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Group structure and shareholders

Synthes, Inc. (the Group) is comprised of the Synthes Companies, the former Stratec Companies and the former Mathys Companies (the "Companies"), as shown on page 81–82 in the financial review. Synthes, Inc. is a corporation registered in Delaware, USA. The company changed its name to Synthes, Inc. after close of trading on May 21, 2004.

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

Principal shareholders

The following table sets forth the identities of the principal shareholders of Synthes, Inc. and their holdings of shares at year-end.

Shareholder group	Shares	%
Hansjörg Wyss, MD (Hon)	49,719,635	43
Wyss 1989 Distributive Trust	12,966,840	11
The former Mathys Medizinaltechnik AG shareholders	5,107,250	4.5

As of December 31, 2004, it had been presented to the company that the Maag Family Partnership holds more than 5% of the current issued and outstanding stock of the Company.

On February 3, 2005, Synthes, Inc. was informed by the Maag Family Partnership that the Partnership no longer holds more than 5% of the currently issued and outstanding stock of the Company.

Cross-shareholdings

Synthes, Inc. has not entered in any cross-shareholdings that exceed 5% of the capital shareholdings or voting rights on both sides.

Capital

The total number of shares which the Company is authorized to issue under the Certificate of Incorporation is 150,150,000 shares denominated in Swiss francs divided into two classes as follows:

- 150,000,000 shares of Common Stock, par value CHF 0.001 per share and stated capital CHF 0.5 per share; and
- 150,000 shares of Preferred Stock, par value CHF 0.01 per share and stated capital CHF 5 per share.

As of December 31, 2004 the issued and outstanding share capital of the Company consisted of 114,872,630 registered shares of Common Stock with a nominal value of CHF 0.001 each.

Effective October 1, 2004, Synthes was included in the Swiss Market Index (SMI). Synthes shares are traded on virt-x, the SWX's blue chip trading platform in London. The Valor number or National number for Synthes, Inc. stock issuance is # 1863105. The ISIN # is US87162M4096.

Stockholder rights plan

Synthes, Inc. has in place a stockholder rights plan that is triggered if any person or persons acquires beneficial ownership of 33⅓% or more of the company's stock. This plan is designed to enhance the Board's ability to protect stockholders against, among other things, unsolicited attempts to acquire control of the Company that do not offer an adequate price to all stockholders or are otherwise not in the best interests of Synthes, Inc. and its stockholders. Once the rights plan is implemented, all acquiring persons (with the exception of the person holding >33⅓%) would have a right to buy a fractional share of preferred stock of the Company. This fractional share would be the economic equivalent to a share of Common Stock. This rights plan effectively operates by threatening to inflict dilution on the bidder and gives added leverage to the company's Board of Directors. The purchase of shares by exercise of conversion as well as every subsequent transfer of shares are subject to the transfer and voting right restrictions pursuant to the Articles of Incorporation.

Changes in capital structure within the last three financial years

No changes in the Company's capital structure were effected in the last three financial years with the exception of the following: At the Annual General Meeting on April 22, 2004, the Shareholders agreed to a 10 for 1 split of the outstanding shares of Common Stock by approving an amendment to the Certificate of Incorporation to change the number of authorized Common Shares. As a result of the stock split, each of the 11,487,263 issued and outstanding shares were classified into ten new shares each, leading to a new total of 114,872,630 issued and outstanding shares of Common Stock. In the stock split, the existing par value of each Common Share was reduced

from CHF 0.01 to CHF 0.001 (one tenth of one centime) and the stated capital from CHF 5.00 per share to CHF 0.50 per share. The stock split was registered in Delaware after close of trading on May 21, 2004.

The shares

Each share carries one vote at the shareholders' meeting of Synthes, Inc. Voting rights may be exercised only after a shareholder has been recorded in the Company's share register as a shareholder with voting rights.

Limitations on transferability and nominee registrations

The By-laws provide that Synthes, Inc. shall abide by the procedural rules established from time to time by the securities clearing institutions through which the shares of the Corporation are traded and settled.

So long as the shares of stock of the Corporation are not registered with the United States Securities and Exchange Commission, (i) any transfer or attempted or purported transfer of any shares of stock of the Corporation or any interest therein or right thereof to any person who is considered a United States person under the Securities Act of 1933 or Securities Exchange Act of 1934 (a "US Person") shall be prohibited and shall be void and ineffective as against the Corporation and (ii) the Corporation shall not recognize any US Person as a transferee or as a stockholder of the Corporation for any purpose whatsoever and shall not record any US Person as a stockholder of record. Excepted from these transfer restrictions are persons (i) who are Qualified Institutional Buyers as defined in Rule 144A of the Securities Act of 1933 who purchased shares of the Corporation in its secondary offering or (ii) transferees of such persons who comply with applicable resale restrictions.

Any voting instruction received from a US Person or bearing a US postmark shall be presumed to evidence a prohibited transfer of the shares, or interests therein or rights thereof, as to which such voting instructions relate, and shall, accordingly, be disregarded by the Corporation and shall be deemed void and of no effect.

Convertible bonds and options

This does not apply.

Board of Directors

The following table sets forth the name, birth year, and principal position, time of first election and the remaining term of office of each member of the Board of Directors:

Name	Birth year	Position	First election	Remaining term
Hansjörg Wyss, MD (Hon)	1935	Chairman	1999	2006
Charles Hedgepeth	1937	Vice Chairman	2002	2007
Dr. Roland Brönnimann	1937		2003	2005
Amin Khoury	1939		1999	2007
Dr. Rolf Soiron	1945		1999	2007
Robert Bland	1940		1999	2005
Dr. Allen Misher	1933		1999	2005
André Mueller	1944		1999	2006
Dr. David Helfet	1947		2001	2006

The Board of Directors of Synthes, Inc. consists of between seven and ten members, the exact number to be set by the Board of Directors. Currently, the Board of Directors of Synthes, Inc. consists of nine members. A prior year amendment of the Company's Certificate of Incorporation increased the maximum authorized number of Directors to ten.

Mr. Hansjörg Wyss, MD (Hon), Swiss citizen, is Chairman and Chief Executive Officer of Synthes, Inc. and has held this position since its founding in 1999. Mr. Wyss has led the Synthes Group and its predecessor organization since 1977. Prior to his involvement with the Synthes Group, Mr. Wyss served in management roles at several European corporations including as a Director of Monsanto Europe SA; President-Managing Director of Schappe-Burlington AG as well as Assistant to the President of Burlington International. Mr. Wyss holds an MBA, with distinction, from Harvard Business School and a Master of Science degree in Civil and Structural Engineering from the Swiss Federal Institute of Technology. In 2004, an Honorary Doctorate of Medicine was conferred to Mr. Wyss by the Medical Faculty of the University of Basel.

Mr. Charles Hedgepeth, US citizen, has held the title Vice Chairman of the Board of Directors of Synthes, Inc. since February 2002. Prior to this, Mr. Hedgepeth held the title of Board Member and member of the Office of the Chairman. Preceding his retirement in January 2002, Mr. Hedgepeth served the Company in a number of different roles. He was President & COO from 1995 until 1999. Mr. Hedgepeth continued as President until January 2001. Mr. Hedgepeth has been with Synthes (U.S.A.) since 1989 when he was retained as the Vice President of Manufacturing. Prior to his involvement with the Synthes Group, Mr. Hedgepeth served in management roles overseeing operations and manufacturing at several United States corporations. Mr. Hedgepeth holds a B.Sc. in Industrial Management from Johns Hopkins University and has completed the Stanford University Executive Program. Mr. Hedgepeth is a certified Manufacturing Engineer.

Dr. Roland Brönnimann, Swiss citizen, was Managing Director of Stratec Medical. Preceding this position, he was a member of the executive committee of F. Hoffmann-La Roche Ltd. and was the head of the Vitamins and Fine Chemicals Division. Prior to this he was a manager of production. Before he arrived at Hoffmann-La Roche Ltd., he worked for twenty years at Lonza Ltd. where he held various positions in research, development and manufacturing. Dr. Brönnimann holds a masters degree and a Ph. D. in Chemistry from the Swiss Federal Technology Institute in Zurich.

Mr. Amin Khoury, US citizen, is Founder and Chairman of the Board of B/E Aerospace, Inc., the world's leading manufacturer of cabin interior products for both commercial airliners and business jets. Mr. Khoury is also lead independent director of the Board of Directors of Brooks Automation, Inc., the leading worldwide provider of automation solutions to the semiconductor industry. Mr. Khoury holds a B.Sc. and M.Sc. in Chemistry and an MBA with distinction from Northeastern University.

Dr. Rolf Soiron, Swiss citizen, is Chairman of the Board of Holcim AG, one of the largest cement producers in the world. He also serves as Chairman of Nobel Biocare, the leading supplier of dental implants and is the Chairman of the Council of Basel University. In addition, he is a member of the Board of the Jungbunzlauer Group, a privately held, leading manufacturer of organic acids and food ingredients. Dr. Soiron was CEO of Jungbunzlauer Group from 1993 through 2003. He was also a board member of Stratec Holding Ltd. Before joining the Jungbunzlauer Group, he held several executive positions at Sandoz AG in Agrochemical/Seed and Pharmaceuticals in Basel and in New York. From 1983 to 1987, Dr. Soiron was the Managing Director of Protek in Bern, a Swiss orthopedic implant supplier. He holds a doctoral degree from Basel University and participated in Harvard Business School's PMD.

Mr. Robert Bland, US citizen, is currently President of Dunster Associates. Prior to this, he was Founder and President of Quality Health and also he was President of NEMC Real Estate between 1990 and 1996. Earlier, he was President of Amoskeag Development Corporation, a Boston real estate development firm. Between 1970 and 1986 he was founder, Executive Vice President, and Chief Financial Officer of Health Systems, Inc., a healthcare and management consulting firm. He is currently vice chairman of the Roxbury Preparatory Charter School. Mr. Bland received his B.A. from Harvard University in 1962.

Dr. Allen Misher, US citizen, is President Emeritus of the Philadelphia College of Pharmacy and Science. His business experience encompasses 18 years with SmithKline and French Laboratories in the fields of pharmacology, research and development, manufacturing, as well as various senior management positions including President of the Medical Diagnostic Group. He has served on various corporate boards of publicly held companies and as the chairman of US Bioscience, Inc. Dr. Misher received his B.Sc. from the Philadelphia College of Pharmacy and Science in 1959 and he received a Ph.D. from the University of Pennsylvania.

Mr. André Mueller, Swiss citizen, having obtained degrees in Chemical Engineering and Business Administration (INSEAD) in 1970, held a number of managerial positions in the strategic planning and finance divisions of Sandoz both at headquarters and in the United States. In 1981, he became Vice President of Finance and Administration, and subsequently, was named the first Chief Financial Officer of Biogen. In this capacity, Mr. Mueller was responsible for several financing rounds including the company's IPO. In 1985, he became a Founding Partner and was subsequently named Director of Investments of Genevest, the first Swiss venture capital organization, a situation he left in 1993 to head the Management Consulting practice of Deloitte & Touche in Geneva. Over the last two decades, Mr. Mueller was involved in the financing and the management of a substantial number of start-up companies including Actelion and FotoWire Development SA. From 1998–2003, he had been Actelion's CFO and Head of Strategic Development. He is currently Vice Chairman of the Board of Actelion and also on the Board of a number of privately held Biotech companies in Switzerland.

David L. Helfet, MD, US citizen, is an Attending Orthopedic Surgeon at the Hospital for Special Surgery as well as the New York Presbyterian Hospital in New York, where he also is the Director of the Combined Orthopedic Trauma Service at both institutions. He is a Professor of Orthopedic Surgery at Weill Medical College of Cornell University in New York. Dr. Helfet serves as a member of the Hospital for Special Surgery Board of Trustees, a member of the Board of Directors of eTrauma and as a trustee of the AO Foundation and AO North America. In addition, Dr. Helfet is the Chairman of the AO Foundation Board of Clini-

cal Investigation and Documentation. Over the years, Dr. Helfet held several hospital appointments including at the Johns Hopkins Hospital, Union Memorial Hospital and The Good Samaritan Hospital, all in Baltimore, Maryland and at Tampa General Hospital in Tampa, Florida. Dr. Helfet earned a B.Sc. in Biochemistry with honors from the University of Cape Town, South Africa. He earned a M.B.Ch.B. degree at the University of Cape Town Medical School, Cape Town, South Africa. He completed his Orthopedic Residency at Johns Hopkins Hospital in Baltimore, MD. Dr. Helfet is Board certified (American Board of Orthopedic Surgery, a Fellow of the American Academy of Orthopedic Surgeons, the American Orthopedic Association and former President of the Orthopedic Trauma Association).

Cross-involvement

There are no cross-involvements among the Board of Directors of Synthes, Inc. and other listed companies.

Elections and terms of office

The Board of Directors of Synthes, Inc. is elected at the annual shareholders' meeting. The Certificate of Incorporation provides that the Board of Directors must consist of between seven and ten members at any time. Each member of the Board of Directors is elected for a term of three years and may be re-elected to successive terms. Approximately three of the members of the Board of Directors are recommended for re-election each year; the Board of Directors decides on how tenure is allocated. There is no age restriction as to the election or retainment of a Director; however, a Director may be removed with or without cause at any time.

Areas of responsibility and internal organizational structure

The Board of Directors is ultimately responsible for the general policies and management of Synthes, Inc. The Board of Directors establishes the strategic, organizational, accounting and financing policies to be followed by the Companies. The Board of Directors has delegated the conduct of the day-to-day business operations to the Group Management Committee, which is headed by the Chairman. The Chairman is responsible for the overall management of the Companies.

The primary duties of the Board of Directors are as follows:

- issuance of guidelines for business policy
- establishment of policies and procedures concerning accounting and financial control as well as financial planning
- approval, dismissal and supervision of members of management
- supervision of preparation of the annual report of the Corporation
- approval of any bankruptcy filing or compromise or arrangement with creditors in the case of insolvency
- approval of the strategic direction of the Companies
- approval of changes of business activities
- approval of the establishment of new businesses and closing of businesses
- approval of the purchase or sale of assets in excess of US\$ 6 million
- determination of the general framework, amount and time frame of bond issues
- approval of new long and short-term bank debt if in excess of US\$ 10 million
- approval of the yearly operational and consolidated investment budget

During 2004, the Board of Directors met five times at the regularly scheduled meetings. The Chairman sets the agenda for board meetings. Any member of the Board of Directors may request that an item be included on the agenda. The members of the Board receive documents in advance of the board meeting which allow the members of the Board to prepare for the items on the agenda.

The Board of Directors hold discussions with officers of Synthes, Inc. and visit at least once per year one or more offices and plants.

Committees

The Board of Directors has established an Audit Committee and a Compensation Committee. A person elected by the Board of Directors chairs the committees. The committees meet regularly and make full reports and recommendations to the Board of Directors at its regular meetings. Their chairperson sets the agenda for the committee meetings. The members of the board committees receive in advance of committee meetings documents allowing them to prepare for the items on the agenda.

Audit Committee

The Audit Committee consists of three persons. Allen Misher is the Chairman and the other members are Robert Bland and André Mueller. The present members of the Audit Committee are non-executive members of the Board of Directors and are experienced in financial and accounting matters.

The Audit Committee convenes as often as business requires. As a rule, the Audit Committee Chairman, the Chief Financial Officer as well as representatives of the statutory auditors participate at the meetings with consultative voices. Minutes are recorded and resolutions passed by the Audit Committee.

The principal responsibilities of the Audit Committee are:

- to discuss the auditor's yearly reports with particular emphasis on the annual financial statements (both statutory and consolidated).
- to review and assess the auditing concept, examination process, examination instruments and examination programs.

The Board of Directors has established an Internal Audit Group to report directly to the Audit Committee. The Audit Committee periodically reviews and assesses the adequacy of the internal audit organizational structure, the internal audit scope, the audit plan and relevant processes, and whether recommended improvements as of the internal audits have been implemented by the management in charge. An annual Internal Audit Plan will be reviewed and approved by the committee. Such annual audit plan will analyze risks associated with the following:

- achievement of business goals and objectives
- business process optimization
- effectiveness of risk management, control and governance processes
- safeguarding of assets
- legal and regulatory compliance
- data systems control and process
- accounting system controls and processes
- authorization of transactions
- significant or unusual transactions
- other areas of significance as determined by the Audit Committee.

The Audit Committee reports at least yearly to the Board of Directors on its activities. During 2004, the committee met five times. In important cases, the Board of Directors shall be notified immediately.

Compensation Committee

The Compensation Committee consists of the Chairman, and other members of the Board of Directors. Amin Khoury is Chairman; Robert Bland, Rolf Soiron and Hansjörg Wyss are the other members of the Compensation Committee.

The Compensation Committee proposes to the Board of Directors compensation (including share option programs) of the members of the Board of Directors and determines the compensation policies of the members of the Group Management Committee as well as approves the compensation of the members of the Group Management Committee (whereby Hansjörg Wyss abstains from deliberating and voting with respect to his own compensation). During 2004, the Compensation Committee met one time.

**Information and control instruments vis-à-vis
the Group Management Committee**

The following financial information is generated from the Management Information System of Synthes, Inc. Financial statements (balance sheet, profit and loss statement, cash flow statement) for each of the subsidiaries are prepared monthly, quarterly, semi-annually and annually. This information is summarized by division and consolidated for the Group. This information is compared with the preceding financial year and the budget.

Financial performance analysis (i.e. actual versus budget versus last year) is prepared and reviewed by division management on a monthly basis.

Members of the Group Management Committee

The following table sets forth the name, birth year and principal positions of those individuals who were members of the Group Management Committee as of December 31, 2004:

Name	Birth year	Position
Hansjörg Wyss, MD (Hon)	1935	Chairman and Chief Executive Officer
Ciro Römer	1962	President, Europe and Latin America
Robert Donohue	1947	Chief Financial Officer
Michael Orsinger	1957	President and Chief Operating Officer

During 2004, **Mr. Hansjörg Wyss**, MD (Hon), was Chairman and Chief Executive Officer of Synthes, Inc. and has held this position since its founding in 1999 (see page 36).

During 2004, **Mr. Ciro Römer** was the President of Europe, Middle East and Africa. Prior to this, Mr. Römer held the title of general manager to the Stratec Medical group in both the Netherlands and Spain and the title of VP Sales Europe. Between 1983 and 1998, Mr. Römer held various positions including the Head of the Orthopedic Department at the OLVG Clinic and Howmedica. Mr. Römer holds a degree from Radulphus College along with a degree from Harvard Business School in the Advanced Management Program.

During 2004, **Mr. Robert Donohue** was the Chief Financial Officer. Additionally, Mr. Donohue holds the position of President, Synthes Canada, Ltd. (since 1998). Prior to this, Mr. Donohue held the position of Vice President of Finance for Synthes (U.S.A). Mr. Donohue has been with Synthes since 1990 when he was retained as the Corporate Controller. Prior to joining the Synthes Group, Mr. Donohue served in several financial positions including corporate controller, plant controller, and other corporate positions within several major United States corporations. A Certified Public Accountant, Mr. Donohue holds a B.Sc. degree in Economics from West Chester University and an MBA from Widener University.

On October 1, 2004, **Mr. Michael Orsinger** became Chief Operating Officer and President of North American Operations. Mr. Orsinger serves as a member of the Nobel Biocare Board of Directors. Prior to joining Synthes, Mr. Orsinger spent 10 years with Novartis in various executive management positions, most recently as the CEO and President of OTC Worldwide. Mr. Orsinger holds a degree in Business Administration from the Handelshochschule St. Gallen. In addition, he completed Advanced Management Programs at INSEAD Fontainebleau as well as the Harvard Business School.

Up until February 9, 2004, **Mr. Michael Huggins** was the President and Chief Operating Officer of North American Operations. Preceding this position, Mr. Huggins held the position of Senior Vice President of Operations. Hired in 1994 as Assistant to the Chief Operating Officer, Mr. Huggins was elevated to the position of Vice President of Operations in 1995. He served in this position from 1995 through 1998. Prior to Synthes, he worked eight years at Town & Country Corporation where he held the position of Vice President of Finance and Administration. He also held the positions of Corporate Vice President International Operations. From 1984 to 1986, Mr. Huggins worked at Kenner Parker Toys as Manager of Treasury Operations; and from 1979 to 1982 he was employed at Arthur Anderson as Senior Auditor. A graduate of Villanova University, Mr. Huggins holds a B.Sc. degree in Accounting and an MBA in Finance from the Wharton School at the University of Pennsylvania.

Management contracts

Synthes, Inc. and its subsidiaries have not entered into management contracts with third parties.

Contents and method of determining the compensation and of the shareholding programs

The members of the Board of Directors receive compensation that is determined from time to time upon motion of the Compensation Committee by the Board of Directors. The Compensation Committee approves upon proposal of the Chairman the compensation (including the share option programs) of the members of the Group Management Committee.

Compensation for acting members of the governing bodies

The total of all compensation (including all employer contribution into pension funds, without social security payments) which has been paid to the non-executive members of the Board of Directors in the financial year 2004 amounted to US\$ 1,770,723.

The total of all compensation (including all employer contribution into pension funds, without social security payments) paid to the executive member of the Board of Directors and the other members of the Group Management Committee amounted in the fiscal year 2004 to US\$ 8,353,836.

Compensation for former members of the governing bodies

In 2004, no non-executive member of the Board of Directors who gave up his functions in the year under review received regularly scheduled Board compensation.

Equity incentive plan

In 2000, the Board of Directors and Shareholders approved an equity incentive plan for directors and employees, which authorized the issuance of up to 1,500,000 shares. At the end of 2004, 50,000 share options were outstanding to members of the Board and Group Management. The purpose of the equity incentive plan is to provide members of the Board of Directors and other key employees added incentives to continue in the long-term service of the Corporation and to create in such persons a more direct interest in the future success of the operations of the Corporation by relating incentive compensation to increases in shareholder value and to provide a financial incentive that will help the Corporation attract, retain and motivate the most qualified employees and consultants.

The executive member of the Board of Directors, as well as the parties closely linked to him, hold no options.

The non-executive members of the Board of Directors and the members of the management team, as well as parties closely linked to them hold a total of 50,000 options. The allotment year, duration, and exercise price was as follows:

Number of options	Allotment year	Exercise price
50,000	2002	CHF 72

Each option gives its holder the right to purchase one share of Synthes, Inc. The options vest immediately and expire after seven years.

Share allotment during the financial year 2004

During 2004, 13,000 registered shares of Synthes, Inc. were allotted to an executive member of the Board of Directors.

Share ownership

The number of shares of Synthes, Inc. held by the executive member of the Board of Directors and the other members of the Group Management Committee and parties closely linked to such persons amounted in aggregate to 62,996,905. "Persons closely linked to them" are (i) their spouse, (ii) their children under age 18, (iii) any legal entities that they own or otherwise control, or (iv) any legal or natural person who is acting as their fiduciary.

The total number of shares held by the non-executive members of the Board of Directors and parties closely linked to such persons amounted to 170,485.

Additional honorariums and remuneration

Three non-executive members of the Board of Directors were paid US\$ 338,041 in the financial year 2004 for additional services performed during the year. None of the Group Management Committee or parties closely linked to such persons has billed honorariums.

Loans granted by governing bodies

There are no interests of members of the Board of Directors, or the Group Management or parties closely linked to such persons in transactions effected by Synthes, Inc. or any of its subsidiaries which are or were unusual in their nature or conditions during the year under review or the preceding financial year.

As of December 31, 2004, the total amount that Synthes, Inc. and its subsidiaries have conferred as a guarantee, loan advance or credit granted to members of the Board of Directors, the Group Management Committee or parties closely linked to such persons was US\$ 300,000.

Highest total compensation

The highest total compensation (including all employer contribution into pension funds, without social security payments) paid to a member of the Board of Directors in the year under review amounted to US\$ 5,572,448.

Voting rights restrictions and representations

Pursuant to the Certification of Incorporation, any person who, directly or indirectly, owns 5% or more of the outstanding shares of Common Stock who does not disclose his stock ownership and other related information will only be entitled to exercise a maximum of 5% of the voting power eligible to be cast at a meeting of shareholders, as adjusted for the number of votes deducted from the voting power of all shareholders whose voting power is reduced by virtue of such provision. Any shareholder who discloses his full stock ownership will have full voting rights.

Each share of Common Stock bears one vote. The By-laws of the Company provide that so long as restrictions on transfers of shares of Common Stock to US persons are in effect, any voting instructions received from a US person or bearing a US postmark (other than those US persons who purchased shares of common stock (i) pursuant to Rule 144A of the US Securities Act or (ii) pursuant to a private placement exemption under the US Securities Act in connection with the combination of the Synthes Group and Stratec, or transferees of such persons who obtained their shares pursuant to an exemption from registration under the US Securities Act) shall be presumed to evidence a prohibited transfer of the shares of Common Stock, or interests therein or rights thereof, to a US person, as to which such voting instructions relate and shall be disregarded by the Company.

Each shareholder entitled to vote at a meeting of shareholders may authorize another person or persons to act for him by proxy, but no such proxy shall be voted or acted upon after three years from its date, unless the proxy provides for a longer period. The proxy holder need not be a shareholder. A proxy shall be irrevocable if it states that it is irrevocable and if, and only as long as, it is coupled with an interest sufficient in law to support an irrevocable power. A shareholder may revoke any proxy which is not irrevocable by attending the meeting and voting in person or by filing an instrument in writing revoking the proxy or by delivering a subsequent proxy in accordance with applicable law bearing a later date to the Secretary of the Company.

Convocation of the Annual General Meeting of Shareholders and agenda

The Annual General Meeting of Shareholders will be held on April 21, 2005.

Shareholder proposals

The By-laws of Synthes, Inc. require that certain procedures be observed by a shareholder submitting a proposal at an annual meeting of shareholders. The shareholder must file, within the appropriate time as provided in the By-laws, with the Corporate Secretary a written statement setting forth specified information, including (1) a brief description of the proposal and the reasons for bringing such business before the annual meeting, (2) the name and address of the share-

holder making the proposal and the beneficial owner, if any, on whose behalf the proposal is made, (3) the class and number of shares of Common Stock of Synthes, Inc. owned beneficially and of record by such shareholder and such beneficial owner, (4) any material interest of the shareholder and such beneficial owner in such business and (5) whether the proponent intends or is part of a group which intends to solicit proxies from other shareholders in support of such nomination or proposal.

For a proposal to be considered timely, a stockholder's notice shall be delivered to the Secretary at the principal executive offices of the Corporation not less than seventy days nor more than ninety days prior to the first anniversary of the preceding year's annual meeting; provided, however, that in the event that the date of the annual meeting is advanced by more than twenty days, or delayed by more than seventy days, from such anniversary date, notice by the stockholder to be timely must be so delivered not earlier than the ninetieth day prior to such annual meeting and not later than the close of business on the later of the seventieth day prior to such annual meeting or the tenth day following the day on which public announcement of the date of such meeting is first made.

Registrations in the share register/invitation to the shareholders' meeting

Shareholders eligible to vote and entered in the share register as of March 22, 2005 will receive the invitation to the shareholders' meeting with the proposals of the Board of Directors. Shareholders who sent their reply to the companies' offices will receive the admission card and voting materials after April 4, 2005. Shareholders who are not yet registered on December 31, 2004, but purchase shares at a later date will receive the invitation to the shareholders' meeting later. No entries in the share register can be made from December 31, 2004 to the date of the shareholders' meeting. Owners of registered shares who sell their shares prior to the shareholders' meeting shall no longer be eligible to vote. Shareholders who sell portions of their shares or purchase additional shares are kindly requested to have their admission card updated at the information desk at the venue of the shareholders' meeting.

Vote requirements

All decisions taken at the meeting of shareholders require the affirmative vote of the holders of at least a majority of the Common Stock present or represented and entitled to vote. For the election of directors, a plurality of the votes cast is sufficient. A majority of the outstanding Common Stock entitled to vote is required for certain fundamental corporate transactions, such as amendments to the Certificate of Incorporation, certain mergers, sales of all or substantially all of the corporation's assets and dissolution of the corporation. The Certificate of Incorporation and By-laws of the Company follow the voting requirements of the Delaware General Corporate Law but contain some additional voting requirements: an affirmative vote of holders of at least 80% of the shares entitled to vote, present in person or represented by proxy, is required to approve specified transactions, including (i) amendment of provisions restricting share issuances not approved by shareholders, (ii) amendment of provisions granting pre-emptive rights, (iii) amendment of provisions dividing the Board of Directors into three classes, each elected for three-year staggered terms, (iv) amendment of provisions limiting director liability and granting indemnification rights and (v) amendment of provisions prohibiting shareholder action outside the meeting of shareholders. An affirmative vote of the holders of at least 66⅔% of the outstanding shares entitled to vote is required to authorize certain transactions with major shareholders.

Change of control and defense measures

The Company has adopted a Shareholder Rights Plan (the "Rights Plan"). The Rights Plan provides for the Company to issue rights to purchase shares of preferred stock ("Rights") to all existing shareholders, such Rights to become exercisable if a shareholder (an "Acquiring Person") acquires or agrees to acquire 33⅓% of the outstanding shares of the Company without at the same time making an offer to purchase the shares of the remaining shareholders at terms acceptable to the Board of Directors. The substantive effect of the Rights is to allow all shareholders of the Company, other than the acquiring person, to acquire an interest in a share of Preferred Stock that approximates the value of one share of Common Stock of the Company for half-price, thereby substantially diluting the value of existing Common Stock. Since the Acquiring Person will not be entitled to exercise any Rights, the Rights Plan in effect dilutes the position of the Acquiring Person. However, the Rights will not be exercisable if the Board of Directors approves the transaction by which the Acquiring Person acquired its shares. Similarly, the Rights will not be exercisable if such acquisition of 33⅓% results from a tender offer for all outstanding shares of Common Stock at a price at least as high as the price at which shares of Common Stock are trading on the SWX Swiss Exchange and which is not less than 25% below the highest price paid by such person for any shares during the preceding twelve months.

In accordance with the provisions of the equity incentive plan approved by the shareholders in April 2000, unless provided otherwise by the Compensation Committee at the time of the grant of an Award, upon a change of control of Synthes, Inc. then (i) all options shall become immediately exercisable in full during the remaining term thereof, and shall remain so, whether or not the Participants to whom such options have been granted remain employees or consultants of the Company, (ii) all restrictions with respect to outstanding Restricted Stock Awards shall immediately lapse, (iii) all Stock Units shall become immediately payable, and (iv) all other awards shall become immediately exercisable or shall vest, as the case may be, without any further action or passage of time. For purposes of this Plan, a "change of control" shall be deemed to have occurred if either (i) any individual, entity, or group or a trustee or other fiduciary holding securities under an employee benefit plan of the Company, acquires beneficial ownership of fifty percent or more of either (A) the then outstanding shares of Stock or (B) the combined voting power of the then outstanding voting securities of the Company entitled to vote generally in the election of directors or (ii) at any time during any period of three consecutive years (not including any period prior to the Effective Date), individuals who at the beginning of such period constitute the Board (any new director whose election by the Board or whose nomination for election by the Company's stockholders was approved by a vote of at least two-thirds of the directors then still in office who either were directors at the beginning of such period or whose election or nomination for election was previously so approved) cease for any reason to constitute a majority thereof.

Duration of the mandate and term of office of the head auditor

In 2004, Ernst & Young assumed the existing auditing mandate of Synthes, Inc.

Auditing honorariums and additional honorariums

Ernst & Young's auditing fees in connection with auditing the 2004 financial statements of Synthes, Inc. and subsidiaries and performing required statutory audits of subsidiaries are US\$ 1.2 million. In addition, Ernst & Young charged approximately US\$ 382,000 for additional non-auditing services performed for Synthes, Inc. In connection with auditing the 2003 financial statements of Synthes, Inc. and its subsidiaries Grant Thornton charged approximately US\$ 932,447.

Supervisory and control instruments vis-à-vis the auditors

The Audit Committee of the Board of Directors annually assesses the performance, compensation and independence of the auditors and submits for Board approval a proposal as to which external auditor shall be engaged and submitted for ratification at the shareholders' meeting. The Audit Committee annually controls the extent of the external auditing, the auditing plans and the respective programs and discusses the auditing results with external auditors.

Information policy

Synthes, Inc. is committed to a transparent information policy for the benefit of the public and capital markets. In general, Synthes, Inc. publishes full financial results on a half-annual basis. The full year results are generally released in March, the interim report in August. Sales results are reported on a quarterly basis. The first quarter sales results are generally published in April and the third quarter sales results in October.

Important dates

First quarter sales results	April 20, 2005
Annual General Meeting of Shareholders 2005	April 21, 2005
Half-year results	August 11, 2005
Third quarter sales results	October 13, 2005
Annual General Meeting of Shareholders 2006	April 20, 2006

Synthes, Inc. has established a website at www.synthes.com. Information relating to the company, its organization, and investor relation matters including the annual report and recent press releases, is available to be downloaded. Shareholders may direct inquiries to:

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