

Smith+Nephew InCentive Capital

Public Tender Offer

by

Smith & Nephew Group plc, London

(the obligations of Smith & Nephew Group plc under the public tender offer are guaranteed by Smith & Nephew plc, London)

for all the publicly held

Bearer Shares of InCentive Capital Ltd, Zug, with a nominal value of CHF 20 each

Transaction Overview

The boards of Smith & Nephew and Centerpulse have agreed to combine their businesses to create a leading global orthopaedics company. The transaction will be effected by Smith & Nephew Group plc (which will be the new holding company of Smith & Nephew) making a recommended offer for Centerpulse and this parallel offer for InCentive Capital, which holds approximately 18.9% of the share capital of Centerpulse. The board of directors of InCentive Capital recommends acceptance of this offer.

Offer Period

From 25 April 2003 to 24 June 2003, 4 p.m. CET
(with the prior approval of the Swiss Takeover Board, Smith & Nephew Group reserves the right to extend the offer period beyond 40 trading days).

Identification

	Securities No.	ISIN	Bloomberg
Bearer shares InCentive Capital Ltd	286089	CH0002860895	INC SW
Registered shares Smith & Nephew plc	1103058	GB0009223206	SN/ LN
Registered shares Smith & Nephew Group plc	1580453	GB0032838319	(will be applied for)
Registered shares Centerpulse Ltd			
– first line (not notified for exchange)	654485	CH0006544859	CEPN SW
– second line (notified for exchange)	1588547	CH0015885475	CEPNE SW

Offer Manager:



Lombard Odier Darier Hentsch

Financial Advisor:

LAZARD

Offer Restrictions

United States of America

Offering materials relating to the tender offer described herein are not being distributed, directly or indirectly, in or into, or by use of the mail, or by any means or instrumentality of interstate or foreign commerce of, or any facilities of a national securities exchange of, the United States of America or any of the other jurisdictions referred to under the heading “Other Jurisdictions” below (together the “Restricted Jurisdictions”) and may only be accepted outside of the Restricted Jurisdictions. This includes, but is not limited to, facsimile transmission, telex and telephone. Offering materials with respect to the tender offer may not be distributed in nor sent to the Restricted Jurisdictions and may not be used for the purpose of soliciting the purchase of any securities of InCentive, from anyone in any jurisdiction, including the Restricted Jurisdictions, in which such solicitation is not authorised, or to any person to whom it is unlawful to make such solicitation, and doing so may invalidate any purported acceptance.

Other Jurisdictions

Offering materials relating to the tender offer described herein are not being distributed in or into a country or jurisdiction, including without limitation Canada, Australia or Japan, where such distribution would be considered unlawful or in which it would otherwise breach any applicable law or regulation or which would require Smith & Nephew Group to amend any term or condition of the tender offer in any way or which would require Smith & Nephew Group to make any additional filing with, or take any additional action with regards to, any governmental, regulatory or legal authority, including without limitation Canada, Australia or Japan. Offering materials relating to the tender offer described herein may not be used for the purposes of soliciting the purchases of any securities of Centerpulse from anyone in such country or jurisdiction.

Forward-Looking Statements

This Offer Document contains forward-looking statements within the meaning of the United States Private Securities Litigation Reform Act of 1998. More detailed information about such factors is set forth in Smith & Nephew Group’s and Centerpulse’s respective filings with the SEC and the Listing Particulars.

<p>This Offer Document does not constitute an issue prospectus in the sense of art. 652a or art. 1156 of the Swiss Code of Obligations.</p>
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Abbreviations and Definitions

The following terms and expressions have the meanings set forth below, unless otherwise defined in this Offer Document:

Accepting Shareholders	The accepting InCentive Shareholders under the InCentive Offer together with the accepting Centerpulse Shareholders under the Centerpulse Offer
Access Trust	The trust holding the legal title to the Common Access Shares
Adjusted NAV	The net asset value of InCentive as of the last day of the offer period, to be determined and calculated by applying the methods and principles that were applied by InCentive in determining its net asset value on a consistent basis prior to 20 March 2003, but excluding the value of the Centerpulse Holding, and less (i) all transaction costs payable by InCentive in connection with the InCentive Offer, (ii) the value of Treasury Shares (if any), and (iii) the amount of any damages, liabilities and expenses incurred by Smith & Nephew and Smith & Nephew Group that result from any acquisition of InCentive Shares or Centerpulse Shares by InCentive, as a result of which Smith & Nephew Group is required by law to increase the offer price under the InCentive Offer or the Centerpulse Offer
Centerpulse	Centerpulse Ltd, Zurich, Switzerland
Centerpulse Holding	Centerpulse Shares held by InCentive
Centerpulse Offer	Smith & Nephew Group's public tender offer for all publicly held Centerpulse Shares as described in detail in an offer prospectus of the same date as this Offer Document
Centerpulse Share(s)	Registered share(s) of Centerpulse with a nominal value of CHF 30 each
Centerpulse Shareholders	Persons holding Centerpulse Shares
CET	Central European Time
Combined Group	Smith & Nephew Group, Smith & Nephew and Centerpulse and their respective subsidiaries
Common Access Shares	Common Access Shares issued by Smith & Nephew which are held on trust for all ordinary shareholders of Smith & Nephew Group in the Access Trust
Companies Act	The Companies Act 1985, as amended (as applicable in England & Wales)
Court Scheme	The proposed scheme of arrangement under section 425 of the Companies Act in its original form or with or subject to any modification thereof or addition thereto or condition approved or imposed by the court
InCentive or InCentive Capital	InCentive Capital Ltd, Zug, Switzerland
InCentive Offer	Smith & Nephew Group's public tender offer for all publicly held InCentive Shares as described in detail in this Offer Document
InCentive Share(s)	Bearer share(s) of InCentive with a nominal value of CHF 20 each
InCentive Shareholders	Persons holding InCentive Shares

InCentive Transaction Agreement	The agreement between Smith & Nephew, Smith & Nephew Group and InCentive, dated 20 March 2003
InCentive Tender Agreement	The agreement between Smith & Nephew, Smith & Nephew Group and the Major InCentive Shareholders, dated 20 March 2003
Investment Manager	InCentive Asset Management AG, Zurich, Switzerland, InCentive's main investment manager
Listing Particulars	The UK listing particulars dated 24 April 2003 of Smith & Nephew Group relating to the issue of up to 1,260,000,000 New Ordinary Shares
Major InCentive Shareholders	«Zürich» Versicherungs-Gesellschaft, acting for itself as well as for «Zürich» Lebensversicherungs-Gesellschaft and La Genevoise, Compagnie d'Assurance sur la Vie, III Institutional Investors International Corp, Mr René Braginsky and Mr Hans Kaiser together with certain of his family members, which together control 77% of InCentive's share capital and voting rights, as described in more detail in section B.4. "Shareholdings in InCentive" of this Offer Document
New ADSs	New American Depositary Shares of Smith & Nephew Group
New Ordinary Shares	Ordinary registered shares in Smith & Nephew Group with a nominal value of GBP 0.125 each proposed to be issued credited as fully paid pursuant to the Court Scheme and the Offers
Offer Document	This offer prospectus dated 25 April 2003
Offers	The Centerpulse Offer and the InCentive Offer
Regulations	The UK Uncertificated Securities Regulations 2001
SESTA	Federal Act on Stock Exchanges and Securities Trading of 24 March 1995, as amended
SESTO-FBC	Ordinance of the Federal Banking Commission on Stock Exchanges and Securities Trading of 25 June 1997, as amended
Settlement Date	Date of settlement of the InCentive Offer as defined in Section J.5. "Settlement", with the same settlement date applying for the Centerpulse Offer
Smith & Nephew	Smith & Nephew plc, London, United Kingdom
Smith & Nephew Group	Smith & Nephew Group plc, registered office London, United Kingdom, principal place of business Cartigny/Geneva, Switzerland
Smith & Nephew Group Shareholders	Persons holding New Ordinary Shares
Smith & Nephew Share(s)	Ordinary share(s) of Smith & Nephew plc, London, UK with a nominal value of 12½ pence each
Smith & Nephew Shareholders	Persons holding Smith & Nephew Shares
Takeover Board	Swiss Commission for Public Takeover Offers
TOO	Ordinance of the Takeover Board on Public Takeover Offers of 21 July 1997, as amended

Transaction	The Court Scheme and the Offers
Treasury Shares	InCentive Shares held by InCentive or its subsidiaries, if any
Trustee	Smith & Nephew Trustee Limited, the trustee of the Access Trust

Introduction

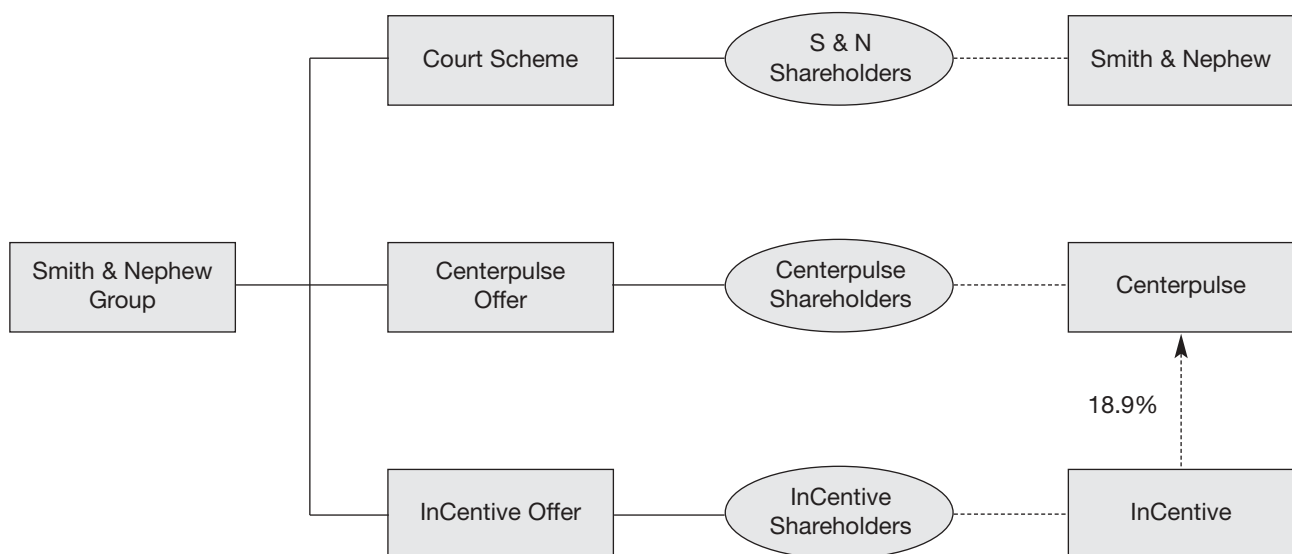
Smith & Nephew Group hereby submits a public tender offer in accordance with art. 22 et seq. SESTA for all publicly held InCentive Shares.

On 20 March 2003, the boards of Smith & Nephew Group and Centerpulse announced that they had agreed in principle to combine their businesses to create a leading global orthopaedics company.

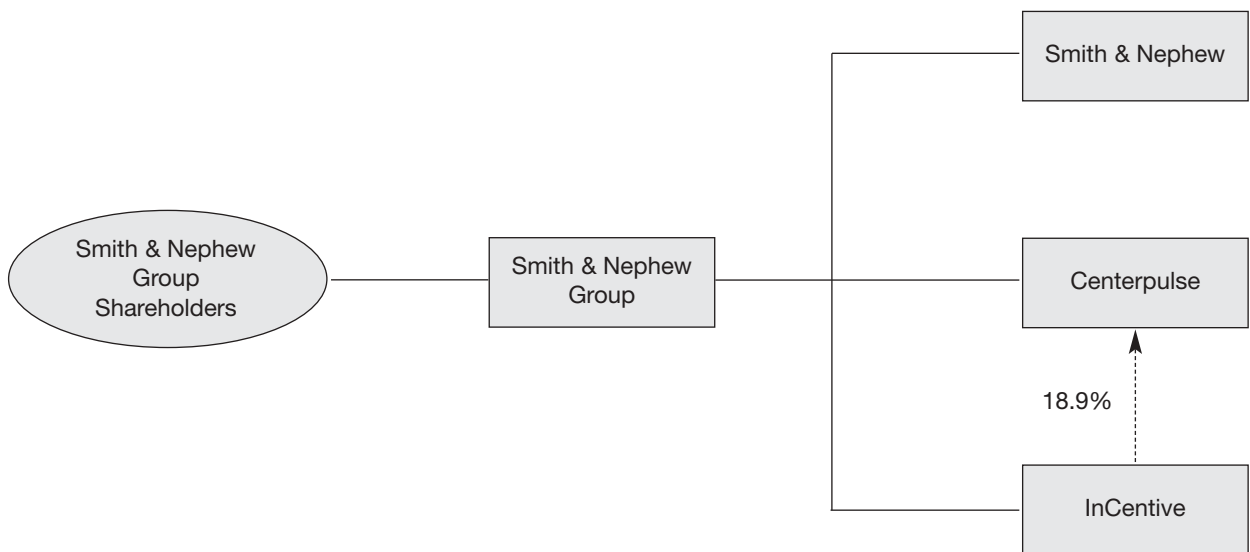
The Transaction will be implemented as follows:

- Smith & Nephew, which is the current listed parent company of the Smith & Nephew operations, will be acquired by Smith & Nephew Group, a newly established holding company, pursuant to a Court Scheme under section 425 of the Companies Act under which all existing Smith & Nephew Shares will be replaced by the same number of ordinary shares of Smith & Nephew Group and Smith & Nephew Shareholders become Smith & Nephew Group Shareholders.
- Smith & Nephew Group is making the Centerpulse Offer, as a result of which Centerpulse will become a subsidiary of Smith & Nephew Group and Centerpulse Shareholders accepting the offer will become Smith & Nephew Group Shareholders
- Smith & Nephew Group is also making a public tender offer for all publicly held shares in InCentive, which is the largest shareholder of Centerpulse and holds approximately 18.9% of the share capital of Centerpulse, as a result of which InCentive will become a subsidiary of Smith & Nephew Group and InCentive Shareholders accepting the offer become Smith & Nephew Group Shareholders.

The following diagram shows the position at the beginning of the Transaction:



The following diagram shows the position following completion of the Court Scheme, the Centerpulse Offer and the InCentive Offer:



Under the terms of the the Centerpulse Offer, Centerpulse Shareholders will receive 25.15 New Ordinary Shares and CHF 73.42 in cash for each Centerpulse Share.

The terms of the InCentive Offer are defined so as to reflect the terms of the Centerpulse Offer with respect to InCentive's holding in Centerpulse (the "Centerpulse Holding").

On the assumption that all of Centerpulse Shareholders and all of InCentive Shareholders accept the Centerpulse Offer and the InCentive Offer, respectively, and upon the Court Scheme becoming effective, Smith & Nephew Shareholders will hold approximately 76% of Smith & Nephew Group, and Centerpulse Shareholders and InCentive Shareholders will together hold approximately 24% of Smith & Nephew Group.

Smith & Nephew Group has today released a separate offer prospectus relating to the Centerpulse Offer.

A. Offer

1. Pre-announcement

The InCentive Offer was pre-announced in the electronic media on 20 March 2003 and in the press on 22 March 2003 in accordance with art. 7 et seq. TOO.

2. InCentive Shares subject to the InCentive Offer

The InCentive Offer applies to all publicly held InCentive Shares.

3. Offer Price

The offer price for each InCentive Share shall be $\frac{a + b}{c}$ where:

- a = the total amount of New Ordinary Shares and the amount of cash that would be payable under the Centerpulse Offer for the Centerpulse Shares held by InCentive (the "Centerpulse Holding");
- b = the adjusted net asset value of InCentive (the "Adjusted NAV"), positive or negative, calculated as at the last day of the InCentive offer period but excluding the Centerpulse Holding and attributing no value to any treasury shares held by InCentive or its subsidiaries (the "Treasury Shares"), as confirmed by InCentive's auditors;
- c = the total number of InCentive Shares in issue on the last day of the offer period less the number of Treasury Shares on that date.

The consideration for each InCentive Share will consist of (i) an element of New Ordinary Shares and an amount of cash which together will mirror the Centerpulse Holding; plus or minus (ii) the cash attributable to the Adjusted NAV. If the Adjusted NAV is negative, then the cash element attributable to the Centerpulse Holding shall be reduced, *pro tanto*, and if after such reduction there is still a negative balance, the number of New Ordinary Shares to be issued shall be reduced by a corresponding amount calculated by reference to the average closing prices of Smith & Nephew Shares of the fifth to the third trading day prior to the Settlement Date.

Dilution

The offer price will be adjusted for any dilutive effects in respect of the InCentive Shares or the Smith & Nephew Shares (except for shares issued in respect of management options granted under the Smith & Nephew employee share schemes and disclosed in Smith & Nephew financial statements for the financial year 2002), including dividend payments (except for dividends already declared by Smith & Nephew or an interim dividend thereafter declared by Smith & Nephew in the normal course consistent with past practice), capital increases below market value, or the issuance of options (except for management options issued under the Smith & Nephew employee share schemes in the normal course consistent with past practice), warrants, convertible securities and other rights of any kind to acquire InCentive Shares or Smith & Nephew Shares as the case may be.

Consideration under the Centerpulse Offer

The consideration for each Centerpulse Share payable under the Centerpulse Offer comprises (in the context of the InCentive Offer, the same consideration will apply, but the overall consideration will be adjusted to reflect the Adjusted NAV):

- 25.15 New Ordinary Shares; and
- CHF 73.42 in cash

Mix and Match

Accepting Centerpulse Shareholders under the Centerpulse Offer and accepting InCentive Shareholders under the InCentive Offer (together the “Accepting Shareholders”) may elect to take fewer New Ordinary Shares or more New Ordinary Shares than their basic entitlement under the relevant offer, but elections under both Offers (taken together) to take more New Ordinary Shares (together the “Excess Shares”) will only be satisfied to the extent that elections have been made under both Offers (taken together) by Accepting Shareholders to take fewer Smith & Nephew Group Shares (together referred to as the “Available Shares”). The Available Shares will be allocated to the applicants for Excess Shares in proportion to the number of Excess Shares applied for. If the total number of Available Shares exceeds the total number of Excess Shares applied for, the Available Shares shall be limited to an amount equal to the Excess Shares. Once the share allocations have been determined, the cash element of the consideration will be reduced or increased (as the case may be) for each Accepting Shareholder who has been allocated an increased or reduced number of New Ordinary Shares. All calculations shall be made by reference to the number of acceptances and elections as of the last day of the additional acceptance period and, for the purposes of these calculations, the value per New Ordinary Share shall be CHF 8.29, the same as the closing middle market price of a Smith & Nephew Share on the day immediately prior to the pre-announcement of the Offers of 381.25 pence.

Accepting Shareholders can (for each share tendered) elect from the following mix and match alternatives: (a) basic entitlement, (b) as many New Ordinary Shares as possible and (c) as much cash as possible. Accepting Shareholders can submit their mix and match election until the end of the additional acceptance period which is expected to be on or about 11 July 2003. Accepting Shareholders not having submitted a mix and match election are deemed to have elected to take their basic entitlement in New Ordinary Shares and cash.

Fractions Entitlements under the Offers

Fractions of New Ordinary Shares will not be allotted or issued to Accepting Shareholders but will be aggregated and sold in the market and the net proceeds of sale distributed on a pro rata basis to the Accepting Shareholders who are entitled to them under the Offers.

4. Description of New Ordinary Shares

Each New Ordinary Share carries one vote at the general shareholders’ meetings of Smith & Nephew Group. Subject to the Common Access Share structure described in Appendix B, the holders of New Ordinary Shares are entitled to participate rateably in any dividends which may be declared on New Ordinary Shares by the general shareholders’ meeting of Smith & Nephew Group and, in the event of liquidation, dissolution or winding-up or other distribution of assets or property of Smith & Nephew Group, to a pro-rata share of the assets of Smith & Nephew Group after payment of all liabilities and obligations (subject to the rights of any class of shares ranking in priority to the New Ordinary Shares) [see also Section B.1 “General Information on Smith & Nephew Group”].

5. Historical Share Price Development

The following table illustrates the historical share price development of Smith & Nephew Shares:

Smith & Nephew

(in pence)	2000	2001	2002	2003*
High	330	420	436	421
Low	161	290	292	325

The opening price of Smith & Nephew Shares on 19 March 2003 (the last trading day prior to pre-announcement on 20 March 2003) quoted on the Daily Official List of the London Stock Exchange was pence 386.5 and the closing price was pence 381.25.

* Between 1 January and 16 April 2003.

Source: Bloomberg

The following table illustrates the historical share price development of InCentive Shares:

InCentive

(in CHF)	2000*	2000**	2001	2002	2003***
High	770	490	489	340	340
Low	550	460	232	260	305

The last paid price for InCentive Shares at the SWX Swiss Exchange prior to pre-announcement on 20 March 2003 was CHF 310 (on 17 March 2003).

InCentive calculates its net asset value on a weekly basis. The net asset value per InCentive Share on the dates closest to the pre-announcement of 20 March 2003 were CHF 344.33 on 14 March 2003 and CHF 345.13 on 21 March 2003.

* From 1 January to 31 October 2000, the paid prices relate to India Investment. On 31 October 2000, India Investment merged with Incentive Investment to form InCentive Capital. The transaction was followed by a rights offering and the period relevant for comparison purposes is therefore 1 November to 31 December 2000.

** From 1 November to 31 December 2000.

*** Between 1 January and 16 April 2003.

Source: Bloomberg

6. Offer Period

From 25 April to 24 June 2003, 4 p.m. CET.

With the prior approval of the Swiss Takeover Board, Smith & Nephew Group reserves the right to extend the offer period beyond 40 trading days. In such an event the Settlement Date will be post-poned accordingly (see also Section K. "Indicative Timetable").

7. Additional Acceptance Period

If the suspensive conditions of the InCentive Offer as defined below are fulfilled or waived upon expiry of the offer period, there will be an additional acceptance period of 10 trading days, expected to be from 30 June to 11 July 2003, 4 p.m. CET.

8. Conditions

The InCentive Offer is subject to the following conditions:

- a. All conditions of the Centerpulse Offer having been satisfied or waived by Smith & Nephew Group.
- b. The general meeting of InCentive Shareholders having
 - i) received the resignation of all current members of InCentive's board of directors or required these to resign, and elected the persons proposed by Smith & Nephew Group as new members of the board of directors, subject to all other conditions to the InCentive Offer being accepted or waived by Smith & Nephew Group; and
 - ii) to the extent required approved the InCentive Transaction Agreement and the transactions contemplated thereunder.

- c. Smith & Nephew Group having received valid acceptances for at least 80% of the InCentive Shares outstanding at the expiry of the (possibly extended) offer period.
- d. No court or regulatory authority having issued a decision or an order which prohibits the InCentive Offer or its completion or renders the InCentive Offer or its completion unlawful.
- e. InCentive or any of its subsidiaries not having disposed, or agreed to dispose (including acceptance of any offer), of any Centerpulse Share held by it or its subsidiaries and not having become obliged to do so, except for any such transfers within the InCentive group.
- f. Until the end of the (possibly extended) offer period no litigation proceedings having been initiated against InCentive and its subsidiaries which have not been made public prior to the date hereof and which are neither insured nor provisioned for in the consolidated balance sheet of InCentive and whose amount in dispute is in excess of CHF 35 million in the aggregate.
- g. The general meetings of Smith & Nephew Shareholders having passed the necessary resolutions to effect the Court Scheme under which Smith & Nephew will become a wholly owned subsidiary of Smith & Nephew Group, and the Court Scheme having become effective.

Except for condition g), Smith & Nephew Group reserves the right to waive one or more of the conditions set out above either in whole or in part or to withdraw the InCentive Offer if one or more of the above conditions is or are not met.

All conditions above shall be suspensive within the meaning of art. 13 para. 1 TOO.

The InCentive Offer will lapse if the conditions as defined above have not been fulfilled or waived by Smith & Nephew Group until the expiry of the (possibly extended) offer period.

B. Information on the Offeror

Copies of the memorandum of association and of the articles of association of Smith & Nephew Group, which were adopted by a special resolution dated 14 April 2003, can be obtained free of charge at the addresses mentioned at the end of this Offer Document. Appendix A contains further information about corporate governance and Appendix B contains further information about the Common Access Shares.

The following information should not be construed as being complete and is qualified in its entirety by reference to English common law, statute and regulation (in particular, the Companies Act), the Listing Rules of the UK Listing Authority, the City Code on Takeovers and Mergers, the Listing Particulars and the memorandum and articles of association of Smith & Nephew Group.

1. General Information on Smith & Nephew and Smith & Nephew Group

Corporate Name / Registered Office

Smith & Nephew Group is a company limited by shares which was incorporated and registered for an indefinite period of time under the laws of England and Wales with registered number 4348753 on 8 January 2002 under the name Meadowclean Limited. On 20 March 2002 Meadowclean Limited changed its name to Smith & Nephew Group Limited and on 2 April 2003 it was reregistered as a public limited company. The registered office is located at 15 Adam Street, London WC2N 6LA (United Kingdom) and the principal place of business is currently at Route du Moulin de la Ratte 122, 1236 Cartigny / Geneva (Switzerland).

Smith & Nephew is a company limited by shares incorporated under the laws of England and Wales with registered number 324357. The registered office is located at 15 Adam Street, London WC2N 6LA (United Kingdom).

Court Scheme

Smith & Nephew is to be acquired by Smith & Nephew Group pursuant to the Court Scheme of Smith & Nephew, as a result of which Smith & Nephew Group will become the new holding company of the Combined Group. Pursuant to the Court Scheme, all existing Smith & Nephew Shares will be cancelled and replaced with the same number of New Ordinary Shares. As a result, Smith & Nephew Shareholders will receive the same number of New Ordinary Shares, with the same economic and voting rights. Holders of Smith & Nephew American Depositary Shares will continue to hold the same number of American Depositary Shares with the same economic rights in Smith & Nephew Group. The other rights attaching to the New Ordinary Shares are substantially the same as those attaching to the existing Smith & Nephew Shares except for minor modifications, which have been made to the Smith & Nephew Group's Articles of association to reflect current practice. Similarly, the other rights attaching to the New ADSs are the same as those attaching to the existing Smith & Nephew American Depositary Shares.

The Court Scheme itself will have no immediate impact on the management of the Group as all of the existing directors of Smith & Nephew (excepting Sir Tim Lankester) will become directors of Smith & Nephew Group. In addition, on completion of the Centerpulse Offer, Dr Max Link and René Braginsky will also join the board of Smith & Nephew Group.

The Court Scheme will not be implemented if the conditions to the Centerpulse Offer are not satisfied or (where permissible) waived. The Offers are themselves conditional upon the Court Scheme having become effective.

To be implemented, the Court Scheme requires consent of Smith & Nephew Shareholders; for this purpose a court convened meeting of Smith & Nephew Shareholders is being convened for on or about 19 May 2003 to be held at the offices of Ashurst Morris Crisp, Broadwalk House, 5 Appold Street, London EC2A 2HA.

Purpose

The memorandum of association of Smith & Nephew Group provides that Smith & Nephew Group's principal objects are to carry on the business of a holding company and to coordinate and regulate the activities and businesses of subsidiary and associated companies for the time being and the financing of such companies. The objects of Smith & Nephew Group are set out in full in clause 4 of the memorandum of association of Smith & Nephew Group.

Business Activities

Smith & Nephew is a global advanced medical devices company employing over 7,300 people with operations in 32 countries. It is structured in three divisions, Orthopaedics, Endoscopy and Advanced Wound Management, with principal manufacturing in Tennessee and Massachusetts in the US, and Hull in the UK.

Orthopaedics is a global provider of reconstructive implant systems for knees, hips and shoulder joints, as well as trauma and clinical therapy products to help repair broken bones and damaged joints. This business strives to combine industry-leading technology with clinically proven products to deliver simpler, less invasive and more cost effective procedures to the orthopaedic community. Smith & Nephew has 8% of the orthopaedic reconstructive implant and trauma markets and holds the 6 worldwide ranking. In 2002, sales were GBP470 million, an underlying sales increase of 20%, and EBITA before exceptional items was GBP98 million.

Endoscopy is a world leader in the development and commercialisation of minimally invasive endoscopic surgery. This business is committed to reducing trauma and pain to the patient, reducing cost to healthcare systems, and providing better outcomes for surgeons and patients with its broad range of techniques and instruments for minimally invasive surgery, particularly of the joint. Smith & Nephew has 35% of the arthroscopy (joint) market and holds the leading worldwide position. In 2002, sales were GBP292 million, an underlying sales increase of 10%, and EBITA before exceptional items was GBP54 million.

Advanced Wound Management provides an advanced range of treatments for difficult to heal wounds. It develops innovative new solutions to chronic and acute wound management problems. Smith & Nephew has 21% of the advanced wound management market and has the leading worldwide position. In 2002, sales were GBP322 million, an underlying increase of 11%, and EBITA before exceptional items was GBP44 million.

Smith & Nephew also has investments in BSN Medical, a joint venture with Beiersdorf AG, and in AbilityOne Corporation, a rehabilitation business in which it holds a 21.5% interest. The share of operating profit before exceptional items attributable to Smith & Nephew in 2002 from these two investments was GBP25 million.

Key Financials

Summary financial information as extracted from Smith & Nephew's audited consolidated 2002 results:

	Year to 31 December 2002		Year to 31 December 2001	
Group turnover (continuing operations)	GBP	1,084m	GBP	978m
EBITA before exceptional items (continuing operations including investments)	GBP	221m	GBP	187m
Basic earnings per share before goodwill amortisation and exceptional items		16.02p		13.96p
Shareholders' funds	GBP	517m	GBP	405m
Net debt	GBP	277m	GBP	244m

The three last annual reports of Smith & Nephew can be obtained free of charge (see www.smith-nephew.com).

There has been no significant alteration in Smith & Nephew Group's and Smith & Nephew's assets and liabilities, financial position, profits and losses and prospects taken as a whole between the publication of the last annual report and 16 April 2003.

Share Capital of Smith & Nephew

As at 1 January 2003 the authorized share capital of Smith & Nephew was GBP 150,000,000 and at the same date the issued share capital was GBP 113,614,997.49 made up of 929,577,252 ordinary shares of 12½ pence each and 268,500 preference shares of GBP 1 each.

From 31 December 2002 to and including 7 April 2003, 674,732 shares have been issued under the Smith & Nephew share schemes.

Share Capital of Smith & Nephew Group

a) Overview

The following table sets out the authorised, issued and fully paid share capital of Smith & Nephew Group as it is at present, and as it will be following completion of the Offers based on the assumption that:

- 1°) The Court Scheme becomes effective;
- 2°) Smith & Nephew Group acquires the entire issued and to be issued share capital of Centerpulse under the terms of the Centerpulse Offer;
- 3°) Smith & Nephew Group acquires the entire issued and to be issued share capital of InCentive under the terms of the InCentive Offer;
- 4°) no future Smith & Nephew Shares are issued pursuant to options, rights of conversion or otherwise between the date hereof and the date the Court Scheme becomes effective;
- 5°) all of the existing redeemable preference shares of Smith & Nephew are redeemed at par and cancelled following completion of the Offers

	Authorised		Issued	
	Number of shares	Nominal amount (GBP)	Number of shares	Nominal amount (GBP)
As at 16 April 2003				
Ordinary Shares	3	3	3	3
5½% Non-redeemable Preference Shares	13,298	13,298	13,298	13,298
5½% Redeemable Preference Shares	36,699	36,699	36,699	36,699
On Completion of the Transaction				
New Ordinary Shares	1,680,000,000	280,000,000	1,228,183,957	153,517,370
5½% Non-redeemable Preference Shares	NIL	NIL	NIL	NIL
5½% Redeemable Preference Shares	NIL	NIL	NIL	NIL

* Smith & Nephew Group currently has 3 shareholders:

- 1) Antoine Vidts, Zuurstraat 26, 9400 Ninove, Belgium (2 ordinary voting shares)
- 2) Pierre Chapatte, Route du Moulin de la Ratte 122, 1236 Cartigny / Geneva, Switzerland (1 ordinary voting share)
- 3) Cazenove & Co. Ltd, 12, Tokenhouse Yard, London EC2R 7AN, United Kingdom (49,997 non-voting preference shares)

Shareholders no. (1) and (2) became shareholders on 18 March 2003. Shareholder no. (3) became a shareholder on 18 March 2003 in order to inject the share capital required for Smith & Nephew Group to qualify for re-registration as a public limited company ("plc") which was obtained on 2 April 2003. Conditional upon the Court Scheme becoming effective and the New Ordinary Shares being issued and admitted to the Official List, the non-redeemable preference shares and the ordinary shares set out above will be divided or re-classified (as required) into ordinary shares of 12.50 pence each. Shareholder no. 3 will transfer its 106,384 ordinary shares of 12.50 pence resulting from the division or reclassification to the nominees of one of Smith & Nephew Group's new employee benefit trusts at the fair market value for an equal number of New Ordinary Shares on the

day prior to such transfer. At the same time shareholders no. (1) and (2) will transfer their 24 ordinary shares of 12.50 pence resulting from the division or reclassification to the nominees of one of Smith & Nephew Group's new employee benefit trusts at the fair market value for an equal number of New Ordinary Shares on the day prior to such transfer. The 36,699 redeemable preference shares will be redeemed at par together with accrued dividends.

b) Share Voting

Subject to disenfranchisement in the event of non-compliance with a disclosure notice requiring disclosure of interests in any shares in certain circumstances, as described below, prohibiting the recipient from attending and voting at general or class meetings, as described below, and subject to any special terms for voting on which any ordinary shares of Smith & Nephew Group may have been issued or may for the time being be held, at a general meeting on a show of hands every member who (being an individual) is present in person or (being a corporation) is present by a duly authorised representative or proxy not being himself a member shall have one vote and, on a poll, every member so present in person or by proxy shall have one vote for every Smith & Nephew Group ordinary share of which he is the holder.

In the case of joint holders, the vote of the person whose name stands first in the register of members and who tenders a vote whether in person or by proxy will be accepted to the exclusion of any votes tendered by the other holders.

c) Rights of New Ordinary Shares

Each New Ordinary Share shall, subject as described into the immediate following paragraph, entitle the holder to a pro-rata share of all dividends declared in respect of the ordinary share capital of Smith & Nephew Group, to a vote on all matters to be considered by the ordinary shareholders of Smith & Nephew Group, to receive notices of and to attend and vote at general meetings of Smith & Nephew Group, on a winding up of the Smith & Nephew Group, to be repaid (subject to sufficient assets being available for distribution) the nominal amount paid in on the share and to share pro-rata in any surplus assets of the Smith & Nephew Group (subject to the rights of any class of shares ranking in priority to the New Ordinary Shares).

Each New Ordinary Share shall also entitle the holder, as an alternative to being paid a dividend by Smith & Nephew Group, to elect to be paid that dividend by Smith & Nephew, a company resident in the United Kingdom. This right is afforded to each holder of New Ordinary Shares by means of Common Access Shares issued by Smith & Nephew, which are held on trust for all ordinary shareholders of Smith & Nephew Group in an access trust. Each Smith & Nephew Group Shareholder will be beneficially entitled to one Common Access Share for each New Ordinary Share held (as further described in appendix B).

d) Restrictions on New Ordinary Shares

Subject to the provisions of the Companies Act, the Companies Act 1989, the Regulations and all other statutes, orders, regulations or other subordinate legislation for the time being in force concerning companies registered under the Companies Act 1985 so far as they apply to Smith & Nephew Group (together, the "Acts") and without prejudice to any rights attached to any existing shares, any share may be issued with such rights or restrictions as Smith & Nephew Group may by ordinary resolution determine, or in the absence of such determination, or so far as any such resolution does not make specific provision, as the Directors may determine.

e) Disclosure of Interests

Section 198 of the Companies Act provides that a person who acquires an interest of 3% or more of any class of shares that comprise part of a company's "relevant share capital" (i.e., the company's issued share capital carrying the right to vote in all circumstances at a general meeting of the company) is required to notify the company of its interest within two business days following the day on which the notification obligation arises. After the 3% level is exceeded, similar notifications must be made in respect of increases or decreases which take the interest through any whole percentage point.

Section 212 of the Companies Act allows a public company to serve a notice on any person holding shares in its relevant share capital or appearing to be interested in such shares, requiring that person to provide certain information relating to the persons interested in such shares. If a member, or any other person appearing to be interested in shares held by that member, has been given a notice under section 212 and has failed in relation to any shares (the “Default Shares”) to give Smith & Nephew Group the information thereby required within 14 days from the date of giving the notice, the Directors may apply sanctions.

The sanctions available are the suspension of voting (either in person or by representative or proxy) and other rights conferred by membership in relation to meetings of Smith & Nephew Group or in relation to any meeting of the holders of any class of shares and, where the Default Shares represent 0.25% or less of their class, only the suspension of voting and other rights referred to above.

f) Transfer of Shares

Smith & Nephew Group Shares in certificated form may be transferred by an instrument of transfer which may be in any usual form or in any other form of which the Directors approve. The instrument of transfer must be executed by or on behalf of the transferor and, where the share is not fully paid, by or on behalf of the transferee. Shares in uncertificated form may be transferred by means of a relevant system (defined in the Regulations). The Directors may, in their absolute discretion and without giving any reason, refuse to register the transfer of a share in certificated form which is not fully paid, provided that if the share is listed on the Official List of the UK Listing Authority, such refusal does not prevent dealings in the shares of that class from taking place on an open and proper basis. The Directors may decline to register any person as a holder of any share in Smith & Nephew Group unless the person has furnished to the board a signed declaration together with such supporting evidence as the board may require, stating the name of any person who has an “Interest” in any such share. A person will be deemed to have an Interest in the share if it would be a notifiable interest under Part VI of the Companies Act or an Interest referred to in Section 209(1)(a),(b),(c),(d) or (h) of the Companies Act, but the holder shall not be deemed to have an Interest in the shares in which the holder’s spouse, infant child or step child (or in Scotland – pupil or minor) is interested as a result of that relationship or which he holds as a custodian or bare trustee (or its equivalent outside of England and Wales). The Directors may also so refuse to register the transfer of a share in certificated form unless the instrument of transfer is in respect of only one class of share, is in favour of no more than four transferees, is lodged, duly stamped, at the registered office of Smith & Nephew Group or such other place as the Directors may appoint and is accompanied by the share certificate relative to the share to be transferred and such other evidence as the Directors may reasonably require to show the right of the transferor to make the transfer. Subject to the requirements of the UK Listing Authority, the Directors may refuse to register a transfer of a share in uncertificated form in any circumstance permitted by the Regulations or a transfer in favour of more than four persons jointly. Subject to the Companies Act, the registration of transfers of shares or of any class of shares may be suspended at such times and for such periods (not exceeding 30 days in any year) as the Directors may determine.

g) Variation of Rights

Subject to the Companies Act, if at any time the share capital of Smith & Nephew Group is divided into different classes of shares, the rights attached to any class may be varied in such manner (if any) as may be provided by those rights or, in the absence of such provisions, with the consent in writing of the holders of three-quarters in nominal value of the issued shares of that class or with the sanction of an extraordinary resolution passed at a separate meeting of the holders of the shares of that class, but not otherwise. To every such separate meeting, the provisions of the articles of association of Smith & Nephew Group relating to general meetings shall apply except that the necessary quorum at any such meeting shall be holdings representing by proxy at least one third in nominal value of the issued share capital of the class in question. At an adjourned meeting, one person holding shares of the class in question or his proxy is a quorum. Except in the case of preference shares, the rights attached to any shares shall, unless otherwise expressly provided by the right attached to any class of shares, or by the terms upon which such shares are for the time being held, be deemed not to be varied by the creation or issue of further shares ranking *pari passu* therewith.

h) Alteration of Capital

Smith & Nephew Group may (subject to the Companies Act and its articles of association), by ordinary resolution, increase its share capital, consolidate and divide all or any of its share capital into shares of a larger amount than its existing shares, subdivide its shares (or any of them) into shares of smaller amounts, determine that, as between the shares resulting from such a subdivision, any of them may have any preference or advantage as compared with the others, cancel shares which, at the date of the passing of the resolution, have not been taken or agreed to be taken by any person and diminish the amount of its share capital by the amount of the shares so cancelled. Subject to the Companies Act, Smith & Nephew Group may by special resolution reduce its share capital, any capital redemption reserve and any share premium account, in any way. Subject to the Companies Act and the requirements of the UK Listing Authority, Smith & Nephew Group may purchase its own shares (including redeemable shares). On any consolidation, division, subdivision, cancellation purchase or reduction of share capital, Smith & Nephew shall procure the passing of a resolution by Smith & Nephew effecting a similar consolidation, division subdivision, cancellation, purchase or reduction of the relevant number of Common Access Shares.

i) Issue of Shares

Subject to the Companies Act and without prejudice to any rights attached to any existing shares, any share may be issued with such rights or restrictions as Smith & Nephew Group may by ordinary resolution determine (or, if Smith & Nephew Group has not so determined, as the Directors may determine). Subject to the Companies Act, any share may be issued which is, or is liable to be, redeemed at the option of Smith & Nephew Group or the holder in accordance with the articles of association of Smith & Nephew Group. Subject to the Companies Act and to the articles of association of Smith & Nephew Group, the unissued shares shall be at the disposal of the Directors.

The Companies Act confers on shareholders, to the extent not disappplied, rights of pre-emption in respect of the issue of equity securities that are, or are to be, paid up wholly in cash. The term “equity securities” means: (i) shares other than shares which, with respect to dividends and capital, carry a right to participate only up to a specified amount in a distribution and other than shares allotted pursuant to an employees’ share scheme; and (ii) rights to subscribe for, or to convert securities into, such shares. These provisions may be disappplied by a special resolution of the shareholders, either generally or specifically, for a maximum period not exceeding five years. The board of Smith & Nephew Group has been given authority by the shareholders to allot shares equal to approximately 5% of the company’s capital following completion of the Offers on a non pre-emptive basis.

j) Untraced Shareholders

Smith & Nephew Group may, after advertising its intention in the manner and for such a period as is prescribed in the articles of association of Smith & Nephew Group (and having informed the UK Listing Authority of that intention), sell any shares if the shares have been held by a member for at least 12 years and during that period at least three dividends have become payable on them, no dividends have been claimed or satisfied and Smith & Nephew Group has not received any communication during the relevant periods from the holder of the shares or any person entitled to them by transmission.

k) Takeover Provisions

Under the City Code on Takeovers and Mergers, a person who acquires shares which (when taken together with shares held by persons acting in concert with him) carry 30% or more of the voting rights of Smith & Nephew Group will be obliged to extend an offer to all of the holders of shares of that class in Smith & Nephew Group to acquire their shares in the company.

The Companies Act allows an offeror who makes an offer for all of the shares of a company (or of a particular class) to acquire compulsorily the shares of non-accepting shareholders if the offeror has acquired 90% of the shares to which the offer relates. In addition, a previously non-accepting holder has the right to require the offeror to buy his shares if the offeror has obtained 90% of all the shares of the company or of the class of shares in respect of which the offer was made. In each case, the sale and purchase is made at the same price at which the original offer to shareholders was made.

Board of Smith & Nephew Group

The board of Smith & Nephew Group currently consists of the directors listed below and Mr Antoine Vidts and Mr Pierre Chapatte. Messrs Vidts and Chapatte will resign as directors upon completion of the Transaction.

The board of Smith & Nephew Group will have overall corporate responsibility for the Combined Group. The board initially comprises a balance of 2 executive and 6 non-executive directors (excluding Messrs. Vidts and Chapatte).

Directors

Dudley Graham Eustace	Chairman
Christopher John O'Donnell	CEO
Peter Hooley	CFO
Dr Pamela Josephine Kirby	Non-Executive Director
Warren Decatur Knowlton	Non-Executive Director
Brian Paul Larcombe	Non-Executive Director
Richard Urbain De Schutter	Non-Executive Director
Dr Rolf Wilhelm Heinrich Stomberg	Non-Executive Director

Additionally to the abovementioned directors the following persons will be appointed to the board of Smith & Nephew Group by way of co-option following completion of the Transaction: Dr Max Link, chairman of the board and chief executive officer of Centerpulse and Mr René Braginsky, member of the board of Centerpulse and chief executive officer of InCentive. The confirmation of their appointment will be proposed to the next shareholders' meeting of Smith & Nephew Group.

Persons Holding More than 3% of the Voting Rights

Except as disclosed below, as at 16 April 2003 (the latest practicable date prior to the publication of this Offer Document), Smith & Nephew Group is not aware of any person who, directly or indirectly has, or will have following completion of the Transaction an interest which represents 3% or more of the voting rights in Smith & Nephew Group.

Messrs. Antoine Vidts and Pierre Chapatte will hold shares conferring all the voting rights in Smith & Nephew Group until completion of the Court Scheme (see Section B.1 "General Information on Smith & Nephew and Smith & Nephew Group").

Name	As at 16 April 2003			Following completion of the Transaction	
	Number of Shares	Class of Share	Percentage of issued in Smith & Nephew Group	Number of New Ordinary Shares	Percentage of issued in Smith & Nephew Group
Cazenove & Co. Ltd	13,298	non-redeemable preference GBP 1		–	
Cazenove & Co. Ltd	36,699	redeemable preference GBP 1		–	
Mr Antoine Vidts	2	Ordinary shares		–	
Mr Pierre Chapatte	1	Ordinary share		–	
AXA Investment Managers Ltd	–	–		45,955,558 (beneficial)	3.75
AXA Investment Managers Ltd	–	–		37,201,545 (non-beneficial)	3.03
Fidelity International Ltd	–	–		74,688,199	6.09
Legal & General Investment Management	–	–		31,890,915	2.60

Listing of Smith & Nephew Group

UK Listing

Application has been made to the UK Listing Authority for the New Ordinary Shares to be admitted to the Official List of the UK Listing Authority and for admission to trading on its market for listed securities. It is expected that admission to the Official List of the UK Listing Authority will become effective and dealings for normal settlement in the New Ordinary Shares to be issued pursuant to tenders of Centerpulse Shares or Incentive Shares under the Offers will commence on the London Stock Exchange on the Settlement Date. The listing on the Official List of the UK Listing Authority will be the primary listing.

Swiss Listing

Smith & Nephew Group intends to obtain a secondary listing of New Ordinary Shares on the SWX Swiss Exchange upon or as soon as reasonably practicable after the Settlement Date.

Listing Agents

The sponsor on the London Stock Exchange is Lazard & Co., Limited, 21 Moorfields London EC2P 2HT, United Kingdom. The listing agent on the SWX Swiss Exchange is Lombard Odier Darier Hentsch & Cie.

NYSE Listing

An application will be made to list the New ADSs on the NYSE. It is expected that the New ADSs will be authorised for listing (subject to official notice of issuance) prior to the expiration of the offer period and that trading of Smith & Nephew Group ADSs on the NYSE will commence on the date the Court Scheme becomes effective.

2. Persons Acting in Concert with Smith & Nephew Group

In the context of the InCentive Offer, the following persons are acting in concert with Smith & Nephew Group and its subsidiaries:

- Smith & Nephew plc
- All companies under Smith & Nephew plc's control
- Mr Antoine Vidts
- Mr Pierre Chapatte
- Cazenove & Co. Ltd
as current shareholders of Smith & Nephew Group until completion of the Court Scheme (collectively the "Current Shareholders") (see Section B.1 "General Information on Smith & Nephew and Smith & Nephew Group")
- Centerpulse
- All companies under Centerpulse's control
- InCentive
- All companies under InCentive's control
- Zurich Financial Services
- All companies under Zurich Financial Services' control
- III Institutional Investors International Corp.
- All companies under III Institutional Investors International Corp.'s control
- Mr René Braginsky
- Mr Hans Kaiser
- Ms Franca Schmidlin-Kaiser
- Ms Marianne Kaiser

3. Purchase and Sale of InCentive Shares and Derivatives

During the twelve months prior to the pre-announcement of the InCentive Offer, i.e. from 20 March 2002 until 19 March 2003, none of Smith & Nephew Group (which was established on 8 January 2002) and Smith & Nephew and its group companies bought or sold any InCentive Shares or any option on InCentive Shares.

Since 20 March 2003, none of Smith & Nephew Group and the other parties acting in concert with it (with the exception of InCentive as disclosed hereafter) have acquired or sold any InCentive Shares or any option on InCentive Shares. Since 20 March 2003, InCentive has sold all its 16'219 Treasury Shares for a price of CHF 310 per share on the SWX Swiss Exchange. With the exception of this transaction, and since 20 March 2003, neither InCentive, nor any of its group companies, has acquired or sold any InCentive Shares or any option on InCentive Shares.

4. Shareholdings in InCentive

As of 16 April 2003 Smith & Nephew Group and persons acting in concert with it held the following number of InCentive Shares:

	<i>Number of shares</i>	<i>in % of InCentive's capital</i>
Smith & Nephew Group and group companies	None	–
Centerpulse and group companies	None	–
Current Shareholders of Smith & Nephew Group	None	–
«Zürich» Versicherungs-Gesellschaft ¹	536'000	24.96
III Institutional Investors International Corp.	448'045	20.87
Mr René Braginsky	429'445	20.00
Family Hans Kaiser ²	236'700	11.02
Total	1'650'190	76.85

None of the persons or entities above held any option on InCentive Shares as of 16 April 2003.

¹ Together with «Zürich» Lebensversicherungs-Gesellschaft and La Genevoise, Compagnie d'Assurance sur la Vie

² Composed of Mr Hans Kaiser, Ms Franca Schmidlin-Kaiser and Ms Marianne Kaiser

C. Financing

The New Ordinary Shares needed for the payment of the offer price will be issued by way of a capital increase of Smith & Nephew Group. Smith & Nephew Group's board has undertaken to initiate all necessary measures required to effect this.

The financing of the cash entitlement of approximately GBP 400 million (calculated at the date of the pre-announcement) for the Offers is secured by own funds of Smith & Nephew as well as through bank financing.

D. Information on InCentive

1. General Information on InCentive

Corporate Name / Registered Office

InCentive Capital Ltd has its seat located c/o Bär & Karrer, Baarerstrasse 8, 6301 Zug, Switzerland. InCentive was incorporated for an indefinite period of time.

Business Activities

InCentive is a Swiss investment company and its principal activities consist in the direct or indirect acquisition, management and disposal of all forms of participations in quoted and unquoted domestic and foreign companies, with no regard to risk diversification. InCentive may actively influence the management of companies in which it is invested. InCentive may enter into all forms of financial transactions, including, but not limited to, the use of derivative instruments, the borrowing of external capital and the extension of financing to other companies.

InCentive's objective is to provide a vehicle for investors to achieve long-term capital appreciation, primarily through investments in undervalued companies or companies with strategic potential. InCentive aims to catalyze corporate change through such investments. In addition, InCentive invests selectively in high-growth industries, such as, but not limited to, quoted and unquoted companies in the global healthcare and technology sectors.

Capital Structure

As of 16 April 2003, InCentive's nominal share capital amounted to CHF 42,944,040, divided into 2,147,202 bearer shares with a nominal value of CHF 20 each. In addition, pursuant to article 4a of the articles of association and until 15 May 2004, the board of directors has the authority to increase the share capital by a maximum nominal amount of CHF 21,472,020 by issuing 1,073,601 additional bearer shares with a nominal value of CHF 20 each. As of 16 April 2003, no InCentive Shares were issued under the authorized capital, and InCentive undertook in the InCentive Transaction Agreement not to issue any new shares subsequent to the pre-announcement. InCentive has no options outstanding on InCentive Shares. Pursuant to article 4b of the articles of association, the share capital can be increased by a maximum amount of CHF 21,472,020 by issuing 1,073,601 additional bearer shares with a nominal value of CHF 20 each in connection with the exercise of options or conversion rights which are issued on a stand-alone basis or in connection with bond issues or other forms of debt financing of InCentive or any of its subsidiaries. As of 16 April 2003, no such options or conversion rights have been issued or are contemplated to be issued.

Members of the Board of Directors

The members of the board of directors of InCentive are as follows:

- Karl Otto Pöhl (Chairman)
- René Braginsky (CEO and Delegate)
- Hans Kaiser (Member)
- Joel Mesznik (Member)
- Eric Stupp (Member)

All members of InCentive's board of directors have resigned from the board subject to the completion of the InCentive Offer. Smith & Nephew Group has proposed the appointment of the following persons as new members of the board of directors:

- Pierre Chapatte
- Paul Chambers
- and a third person designated by Smith & Nephew Group

Administration / Investment Manager

InCentive has no employees. Administrative functions have been delegated by the board of directors to the Investment Manager.

Key Financial Figures of InCentive

Based on annual accounts 2002 (in CHF)

	2002	2001
Group gain / (loss)	178,431,092	(441,335,917)
Total Assets (at year end)	719,519,146	630,729,794
Of which cash and due from banks	181,716,696	255,235,976
Of which investments long	533,397,448	360,239,629
Shareholder's equity*	696,931,475	511,818,876

* Net asset value per InCentive Share as per 31 December 2002 (including the Centerpulse Holding) was CHF 326.

InCentive calculates its net asset value on a weekly basis. The net asset value per InCentive Share as of the last date of publication 11 April 2003 amounted to CHF 360.58.

2. Holdings of InCentive and divestiture of certain assets

As of 15 April 2003, the major holding of InCentive is the Centerpulse Holding. Besides this strategic investment and its private equity holdings mentioned below, InCentive holds the following positions as of 15 April 2003:

Units	Denomination	Company	Market Value in CHF
200,000	Igen International Inc	InCentive Jersey	9,736,388.20
225,000	Neuromedical Systems Inc	InCentive Jersey	0.00
252,096	eGain Communications Corp	InCentive Jersey	70,269.24
200	Comex Silber Future May 30.4.03	InCentive Jersey	-258.879.78
300	Comex Gold Future June 30.5.03	InCentive Jersey	-263,409.30
100,000	Gold oz Termin at due date 14 May	InCentive Jersey	235,609.07
5,000	First Biomed Limited*	BioCentive, Bermuda	6,265,459.00
81,100	Guilford Pharmaceuticals Inc	BioCentive, Bermuda	513,151.98

* value as of 11 April 2003

In the InCentive Transaction Agreement (as described below), InCentive has undertaken, *inter alia*, to rationalize its portfolio, by disposing of all of its assets (including the shares of its subsidiaries) other than (i) cash and (ii) its Centerpulse Holding, prior to the expiry of the (possibly extended) offer period of the InCentive Offer.

To achieve this, InCentive has entrusted Altium Capital AG with the sale of the entire private equity holdings of InCentive and its subsidiaries. The sale will occur through an auction process.

At the request of «Zürich» Versicherungs-Gesellschaft, a subsidiary of Zurich Financial Services, Mr René Braginsky has undertaken to acquire the remaining private equity investments in his own name or through a company controlled by him for CHF 4 million, if the sale mandate mentioned above has not yielded any result and if neither of the Major InCentive Shareholders has declared to acquire said investments at a purchase price of CHF 4 million.

3. Intentions of Smith & Nephew Group regarding InCentive

If both Offers are successfully completed, Smith & Nephew Group intends to merge InCentive into Centerpulse. With the exception of Mr René Braginsky, who is a board member of both Centerpulse and InCentive, none of InCentive's directors will act as a director for a company within the Smith & Nephew group.

After completion of the Offers, Smith & Nephew Group intends to exercise all rights and influence available to it to cause InCentive to obtain the delisting of the InCentive Shares on the SWX Swiss Exchange. InCentive Shareholders who do not tender their InCentive Shares may find themselves holding shares for which no liquid market exists. If after completion of the InCentive Offer Smith & Nephew Group holds more than 98% of the InCentive Shares, Smith & Nephew Group intends to seek the cancellation of the remaining InCentive Shares in accordance with art. 33 SESTA.

4. Agreements between Smith & Nephew and InCentive, their corporate bodies and shareholders

With the exception of the two agreements described below, there are no agreements between Smith & Nephew Group or Smith & Nephew on the one hand and InCentive, their corporate bodies and shareholders on the other hand.

InCentive Transaction Agreement

Smith & Nephew Group and Smith & Nephew entered into the InCentive Transaction Agreement with InCentive on 20 March 2003. The InCentive Transaction Agreement regulates certain aspects relating to the InCentive Offer and the Centerpulse Offer, in summary

- Smith & Nephew Group and Smith & Nephew agreed to submit the InCentive Offer at the offer price and on other terms and conditions as are set forth in this Offer Document;
- Smith & Nephew Group and Smith & Nephew agreed to use all reasonable efforts to procure that the New Ordinary Shares obtain a secondary listing on SWX Swiss Exchange as of the Settlement Date or as soon as possible thereafter;
- InCentive agreed on certain non-solicitation undertakings in relation to InCentive and the Centerpulse Holding and to refrain from acquiring or selling any InCentive Shares or rights over them (except for the sale of Treasury Shares to non-related third parties), Centerpulse Shares or rights over them (except for the exercise of call options and buyback of put options) or Smith & Nephew Shares or Smith & Nephew Group Shares;
- InCentive agreed to convene a general shareholders' meeting during the offer period and to put the resolutions necessary for the satisfaction of condition (b) of the InCentive Offer on the agenda;
- In the case of certain events Smith & Nephew Group and Smith & Nephew have the right to require InCentive to tender its Centerpulse Shares under the Centerpulse Offer, such events including:
 - disposal by InCentive of any Centerpulse Share;
 - failure of InCentive to dispose of its material assets other than cash and the Centerpulse Holding;
 - failure of InCentive to enter into any termination agreements in respect of its asset management agreements;
 - failure of InCentive to terminate all bank guarantees and indemnity letters;
 - failure of one or more InCentive board members to resign;
 - failure of the general meeting of InCentive to pass the resolutions approving the InCentive Transaction Agreement and the transactions contemplated by it; or

- purchase by InCentive or a Major InCentive Shareholder of Centerpulse Shares above the offer price offered in the Centerpulse Offer at the time;
- InCentive undertook to procure that the Adjusted NAV as described in this Offer Document be established in a timely manner following expiry of the offer period;
- InCentive agreed that the word and logo “InCentive” shall be the sole property of the Investment Manager as from the Settlement Date and, subject to certain transitional periods, InCentive will cease to use the word or logo “InCentive” whatsoever following the Settlement Date;
- InCentive undertook to indemnify Smith & Nephew or Smith & Nephew Group for any losses and damages resulting from an acquisition of InCentive Shares or Centerpulse Shares by InCentive, as a result of which Smith & Nephew Group is required to increase the offer price under the Centerpulse Offer or the InCentive Offer;
- Smith & Nephew agreed to pay InCentive a fixed compensation sum of CHF 4,000,000 if the InCentive Offer is not completed as a result of (i) the failure of Smith & Nephew or Smith & Nephew Group to publish the pre-announcement of the InCentive Offer or any other material breach of the InCentive Transaction Agreement by Smith & Nephew or Smith & Nephew Group, (ii) contravention by Smith & Nephew or Smith & Nephew Group of laws applying to the InCentive Offer, or (iii) non satisfaction of the condition g) of the InCentive Offer; and InCentive agreed to pay Smith & Nephew and Smith & Nephew Group a fixed compensation sum of CHF 4,000,000 in total if the InCentive Offer is not completed as a result of (i) a material breach by InCentive of the InCentive Transaction Agreement, (ii) contravention by InCentive of laws applying to the InCentive Offer, (iii) non satisfaction of the condition c) of the InCentive Offer, or (iv) successful completion of a competing public tender offer for InCentive Shares by a third party.

The InCentive Tender Agreement

On 20 March 2003, Smith & Nephew Group and Smith & Nephew entered into the InCentive Tender Agreement with “Zürich” Versicherungs-Gesellschaft (acting for itself as well as for «Zürich» Lebensversicherungs-Gesellschaft and La Genevoise, Compagnie d’Assurance sur la Vie), III Institutional Investors International Corp, Mr René Braginsky and Mr Hans Kaiser (acting for himself and for certain of his family members). This agreement regulates certain aspects relating to the InCentive Offer, in summary, as follows:

- Smith & Nephew Group and Smith & Nephew agreed to submit the InCentive Offer at the offer price and on other terms and conditions as are set forth in this Offer Document;
- the tender and the sale and purchase by the Major InCentive Shareholders of their InCentive Shares is subject to the terms of this Offer Document, unless otherwise set forth in the InCentive Tender Agreement (as summarised herein). In particular, the Major InCentive Shareholders are not entitled to any premium for their InCentive Shares;
- Smith & Nephew Group and Smith & Nephew agreed to use all reasonable efforts to procure that the New Ordinary Shares obtain a secondary listing on the SWX Swiss Exchange as of the Settlement Date or as soon as possible thereafter;
- the Major InCentive Shareholders agreed severally to tender their InCentive Shares during the first two business days of the InCentive offer period;
- no Major InCentive Shareholder is entitled to withdraw the InCentive Shares tendered by him unless one of the following exceptions applies:
 - (a) if Smith & Nephew Group or Smith & Nephew announce that the InCentive Offer or the Centerpulse Offer has failed for any reason other than under circumstances where a competing public tender offer for the InCentive Shares or Centerpulse Shares has been made, the Major InCentive Shareholders are entitled to withdraw their respective InCentive Shares unless the failure of the respective Offers results from a breach by a Major InCentive Shareholder of its non-solicitation obligation according to the InCentive Tender Agreement;

- (b) if during the offer period a third party submits a public tender offer for Centerpulse Shares at a consideration of a higher economic value than the consideration offered by Smith & Nephew Group or Smith & Nephew, which has become or been declared unconditional as to acceptances, Smith & Nephew or Smith & Nephew Group may either (i) declare the InCentive Offer unconditional, in which case InCentive's net asset value shall be calculated on the basis of the consideration offered by the third party in the competing Centerpulse offer or (ii) permit InCentive to tender its Centerpulse Shares into the competing offer for Centerpulse Shares during the statutory extension period;
- (c) the Major InCentive Shareholders do not have the right to withdraw their tendered InCentive Shares in the event of a competing offer for InCentive Shares, unless Smith & Nephew Group or Smith & Nephew announce that the InCentive Offer has failed;
- (d) in the event of competing offers for both InCentive Shares and Centerpulse Shares, the provisions of par. (b) apply;
- the Major InCentive Shareholders agreed to vote their InCentive Shares at the general shareholders' meeting to be held during the offer period in favour of the resolutions necessary for the satisfaction of condition b) of the InCentive Offer;
- the Major InCentive Shareholders made customary representations and warranties in relation to InCentive. Each Major InCentive Shareholder further undertook to indemnify Smith & Nephew or Smith & Nephew Group for any losses and damages resulting from an acquisition of InCentive Shares or Centerpulse Shares by such Major InCentive Shareholder, as a result of which Smith & Nephew Group is required to increase the offer price under the Centerpulse Offer or the InCentive Offer;
- part of the consideration payable to the Major InCentive Shareholders is to be deposited in escrow on terms set out in an escrow agreement attached to the InCentive Tender Agreement. The maximum amount so deposited will be CHF 34,000,000. The InCentive Tender Agreement sets out the proportions in which any payment out of the escrow shall be attributable to the individual Major InCentive Shareholders;
- certain non-solicitation undertakings were provided by the Major InCentive Shareholders in relation to their holdings in InCentive, and the Major InCentive Shareholders additionally agreed not to acquire or sell any InCentive Shares or Centerpulse Shares or rights over them and not to acquire any Smith & Nephew Shares or New Ordinary Shares until six months after the end of the statutory extension period, in each case unless Smith & Nephew or Smith & Nephew Group has given its prior consent or the InCentive Offer has failed.

5. Confidential information

Smith & Nephew Group hereby confirms that neither it, nor persons acting in concert with it, have directly or indirectly received material confidential information, which is not at the date of this Offer Document publicly available in respect of InCentive, from InCentive itself or from the companies under its control, which could have a material influence on the decision of InCentive Shareholders to tender or not to tender their InCentive Shares under this InCentive Offer.

E. Tax Considerations

According to external tax advisors taxation will be governed by the following principles:

- Smith & Nephew Group has elected to be treated as a Swiss entity for stamp tax purposes. A share-for-share transaction in a mergerlike transaction of two Swiss corporations is exempt from Swiss securities transfer tax. In respect of the cash payment, however, securities transfer tax of 0.15% is due if a Swiss securities dealer is involved. Smith & Nephew Group will cover such transfer tax payments.
- Under the terms of the tax ruling dated 17 March 2003 obtained from the Swiss Federal Tax Administration, neither the exchange of InCentive Shares into New Ordinary Shares, nor the cash entitlement is subject to Swiss withholding tax. In addition, no United Kingdom withholding tax should be payable on any dividends paid to holders of such New Ordinary Shares.
- For individual shareholders domiciled in Switzerland holding InCentive Shares as part of their private property, acceptance of the InCentive Offer will in principle lead to a tax free capital gain or a tax irrelevant capital loss, respectively. However, such shareholders are recommended to consult their own qualified advisors for an analysis of the tax consequences of the acceptance of the InCentive Offer.

Further, no liability to UK taxation on capital gains should arise on any permanent non-UK resident shareholders on a disposal of New Ordinary Shares, unless such shareholders hold their shares as part of a trade, profession or vocation carried on in the United Kingdom through a branch or agency or a permanent establishment, in which case local tax advice should be sought.

- InCentive Shareholders domiciled in Switzerland who hold InCentive Shares as business assets are recommended to consult their own qualified advisors for an analysis of the tax consequences of the acceptance of the InCentive Offer.
- The tax treatment of InCentive Shareholders domiciled abroad who accept the InCentive Offer will be subject to the relevant foreign tax legislation. Such InCentive Shareholders should consult their own qualified advisors for an analysis of the tax consequences of the acceptance of the InCentive Offer.
- Dividend payments of Smith & Nephew Group are subject to Swiss withholding tax at the rate of 35%. Swiss tax residents may obtain a refund or tax credit in the full amount of the withholding tax. A recipient of a dividend from Smith & Nephew Group who is not a resident of Switzerland for tax purposes but who qualifies as a resident of a country which maintains a double taxation treaty with Switzerland may be entitled to a full or partial refund of the withholding tax under the provisions of the applicable treaty. Shareholders who have made or are deemed to have made an election to receive dividends from Smith & Nephew rather than Smith & Nephew Group should refer to Appendix B "Description of Access Shares". A Swiss resident recipient of dividends (including dividends on liquidation and stock dividends) generally is required to include such amounts in his personal tax return. A Swiss corporate entity that owns at least 20 per cent of the capital of Smith & Nephew Group or shares with a market value of at least CHF 2 million may qualify for the participation exemption.

F. Publication

A summary of this Offer Document will be published in German in the “Neue Zürcher Zeitung” and in French in “Le Temps”. It will also be supplied to Bloomberg and Reuters.

G. Report of the Board of Directors of InCentive

Report of the Board of Directors of InCentive Capital Ltd pursuant to article 29 par. 1 of the Federal Act on Stock Exchanges and Securities Trading and articles 29–32 of the Takeover Ordinance (the “**Report**”).

1) Recommendation

The Board of Directors of InCentive Capital Ltd (“**InCentive**”) has taken note of the public tender offers of Smith & Nephew Group plc (“**Smith & Nephew Group**”) for all publicly held shares of InCentive (the “**InCentive Offer**”) and for all publicly held shares of Centerpulse Ltd (“**Centerpulse**”; the “**Centerpulse Offer**”). On close examination, the Board of Directors resolved unanimously – with its members Messrs. René Braginsky and Hans Kaiser abstaining for conflict of interest reasons described under section 3 – to recommend to the shareholders of InCentive to accept the InCentive Offer.

2) Rationale

InCentive, in its role as “catalyst for change”, has supported Centerpulse, its core holding, for some time in the pursuit of a leading position in the global marketplace. The now proposed combination of Smith & Nephew plc and Centerpulse will form a leading player in the global orthopaedics market, and the two companies complement each other well in terms of geographic markets and product portfolio. An investment of InCentive in the resulting combined Smith & Nephew Group would, however, be inconsistent with InCentive’s role as a “catalyst for change”, and the dual bid structure will give InCentive’s shareholders the opportunity to sell their InCentive shares at the net asset value, without a discount at which the InCentive Shares have traded on the SWX Swiss Exchange in the recent past. In addition, the trading volumes in InCentive shares are very limited. This fact makes it difficult for shareholders to exit their investment on a price level which corresponds with the net asset value of InCentive. With the proposed transaction structure both the liquidity and the discount issues are resolved for all InCentive shareholders. Furthermore, the dual bid structure will allow InCentive’s shareholders to be treated in a substantially equal manner with the shareholders of Centerpulse.

The Board of Directors appointed KPMG to provide a fairness opinion, from a financial point of view, with regard to the InCentive Offer. Following close examination, KPMG concluded that the InCentive Offer is fair from a financial point of view (see Appendix C, Fairness Opinion, in the Offer Document).

For these reasons the Board of Directors has come to the conclusion that the InCentive Offer allows InCentive’s shareholders to sell their InCentive shares to Smith & Nephew Group at an adequate price.

3) Conflict of Interests

The Board of Directors of InCentive currently consists of Mr Karl Otto Pöhl, chairman, Mr René Braginsky, CEO and delegate, Mr Hans Kaiser, member, Mr Joel Mesznik, member, and Mr Eric Stupp, member. InCentive has no employees. Smith & Nephew Group made the InCentive Offer subject to the resignation of all current members of the Board of Directors and their replacement by persons nominated by Smith & Nephew Group. Accordingly, all current members of the Board of Directors have declared their resignation by the date of, and subject to, the settlement of the InCentive Offer. No severance payments will be made to InCentive’s resigning Board members. Smith & Nephew Group has proposed the appointment of the following persons as new members of the Board of Directors:

- Pierre Chapatte
- Paul Chambers
- a third person designated by Smith & Nephew Group

Mr René Braginsky is also a member of the board of directors of Centerpulse. Mr Braginsky may in the future serve as a member of the board of directors of the combined Smith & Nephew Group.

InCentive is administered, and InCentive's investment portfolio is managed, by InCentive Asset Management AG, a Swiss company domiciled in Zurich which is wholly owned and controlled by Mr René Braginsky (the "Asset Manager"). The board of directors of the Asset Manager consists of Mr Karl Otto Pöhl, chairman, Mr René Braginsky, CEO and delegate, Prof Dr Alexander I. de Beer, member, and Mr Paul Wyler, member. The current management agreements between InCentive, InCentive Investments (Jersey) Limited and BioCentive Ltd. on the one hand and the Asset Manager on the other hand have been terminated by a termination agreement dated April 2003, as further described in section 4 of this Report.

On the basis of the interests situation described above and in section 4 of this Report, Mr René Braginsky and Mr Hans Kaiser abstained from the deliberations and the voting of the Board of Directors in connection with the assessment of the InCentive Offer and this Report.

With the exception of the agreements set forth in section 4 of this Report, the Board of Directors is not aware of any agreements or arrangements of any of its members with Smith & Nephew Group or Smith & Nephew plc, or with any entities of the Zurich Financial Services Group or with III Institutional Investors International Corp.

4) Intentions of Shareholders holding more than 5% of InCentive's Voting Rights

On 20 March 2003, Smith & Nephew Group and Smith & Nephew plc entered into a tender agreement with the principal shareholders of InCentive (the "**Principal Shareholders**"), namely "Zürich" Versicherungs-Gesellschaft (acting for itself and for "Zürich" Lebensversicherungs-Gesellschaft and La Genevoise, Compagnie d'Assurance sur la Vie), holding 24.96%, III Institutional Investors International Corp, holding 20.87%, Mr René Braginsky, holding 20.00% and Mr Hans Kaiser (acting for himself and certain of his family members), holding 11.02% InCentive's share capital (the "**Tender Agreement**"). In the Tender Agreement the Principal Shareholders undertook, *inter alia*, to irrevocably tender their InCentive shares under the InCentive Offer during the first two trading days of the offer period, to refrain from soliciting third party tender offers, not to acquire or sell Centerpulse shares or InCentive shares, and to vote their InCentive shares at the general shareholders' meeting of InCentive in favour of certain resolutions to be passed for the satisfaction of condition (b) of the InCentive Offer. The Principal Shareholders further made certain representations and warranties in respect of InCentive and agreed, severally but not jointly, to indemnify Smith & Nephew Group and Smith & Nephew plc for any damages which would result from an acquisition by the Principal Shareholders of InCentive shares or Centerpulse shares above the offer price pursuant to the InCentive Offer or the Centerpulse Offer. The Principal Shareholders will not receive a premium for their InCentive shares. In the event that a third party submits a public tender offer for InCentive shares or Centerpulse shares, the Principal Shareholders have agreed to refrain from tendering their InCentive Shares into such third party public tender offer. However, in the event that a third party makes a public tender offer for Centerpulse shares, or a combined offer for Centerpulse shares and InCentive shares, which provides for a consideration of a higher economic value than Smith & Nephew Group's Centerpulse Offer and which becomes or has been declared unconditional in respect of the number of tendered Centerpulse shares, Smith & Nephew Group undertook to either declare the InCentive Offer as unconditional whereby InCentive's net asset value would be calculated on the basis of the third party tender offer or to permit InCentive to tender its Centerpulse shares into the third party tender offer.

Also on 20 March 2003, InCentive entered into a transaction agreement with Smith & Nephew Group and Smith & Nephew plc (the "**Transaction Agreement**"). In the Transaction Agreement InCentive undertook, *inter alia*, to dispose, prior to the expiry of the offer period under the InCentive Offer, of all its assets (including the shares of its subsidiaries) other than cash and the Centerpulse Shares held by it. In order to comply with this obligation, InCentive (including its subsidiaries) has sold, or will sell, its marketable securities over the markets at the market conditions prevailing at the time of such sales. As regards InCentive's (including its subsidiaries') private equity investments, InCentive has retained Altium Capital AG to conduct an auction process for the sale of such investments. In the event that such private equity investments cannot be sold in such auction process, Mr Braginsky has undertaken to acquire such investments for a price of CHF 4 million. Following the divestiture of all such assets and the distribution of cash and Centerpulse shares to InCentive, the subsidiaries will finally be sold to independent third parties or be transferred to the Asset Manager for liquidation.

Mr René Braginsky is the sole shareholder of the Asset Manager. By a termination agreement dated April 2003, InCentive, InCentive Investments (Jersey) Limited, BioCentive Ltd. and the Asset Manager have agreed on the terms and conditions which will govern the termination of the existing management agreements between the same parties (the **"Termination Agreement"**). The Termination Agreement provides that the Asset Manager shall continue to render services to InCentive during a transitional period of time expected to end around the settlement date of the InCentive Offer. For the services to be rendered by the Asset Manager, InCentive has undertaken to pay to the Asset Manager a lump sum service fee of CHF 7.5 million (plus CHF 205,200 value added tax). This lump sum services fee corresponds materially to the fee which the Asset Manager would have been entitled to receive, had the asset management agreement been unilaterally terminated according to its terms by InCentive. Mr René Braginsky intends to continue to operate the Asset Manager as an asset manager following the Settlement Date.

Besides the Principal Shareholders, the Board of Directors has no knowledge of shareholders who hold more than 5% of the voting rights in InCentive.

The InCentive Offer is subject, among other things, to the general shareholders' meeting of InCentive adopting certain resolutions to be passed for the satisfaction of condition (b) of the InCentive Offer. The Board of Directors has resolved to convene the general meeting, putting these items on the agenda for adoption. The Principal Shareholders will vote for such resolutions at the general meeting.

Zug, 16 April 2003

Karl Otto Pöhl
Chairman

Eric Stupp
Member of the Board

H. Report of the Review Body pursuant to Art. 25 SESTA

As a review body recognized by the supervisory authority to review public tender offers in accordance with the Federal Act on Stock Exchanges and Securities Trading (hereinafter “SESTA”), we have reviewed the offer prospectus and the summary, taking into consideration the exemption granted by the Swiss Takeover Board. Our review did not extend to the report of the Board of Directors of the target company (Section G) and the fairness opinions of KPMG to InCentive Capital (Appendix C).

The offer prospectus and the summary are the responsibility of the offeror. Our responsibility is to express an opinion on these documents based on our review.

Our review was conducted in accordance with the Swiss standards promulgated by the profession, which require that a review of the offer prospectus and the summary be planned and performed to verify their formal completeness in conformity with the Stock Exchange Act and the Ordinances and to obtain reasonable assurance about whether the offer prospectus and the summary are free from material misstatement. We have examined on a test basis evidence supporting the information in the offer prospectus and its summary. Furthermore, we have verified compliance with the SESTA and the Ordinances. We believe that our review provides a reasonable basis for our opinion in accordance with Art. 25 SESTA.

In our opinion the offer prospectus and the summary comply with the Stock Exchange Act and the Ordinances. In particular;

- The offer prospectus is complete and accurate;
- The recipients of the offer are treated equally;
- The financing of the offer is guaranteed and the necessary funds are available. The offeror has taken all necessary measures to ensure the availability of the securities;
- The consequences of the preliminary announcement of the tender offer have been dealt with appropriately in accordance with Art. 9 of the Takeover Ordinance.

DELOITTE & TOUCHE AG

David Wilson

Christian Hinze

Zurich, 16 April 2003

I. Recommendation by the Takeover Board

The public tender offer was submitted to the Swiss Takeover Board prior to its publication. In the recommendation dated 16 April 2003, the Swiss Takeover Board formally determined that the public tender offer of Smith & Nephew plc., London, complies with the Stock Exchange Act (Switzerland) as of 24 March 1995.

The Takeover Board granted the following exception from the Takeover Ordinance (art. 4): waiver of the cooling-off period (art. 14.2).

J. Execution of the InCentive Offer

1. Information of Shareholders

InCentive Shareholders will be informed of the InCentive Offer by their custodian bank, i.e. the bank where the InCentive Shares are held in a safekeeping account and are asked to proceed according to its instructions.

2. Exchange and Paying Agent

Lombard Odier Darier Hentsch & Cie

3. Shares Notified for Acceptance / Trading

InCentive Shares, which have been notified for acceptance of the InCentive Offer of Smith & Nephew Group, will be blocked by the custodian bank, and will no longer be tradable.

4. Withdrawal Rights

InCentive Shares tendered for exchange may be withdrawn at any time prior to the expiration of the InCentive Offer. In addition, tenders may be withdrawn if they are not yet accepted for exchange at any time 60 days after the commencement of the InCentive Offer.

After the expiration of the (possibly extended) offer period, holders who tendered their InCentive Shares will have no withdrawal rights. There will be no withdrawal rights during the additional acceptance period.

InCentive Shareholders who have tendered InCentive Shares must contact their bank in order to withdraw their tenders.

5. Settlement

Smith & Nephew Group's timetable provides for a settlement of the InCentive Offer and the distribution of the Smith & Nephew Group Shares by 25 July 2003 (provided that the offer period is not extended according to Section A.6. "Offer Period" above or that the Settlement Date is not postponed according to Section A.8. "Conditions" above).

6. Charges and Taxes

For shareholders who hold their InCentive Shares in custody at banks in Switzerland the acceptance of the InCentive Offer during the offer period and the additional acceptance period will be free of bank commissions. Smith & Nephew Group will cover federal securities transfer tax.

For information regarding taxes see Section E ("Tax Considerations") above.

7. Dividend Rights

See Section B. above under the subtitle "Rights of New Ordinary Shares".

8. Invalidation of InCentive Shares and Delisting

The board of directors of Smith & Nephew Group reserves the right at its own discretion to apply for the delisting of the InCentive Shares once the InCentive Offer has been completed.

If Smith & Nephew Group holds more than 98% of the votes of InCentive after the InCentive Offer, Smith & Nephew Group will request the cancellation of the remaining share certificates in accordance with Art. 33 SESTA.

9. Offer Restrictions

Please refer to page 2 of this Offer Document.

10. Applicable Law and Place of Jurisdiction

The InCentive Offer and all rights and obligations resulting there from, shall be subject to Swiss law. The Commercial Court of the Canton of Zurich ("*Handelsgericht*") shall have exclusive jurisdiction; venue being Zurich 1.

K. Indicative Timetable

25 April 2003	Beginning of offer period
30 April 2003	Ordinary general meeting of Centerpulse Ltd
19 May 2003	Extraordinary general meeting of Smith & Nephew plc
19 May 2003	Preference shareholders' extraordinary general meeting
19 May 2003	Court meeting of Smith & Nephew plc
5 June 2003	Ordinary general meeting of InCentive Capital Ltd
On or before	
17 June 2003	Expected approval by U.S. and EU competition authorities
20 June 2003	Final court hearing in respect of the Court Scheme
24 June 2003	Court Scheme effective
24 June 2003*	End of offer period
25 June 2003*	Dealings in New Ordinary Shares commence
28 June 2003*	Publication of the interim result
30 June 2003*	Beginning of additional acceptance period
11 July 2003*	End of additional acceptance period and last day for submission of mix and max elections
17 July 2003*	Publication of final result
25 July 2003*	Settlement Date

* Subject to extension of the offer period according to section A.6. "Offer Period" above or to the postponement of the Settlement Date according to section A.8. "Conditions" above. In either case the timetable will be amended accordingly.

L. Information Material

The following documents which are marked with an asterisk can be downloaded from the web-page of Smith & Nephew (www.smith-nephew.com) and all documents below can be obtained free of charge from Lombard Odier Darier Hentsch & Cie, Zurich branch, COFI, Sihlstrasse 20, P.O. Box, CH-8021 Zurich (Phone-no. +41-1-214-1336, Fax-no. +41-1-214-1339; e-mail: cofi.zh.prospectus@lodh.com):

- Memorandum and Articles of Association of Smith & Nephew Group
- Annual Report 2000, 2001 and 2002 of Smith & Nephew
- Prospectus to the Centerpulse Offer
- Listing Particulars for Smith and Nephew Group
- Annual report 2002 of InCentive

Appendices:

Appendix A:	Corporate Governance in relation to Smith & Nephew Group
Appendix B:	Description of Common Access Shares
Appendix C:	Fairness Opinion by KPMG

Appendix A: Corporate Governance in relation to Smith & Nephew Group

Shareholders' Meetings

An annual general meeting of shareholders must be held once in every year (within a period of not more than 15 months after the holding of the last preceding annual general meeting). The board may convene an extraordinary general meeting of shareholders whenever they think fit. General meetings may be held at such time and place as may be determined by the Board. An annual general meeting may be convened on at least 21 clear days' written notice to shareholders entitled to receive notices. Most extraordinary general meetings may be convened on at least 14 clear days' written notice, but extraordinary general meetings at which it is proposed to pass certain types of special resolutions must be convened on at least 21 clear days' written notice. Two shareholders must be present in person or by proxy to constitute a quorum for all purposes at general meetings.

Unless a special or extraordinary resolution is required by law or the articles of association (see below), voting in a general meeting is by ordinary resolution. An ordinary resolution (e.g. a resolution for the election of directors, the approval of financial statements, the declaration of a final dividend, the appointment of auditors, the increase of authorised share capital or the grant of authority to allot shares) requires the affirmative vote of a majority of the shareholders present in person, in the case of a vote by show of hands, or present in person or by proxy and holding shares conferring in the aggregate a majority of the votes actually cast on the ordinary resolution, in the case of a vote by poll. A special resolution (e.g. a resolution amending the Memorandum or articles of association, changing the name of Smith & Nephew Group or waiving the statutory pre-emption rights) or an extraordinary resolution (e.g. modifying the rights of any class of shares at a meeting of the holders of such class or relating to certain matters concerning the liquidation of Smith & Nephew Group) requires the affirmative vote of not less than three-fourths of the shareholders present in person, in the case of a vote by show of hands, or present in person or by proxy and holding shares conferring in the aggregate at least three-fourths of the votes actually cast on the resolution, in the case of a vote by poll.

Appointment of Directors

The members of the Board may be appointed and removed by ordinary resolution of the shareholders. Unless otherwise determined by Smith & Nephew Group by ordinary resolution, the number of directors (other than alternate directors) shall not be subject to any maximum but shall not be less than three. The directors need not be shareholders. In addition, the Board may at any time appoint any person to be a director either to fill a casual vacancy or as an additional director. Any person so appointed by the Board shall hold office only until the next annual general meeting of shareholders and shall then be eligible for election but shall not be taken into account in determining the number of directors who are to retire by rotation at such a meeting, as set out below.

Each director of Smith & Nephew Group shall retire from office and shall be eligible for reappointment at the third annual general meeting at which he was appointed or last reappointed.

Subject to the Companies Act and the articles of association, the directors to retire by rotation are those who have been longest in office since their last appointment or reappointment, but, as between persons who became or were last reappointed directors on the same day, those to retire shall (unless otherwise agreed) be determined by lot.

A person shall not be appointed a director of the Smith & Nephew Group if at the time of his appointment he is 70. A director shall be required to retire at the conclusion of the annual general meeting commencing next after he attains the age of 70.

Powers of the Directors

The power to run a company is vested in the board of directors as a whole. The Board is permitted to delegate powers to committees of directors or to any director holding an executive office. Certain functions may also be delegated to individuals who are not directors who may be authorised to act on behalf of the company.

Board responsibility is collective and shared equally by all Board members, both executive and non-executive. To enable efficient management, however, the responsibilities of the Board of Smith & Nephew Group for the executive management of the business are vested formally in the Chief Executive. In addition, Smith & Nephew Group has appointed an Executive Committee which, under the direction of the Chief Executive, will be responsible for the execution of all operating issues including the formulation of strategy and the development of management plans and budgets for submission to the Board.

Smith & Nephew Group complies with the provisions of the Principles of Good Governance and the Combined Code prepared by the Committee on Corporate Governance appended to the Listing Rules of the UK Listing Authority (the "Combined Code"). Remuneration and Audit Committees, each of which comprise only non-executive directors have also been appointed. A Nominations Committee, chaired by the Chairman, and a majority of whose members are non-executive directors has been appointed. The Remuneration Committee will determine the remuneration and benefits package for the executive directors. The Nominations Committee will make recommendations on the appointment of further directors to the Board. The Audit Committee will, among other matters, review Smith & Nephew Group's internal financial control environment, its financial statements and the scope of work undertaken by external auditors.

Duties of Directors

The directors of an English company owe fiduciary duties to the company which they serve. These duties fall into three main categories: first, to act in good faith in what they consider to be in the interests of the company; second, not to put themselves in the position where the interests of the company conflict with their personal interests or duties to a third party; and, third, not to make a profit out of their position as a director unless the company permits them to do so.

Conflicts of Interest

Subject to certain provisions of the Companies Act designed to enforce fair dealing by directors and prevent their taking financial advantage, and provided that a director has disclosed to the Board the nature and extent of any interest, a director (i) may be interested in any contract with Smith & Nephew Group or in which it is otherwise interested, (ii) may be a director or other officer of, or employed by a party to any contract with, or otherwise interested in, any body corporate promoted by Smith & Nephew Group or in which it is in any way interested and (iii) he (or any firm of which he is a partner, employee or member) may act in a professional capacity for Smith & Nephew Group (other than as auditor) and be remunerated therefore.

However, a director shall not vote or be counted in the quorum present on any resolution concerning a matter in which he has, directly or indirectly, a material interest (other than an interest in shares, debentures or other securities of, or otherwise in or through, Smith & Nephew Group) unless his interest arises only because the case falls within one of a limited number of circumstances set out in the articles of association.

Appendix B: Description of Common Access Shares

Additional terms used in this Appendix B are defined in section 4 below.

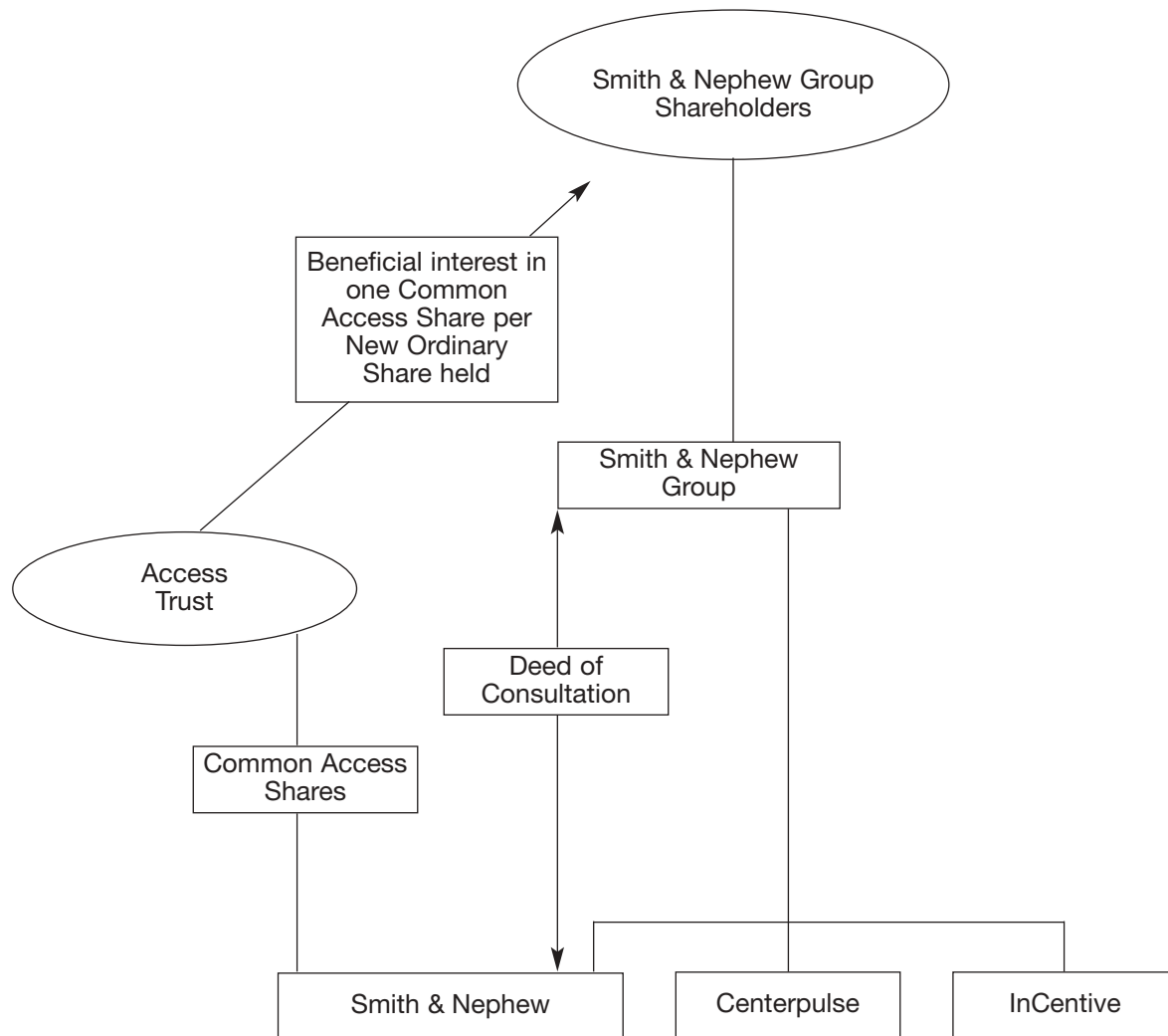
1. Introduction

- 1.1 Each New Ordinary Share will confer on the relevant Smith & Nephew Group Shareholder a beneficial interest in one Common Access Share, legal title to which will be registered at all times in the name of the Trustee, who will hold it on trust absolutely for Smith & Nephew Group Shareholders. The Common Access Shares will enable Smith & Nephew Group Shareholders to receive dividends from Smith & Nephew (which is and will be tax resident in the United Kingdom) rather than from Smith & Nephew Group (which is and will be tax resident in Switzerland) in respect of their relevant New Ordinary Shares. Were Smith & Nephew Group Shareholders (other than those resident in Switzerland) to receive dividends from Smith & Nephew Group they would, under current tax laws in Switzerland, suffer withholding tax at 35 per cent. However, under domestic law, Swiss tax residents may obtain a refund or tax credit in the full amount of the withholding tax; for non-residents, some relief may be granted under the terms of double tax treaties.

Smith & Nephew Group Shareholders (other than those who hold their New Ordinary Shares through a Swiss Clearing System) with an address on the register of members of Smith & Nephew Group outside Switzerland will be deemed to have made an election to receive dividends from Smith & Nephew and therefore they will not need to take any action in order to receive dividends from Smith & Nephew. Those Smith & Nephew Group Shareholders with an address on the register of members of Smith & Nephew Group outside Switzerland who wish to receive dividends from Smith & Nephew Group rather than from Smith & Nephew, will need to give Smith & Nephew Group written notice thereof. A form pursuant to which Smith & Nephew Group Shareholders can give such written notice to Smith & Nephew Group will be available from Smith & Nephew Group. **Shareholders are advised to seek independent financial and taxation advice before deciding whether or not to give any such written notice to Smith & Nephew Group.**

- 1.2 Smith & Nephew Group Shareholders with an address on the register of members of Smith & Nephew Group in Switzerland or who hold their New Ordinary Shares through a Swiss Clearing System, will, if they wish to receive dividends from Smith & Nephew as opposed to dividends from Smith & Nephew Group, need to give Smith & Nephew Group written notice thereof. A form pursuant to which Smith & Nephew Group Shareholders can give such written notice to Smith & Nephew Group will be available from Smith & Nephew Group. **Shareholders are advised to seek independent financial and taxation advice before deciding whether or not to give any such written notice to Smith & Nephew Group.**
- 1.3 The Smith & Nephew Group Board may from time to time resolve to suspend the operation of the dividend access arrangements provided by the Common Access Share structure, in which event all dividends would be paid by Smith & Nephew Group.
- 1.4 This Annex B describes the Common Access Shares and the various arrangements between Smith & Nephew Group, Smith & Nephew and the Access Trust. This Annex B assumes that the Transaction has been completed.

The following is a simplified illustration of the Common Access Share structure:



2. Key features of the Common Access Share structure

- 2.1 Smith & Nephew Group will have a full listing on the Official List of the UK Listing Authority, but will be resident in Switzerland for tax purposes. It is also intended that Smith & Nephew Group will have a secondary listing on the SWX Swiss Exchange.
- 2.2 Smith & Nephew will be a subsidiary of Smith & Nephew Group and will no longer be listed on the Official List of the UK Listing Authority.
- 2.3 The Trustee of the Access Trust will be constituted as a UK registered company, in whom the legal title to all Common Access Shares will be registered and which it will hold on trust for the holders of New Ordinary Shares. The directors of the Access Trust will be two Smith & Nephew Group directors and the Access Trust will be a wholly owned subsidiary (directly or indirectly) of and (to the extent required) funded by Smith & Nephew Group.

3. Smith & Nephew Group Shareholders

- 3.1 The Common Access Shares will permit Smith & Nephew Group Shareholders or any subset of them to receive dividends from Smith & Nephew rather than from Smith & Nephew Group. Each New Ordinary Share will confer on the relevant Smith & Nephew Group Shareholder the beneficial interest in one Common Access Share, legal title to which will be registered at all times in the name of the Trustee, who will hold it on trust absolutely for the benefit of Smith & Nephew Group Shareholders. A Smith & Nephew Group Shareholder will not be entitled to call for the Access Trust to transfer legal title to any of the Common Access Shares to him.

- 3.2 The Common Access Shares will enable Smith & Nephew Group Shareholders to elect to receive dividends from Smith & Nephew (which is and will be tax resident in the United Kingdom) rather than from Smith & Nephew Group (which is and will be tax resident in Switzerland) in respect of their New Ordinary Shares. Were Smith & Nephew Group Shareholders (other than those resident in Switzerland) to receive dividends from Smith & Nephew Group they would, under current tax laws in Switzerland, suffer withholding tax at 35 per cent. (however, under domestic law, Swiss tax residents may obtain a refund or tax credit in the full amount of the withholding tax; for non-residents, some relief may be granted under the terms of double tax treaties).
- 3.3 Smith & Nephew Group Shareholders with an address on the register of members of Smith & Nephew Group outside Switzerland (other than those who hold their New Ordinary Shares through a Swiss Clearing System) will be deemed to have made an election to receive dividends from Smith & Nephew and therefore they will not need to take any action in order to receive dividends from Smith & Nephew. Those Smith & Nephew Group Shareholders with an address on the register of members of Smith & Nephew Group outside Switzerland who wish to receive dividends from Smith & Nephew Group rather than from Smith & Nephew, will need to give Smith & Nephew Group written notice thereof. A form pursuant to which Smith & Nephew Group Shareholders can give such written notice to Smith & Nephew Group will be available from Smith & Nephew Group. **Shareholders are advised to seek independent financial and taxation advice before deciding whether or not to give any such written notice to Smith & Nephew Group.**
- 3.4 Smith & Nephew Group Shareholders with an address on the register of members of Smith & Nephew Group in Switzerland or whose New Ordinary Shares are held through a Swiss Clearing System, will, if they wish to receive dividends from Smith & Nephew as opposed to dividends from Smith & Nephew Group, need to give Smith & Nephew Group written notice thereof. A form pursuant to which Smith & Nephew Group Shareholders can give such written notice to Smith & Nephew Group will be available from Smith & Nephew Group. **Shareholders are advised to seek independent financial and taxation advice before deciding whether or not to give any such written notice to Smith & Nephew Group.**
- 3.5 The Smith & Nephew Group Articles state that each Smith & Nephew Group Shareholder shall have the right to a beneficial interest in one Common Access Share per New Ordinary Share held. Therefore, upon the issue by Smith & Nephew Group of any additional New Ordinary Shares, Smith & Nephew Group will procure the issue to the Access Trust of an equal number of fully paid Common Access Shares.

4. Definitions related to Common Access Shares

4.1 In this Annex B, the following definitions apply:

“Access Shares” means the Common Access Shares and following the Consolidation the Consolidated Access Shares;

“Access Trust” means the trust declared by the Trustee pursuant to the Trust Deed whereby the Trustee holds the Access Shares on bare trust for New Ordinary Shareholders;

“Common Access Shares” means the Common Access Shares of 0.001 pence each in the capital of Smith & Nephew, having the rights set out in the Smith & Nephew Articles;

“Consolidated Access Shares” means the issued common access share(s) in the capital of Smith & Nephew arising from the Consolidation if any;

“Consolidation” means such action as may be taken by Smith & Nephew to consolidate the Common Access Shares into one or more shares, having the rights set out in the Smith & Nephew Articles;

“Dividend Beneficiary” means in relation to a particular dividend a Smith & Nephew Group Shareholder who has made (or shall be deemed to have made) a Valid Dividend Election which is subsisting at the Relevant Time for that dividend;

“Elected Shares” means as regards a particular Smith & Nephew Group Shareholder and in relation to a particular dividend proposed to be declared by Smith & Nephew Group (or, in the case of a Total Election Condition subsisting, a particular dividend announced by Smith & Nephew Group as being payable by Smith & Nephew) that number of Common Access Shares equal to the number of New Ordinary Shares in respect of which that Smith & Nephew Group Shareholder has made Valid Dividend Elections which subsist (or which are deemed to subsist) as at the Relevant Time for that particular dividend;

“Issue Price” means, in respect of a share in the capital of the relevant company, the aggregate of the amount paid up (or credited as paid up) in respect of the nominal value thereof;

“New Ordinary Shares” means the ordinary shares of 12.50 pence each in the capital of Smith & Nephew Group;

“record date” means in relation to a particular dividend the date determined and announced by Smith & Nephew Group as the date upon which a person must be registered as a member of Smith & Nephew Group on the Register in order to qualify to receive that dividend declared or payable by Smith & Nephew Group on its New Ordinary Shares or in the case of a Total Election Condition subsisting the dividend declared or payable by Smith & Nephew on the Access Shares;

“Register” means the register of members of Smith & Nephew Group;

“Relevant Time” means in relation to any particular dividend the close of business on the record date for that dividend;

“Smith & Nephew Group” means Smith & Nephew Group plc;

“Smith & Nephew Group Shareholder” means a person registered in the Register as a holder of New Ordinary Shares and where there is more than one person registered jointly, the first person so registered to the exclusion of all others shall be deemed to be the Smith & Nephew Group Shareholder;

“Smith & Nephew” means Smith & Nephew plc;

“Smith & Nephew Articles” means the articles of association of Smith & Nephew as amended from time to time;

“Swiss Clearing System” means SIS SegalInterSettle AG or any of its successors in title or any other Swiss clearing system as the directors of Smith & Nephew Group may identify from time to time;

“Total Election Condition” a Total Election Condition shall subsist as regards any particular dividend which would otherwise have been declared and paid by Smith & Nephew Group if at the Relevant Time for that dividend Valid Dividend Elections have been made (or are deemed to have been made) in respect of all New Ordinary Shares then in issue;

“Trust Deed” means the deed dated 22 April 2003 pursuant to which the Access Trust was constituted;

“Trustee” means Smith & Nephew Trustee Limited, a wholly owned subsidiary of Smith & Nephew Group or such other trustee or trustees from time to time of the Access Trust;

“Valid Dividend Election” a Smith & Nephew Group Shareholder shall have made (and be deemed to have made) a Valid Dividend Election in respect of a particular dividend if at the Relevant Time for that dividend:

- (a) his address in the Register is an address outside Switzerland (and his New Ordinary Shares are not held through a Swiss Clearing System) and he has not given written notice to Smith & Nephew Group electing to receive dividends on all or any of his New Ordinary Shares from Smith & Nephew Group; or

- (b) his address in the Register is an address in Switzerland or he holds his New Ordinary Shares through a Swiss Clearing System and he has given (and not withdrawn in writing) written notice to Smith & Nephew Group electing to receive dividends in respect of all or any of his New Ordinary Shares from Smith & Nephew,

PROVIDED that a Valid Dividend Election shall not have been made (or shall be deemed not to have been made):

- (c) in respect of a dividend (or the relevant part thereof) where the particular New Smith & Nephew Group Shareholder elects or has elected (but only to the extent of such election) to receive a scrip dividend in lieu of any cash dividend;
- (d) in respect of a dividend (or the relevant part thereof) which is not paid in cash; and
- (e) if at the relevant time Smith & Nephew is no longer (directly or indirectly) a subsidiary of Smith & Nephew Group.

5. New Ordinary Shares

- 5.1 Subject to paragraph 5.4 below, each New Ordinary Share shall confer on the relevant Smith & Nephew Group Shareholder a beneficial interest in one Common Access Share, legal title to each such Common Access Share to be registered at all times in the name of the Trustee on bare trust for the relevant Smith & Nephew Group Shareholder. In respect of any New Ordinary Share which is not fully paid, the beneficial interest of the relevant Smith & Nephew Group Shareholder shall be reduced proportionately.
- 5.2 No Smith & Nephew Group Shareholder shall at any time be entitled as a result of his holding of New Ordinary Shares or otherwise howsoever to call for the legal title to any Access Share. A Smith & Nephew Group Shareholder shall not be able or entitled to transfer his interest in any Access Share other than by transferring his corresponding New Ordinary Share whereupon the beneficial interest in the Access Share shall vest in the transferee.
- 5.3 Smith & Nephew Group shall at all times prior to the Consolidation procure that the number of Common Access Shares held by the Trustee on bare trust for Smith & Nephew Group Shareholders is equal to the number of New Ordinary Shares in issue at any given time. Smith & Nephew Group shall procure that the Common Access Shares allotted and issued by Smith & Nephew are issued fully paid.
- 5.4 If Smith & Nephew effects the Consolidation, each New Ordinary Share shall confer on the holder a beneficial interest in the Consolidated Access Shares, legal title to such Consolidated Access Shares to be registered at all times in the name of the Trustee. The proportionate beneficial interest of a Smith & Nephew Group Shareholder in the Consolidated Access Shares shall, subject as hereinafter provided, be equal to A/B , where A is equal to the number of New Ordinary Shares held by that Smith & Nephew Group Shareholder at the relevant time and B is equal to the aggregate number of New Ordinary Shares in issue at that time PROVIDED that the proportions shall be adjusted accordingly by the Trustee if any New Ordinary Shares held by a Smith & Nephew Group Shareholder are not fully paid as at the relevant time.
- 5.5 The directors of Smith & Nephew Group shall, prior to the declaration and payment of any dividend to be paid on the New Ordinary Shares, resolve whether or not the dividend access mechanics described below shall apply. In default of such resolution in respect of any such declaration and payment of a dividend, the provisions shall be deemed to apply to the declaration and payment of that dividend.
- 5.6 Provided that (unless a Total Election Condition subsists) a Related Dividend (defined in paragraph 5.7 below) has been declared (whether or not conditionally) by Smith & Nephew, no dividend will be declared upon those New Ordinary Shares in respect of which a Valid Dividend Election shall be subsisting as at the Relevant Time for that particular dividend.

5.7 A dividend declared by Smith & Nephew is a “Related Dividend” in respect of a dividend declared on the New Ordinary Shares if it is declared on the Access Shares:

- (a) in the case of a final dividend on the New Ordinary Shares, at a general meeting or board meeting of Smith & Nephew held not earlier than 30 days prior to the date upon which Smith & Nephew Group announces a date upon which a general meeting of Smith & Nephew Group (convened for the purpose of approving the final dividend on the New Ordinary Shares) is to be held;
- (b) in the case of an interim dividend on the New Ordinary Shares, at a general meeting or board meeting of Smith & Nephew held not earlier than 30 days prior to the date upon which Smith & Nephew Group announces an interim dividend on the New Ordinary Shares,

and a dividend shall be deemed to have been declared by Smith & Nephew notwithstanding that such declaration may be expressed to be conditional upon a dividend being declared on the New Ordinary Shares.

6. Rights attaching to the Common Access Shares

Income

- 6.1 Subject to a Total Election Condition subsisting or Smith & Nephew Group having validly declared or declaring a Related Dividend (defined in paragraph 6.3 below), and subject to the directors of Smith & Nephew Group not having exercised their power under the Articles of Association of Smith & Nephew Group to suspend the dividend access arrangements, the Elected Shares shall confer upon the holders thereof the right to receive a dividend per Elected Share equal to the amount specified by the board of Smith & Nephew (the “Access Dividend”). The Access Dividend shall be paid in cash.
- 6.2 Unless a Total Election Condition subsists, each resolution of the board of Smith & Nephew to declare or approve a dividend on the Common Access Shares shall state that the declaration or approval of that dividend is conditional upon Smith & Nephew Group declaring or having declared a Related Dividend
- 6.3 A dividend declared by Smith & Nephew Group is a “**Related Dividend**” in respect of a dividend declared on the Elected Shares to the extent that the dividend declared on the New Ordinary Shares is a cash dividend:
 - (a) in the case of a final dividend on the New Ordinary Shares, at a General Meeting of Smith & Nephew Group (convened for the purpose of approving the final dividend on the New Ordinary Shares) notice of which is announced or issued within 30 days of the date of declaration of the dividend on the Elected Shares;
 - (b) in the case of an interim dividend on the New Ordinary Shares, where an announcement by Smith & Nephew Group specifying the date for the payment of the interim dividend is issued within 30 days of the date of declaration of the dividend on the Elected Shares,

and a dividend shall be deemed to have been declared by Smith & Nephew notwithstanding that such declaration may be expressed to be conditional upon a dividend being declared on the New Ordinary Shares.

Capital

- 6.4 In the event of a winding up of Smith & Nephew or other return of capital, the assets of Smith & Nephew available for distribution to holders remaining after payment of all other debts and liabilities of Smith & Nephew (and of the costs, charges and expenses of any such winding up) shall subject to the rights of any preference shares then in issue, be applied in the following manner and order of priority:
 - (a) first, in paying to the holders of the Access Shares all unpaid arrears and accruals of any Access Dividend;
 - (b) secondly, in paying to the holders of the Access Shares the Issue Price of such shares;

- (c) thirdly, in paying to holders of ordinary shares in the capital of Smith & Nephew all unpaid arrears and accruals of any dividend declared thereon;
- (d) fourthly, in paying to holders of ordinary shares in the capital of Smith & Nephew the Issue Price of such shares together with any premium paid thereon;
- (e) fifthly, in distributing to the holders of the Access Shares an amount equal in aggregate to 5 per cent (subject to adjustments) of the remaining assets of Smith & Nephew available for distribution; and
- (f) lastly, in distributing the balance amongst holders of ordinary shares in Smith & Nephew.

Voting

- 6.5 An Access Share does not entitle the beneficial holder to receive notice of or to attend or vote at any general meeting of Smith & Nephew.

Other Rights

- 6.6 An Access Share shall not confer on the holder thereof any further entitlement to any participation in the profits of Smith & Nephew.

7. Access Trust

- 7.1 The Trustee of the Access Trust is an English registered company whose sole purpose is, pursuant to the terms of the Trust Deed, to hold the Access Shares on trust for Smith & Nephew Group Shareholders.
- 7.2 The Access Trust has agreed to hold each Access Share, and any further Access Shares which may from time to time be allotted to it upon trust for New Ordinary Shareholders absolutely in accordance with the articles of association of Smith & Nephew and Smith & Nephew Group.
- 7.3 The Trustee shall, on receipt, whether directly or indirectly, of any cash dividend declared by Smith & Nephew in respect of Elected Shares distribute or procure the distribution of the same to (subject to any deduction or withholding required by law) the Dividend Beneficiaries in respect of that cash dividend, each such Dividend Beneficiary to be entitled, subject as hereinafter provided, to receive an amount (the **"Relevant Amount"**) equal to A/B where A is equal to the number of Elected Shares of that Dividend Beneficiary at the Relevant Time for the relevant dividend and B is equal to the aggregate number of Elected Shares of the Dividend Beneficiaries at the Relevant Time for the relevant dividend PROVIDED that the proportions shall be adjusted accordingly by the Trustee if any New Ordinary Shares held by a Dividend Beneficiary are not fully paid as at the Relevant Time for the relevant dividend.
- 7.4 Any distribution to the Dividend Beneficiaries is, where relevant, to be made on the same day, as nearly as practicable, as the date upon which the Related Dividend (as defined in paragraph 6.3 above) is payable to the holder of such New Ordinary Shares.
- 7.5 The Trustee shall hold any dividend (subject to any deduction or withholding required by law) unclaimed by a Dividend Beneficiary on bare trust for the relevant Dividend Beneficiary. To the extent that such unclaimed dividend shall accrue any interest, such interest shall be held by the Trustee on bare trust for the Dividend Beneficiary and upon the dividend being claimed any such interest shall be paid (less any reasonable costs incurred by the Trustee in retaining such dividend and making efforts to discover the whereabouts of the Dividend Beneficiary) to the relevant Dividend Beneficiary together with the dividend. Any dividend which has remained unclaimed for twelve years from the date when it became due for payment shall be forfeited and cease to remain owing to the Dividend Beneficiary and shall be payable (together with any accrued interest) to Smith & Nephew.

- 7.6 If any Dividend Beneficiary elects, or has elected to participate in any share dividend or distribution reinvestment plan of Smith & Nephew Group, the Trustee shall, instead of distributing the Relevant Amount (or the relevant part thereof) to that Dividend Beneficiary apply the same on behalf of such Dividend Beneficiary in subscribing for New Ordinary Shares payable in full or by instalments or in paying up in full or by instalments any unpaid or partly paid New Ordinary Shares held by such Dividend Beneficiary on the terms of any such plan or otherwise make such arrangements as are necessary for the purposes of enabling a Dividend Beneficiary who so elects to participate in any such share dividend or distribution reinvestment plan made by Smith & Nephew Group for the benefit of holders of its New Ordinary Shares.
- 7.7 If the Trustee receives, whether directly or indirectly, any distribution of assets from Smith & Nephew in respect of the entitlement of Access Shares to funds on a liquidation of Smith & Nephew, the Trustee shall distribute or procure the distribution of the same to Smith & Nephew Group Shareholders as at the date of liquidation (as determined by the Trustee), each Smith & Nephew Group Shareholder being entitled, subject as hereinafter provided, to a proportionate share in the assets equal to A/B , where A is equal to the number of New Ordinary Shares registered in the name of that Smith & Nephew Group Shareholder as at the date of liquidation (as so determined by the Trustee) and B is equal to the aggregate number of New Ordinary Shares in issue at the date of liquidation (as so determined by the Trustee) PROVIDED that the proportions shall be adjusted accordingly by the Trustee if any New Ordinary Shares are not fully paid as at the date of liquidation (as so determined by the Trustee).

8. Deed of Consultation

Pursuant to the terms of a deed of consultation made between Smith & Nephew Group and Smith & Nephew, the parties have agreed not to announce a dividend or an intention to pay a dividend unless Smith & Nephew has sufficient distributable reserves to pay that proportion of the aggregate dividend (which would otherwise have been paid by Smith & Nephew Group) which represents the proportionate share of those Smith & Nephew Group Shareholders who have elected (or are deemed to have elected) to receive dividends from Smith & Nephew.

Appendix C: Fairness Opinion by KPMG

Corporate Finance

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To the Board of Directors of
InCentive Capital AG
Baarerstrasse 8
6301 Zug

Zurich, April 10, 2003

Fairness Opinion

Dear Sirs

We understand that Smith & Nephew Group plc (the "Offeror") has resolved to acquire InCentive Capital AG ("InCentive") through a public tender offer (the "InCentive Offer"). In its tender offer, Smith & Nephew Group plc offers the shareholders of Incentive 100% of the adjusted net asset value as defined in detail below as of the last day of the InCentive Offer period. In parallel, Smith & Nephew Group plc is offering to purchase Centerpulse AG ("Centerpulse") by way of parallel tender public offer (the "Centerpulse Offer").

You have requested our opinion as to the fairness from a financial point of view to the holders of InCentive Shares of the Consideration to be received by such holders pursuant to the Offer. The Offer shall mean the following:

The price for each InCentive Share shall be $\frac{a + b}{c}$ where:

- a = the total amount of Smith & Nephew Group plc shares and amount of cash that would be payable under the Centerpulse Offer for the Centerpulse Shares held by InCentive (the "Centerpulse Holding");
- b = the adjusted net asset value (positive or negative) of InCentive (the "Adjusted NAV") calculated as at the last day of the Incentive Offer period but excluding the Centerpulse Holding and attributing no value to any InCentive Shares held by InCentive or its subsidiaries (the "Treasury Shares"), as confirmed by InCentive's auditors;
- c = the total number of InCentive Shares in issue on the last day of the InCentive Offer period less the number of Treasury Shares on that date.

As a result, the consideration for each InCentive Share will consist of (i) an element of Smith & Nephew Group plc shares and cash which will mirror InCentive's Centerpulse Holding; plus or minus (ii) the cash attributable to Adjusted NAV of InCentive excluding the Centerpulse Holding.



The Consideration payable for the Centerpulse Shares under the Centerpulse Offer pre-announced on March 20, 2003 by Smith & Nephew comprises for each Centerpulse registered share with a nominal value of CHF 30:

- 25.15 new Smith & Nephew Group plc shares; and
- CHF 73.42 in cash

This fairness opinion is primarily based on our work performed in connection with the fairness opinion for the board of directors of Centerpulse.

In arriving at our Opinion, we have, among other things:

- reviewed the pre-announcements of the tender offers for InCentive and Centerpulse by Smith & Nephew;
- reviewed the irrevocable agreement with the principal shareholders of InCentive to accept the offer by Smith & Nephew for their respective InCentive shares representing together approximately 77 % of all shares;
- reviewed InCentive's management's assessment of the rationale and perceived benefits of the acquisition of InCentive by Smith & Nephew to InCentive's shareholders, and
- conducted such other studies, analyses and investigations as we have deemed appropriate.

In arriving at our opinion, we have assumed and relied upon the accuracy and completeness of the financial and other information that was publicly available or furnished to us by InCentive, or otherwise reviewed by us and was used by us without assuming any responsibility or liability for independent verification of such information. We have further relied upon the assessment of management of InCentive that they are not aware of any facts or circumstances that would make such information inaccurate or misleading.

We express no opinion as to what the value of the Smith & Nephew Group Shares (or Smith & Nephew Group American Depositary Shares (each representing 10 Smith & Nephew Group Shares)) will be when issued pursuant to the Offer or the prices at which such shares will trade in the future. This opinion should not be viewed as providing any assurance that the market value of the Smith & Nephew Group shares to be held by the shareholders of InCentive after the consummation of the Proposed Transaction will be in excess of the market value of the InCentive shares owned by such shareholders at any time prior to the announcement or the consummation of the Proposed Transaction. We also express no opinion as to the effect of the Proposed Transaction on shareholders who do not tender their InCentive Shares in the Offer or as to what the value such shares will be or whether and at what prices such shares will trade after the Offer.

Furthermore, we do not express an opinion with regard to the fairness of the consideration for the disposal of InCentive's assets, other than cash and Centerpulse shares, as described in section D of the prospectus.

This opinion is not intended to be and does not constitute a recommendation to any shareholder of InCentive as to whether to accept the Consideration to be offered to the shareholders in connection with the Offer or as to whether to elect to receive fewer Smith & Nephew Group Shares



or more Smith & Nephew Group Shares in the Offer.

Based on the foregoing, we are of the opinion on the date hereof that the Offer provides as substantially equal treatment, from a financial point of view, for the shareholders of Incentive as compared to the shareholders of Centerpulse.

This Fairness Opinion is subject to Swiss law, the place of jurisdiction being Zurich.

Yours sincerely

KPMG Fides Peat

Renat Nussbaumer

Rolf Langenegger

Smith+Nephew

InCentive Capital