional acceptance period <sup>1</sup>
19 May 1999	End of the additional acceptance period <sup>1</sup>
31 May 1999	Completion of the Exchange Offer and Closing Date
	Trading in the Shares will commence on the Swiss Exchange SWX

<sup>1</sup> The Board of Directors of SYNTHES-STRATEC reserves the right to extend the offer period one or more times as provided for in Section A.2. «Offer Period» and Section A.9. «Conditions/Rights of Withdrawal». Trading in SYNTHES-STRATEC Shares will commence no later than one business day after the Closing Date.

- **The exact wording of the conditions of the Exchange Offer (as set forth in the Combination Agreement),**
- **the Valuation Letter from Merrill Lynch as to the valuation of SYNTHES-STRATEC shares of Common Stock,**
- **the Fairness Opinion from Merrill Lynch,**
- **the Certificate of Incorporation and By-laws of SYNTHES-STRATEC, and**
- **the Preliminary Listing Prospectus with additional information regarding SYNTHES-STRATEC, its business and results of operations and additional information on SYNTHES and STRATEC (available in April 1999 only in English)**

**can be obtained free of charge from Credit Suisse First Boston, FBSC, Uetlibergstr. 231, P.O. Box 900, 8070 Zurich (Phone No. +41 1 333 29 87 / Fax No. +41 1 333 23 88).**

**These materials are not available in the United States or to U.S. Persons.**

Bank responsible for handling the Exchange Offer:

### **Credit Suisse First Boston**

This Exchange Offer Prospectus does not constitute an issue prospectus as defined in Art. 652a or Art. 1156 of the Swiss Code of Obligations.