

SECURITIES AND EXCHANGE COMMISSION

FORM 10-12B/A

Initial general form for registration of a class of securities pursuant to Section 12(b) [amend]

Filing Date: **2001-07-06**
SEC Accession No. **0000912057-01-522923**

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FILER

ZIMMER HOLDINGS INC

CIK: **1136869** | IRS No.: **134151777** | State of Incorporation: **DE** | Fiscal Year End: **1231**
Type: **10-12B/A** | Act: **34** | File No.: **001-16407** | Film No.: **1676255**
SIC: **3842** Orthopedic, prosthetic & surgical appliances & supplies

Mailing Address
345 EAST MAIN STREET
WARSAW IN 46580

Business Address
345 EAST MAIN STREET
WARSAW IN 46580
2192676131

SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

AMENDMENT NO. 3
TO

FORM 10

GENERAL FORM FOR REGISTRATION OF SECURITIES
PURSUANT TO SECTION 12(b) OR (g) OF
THE SECURITIES EXCHANGE ACT OF 1934

ZIMMER HOLDINGS, INC.

(Exact name of registrant as specified in its charter)

<TABLE>	
<S>	<C>
DELAWARE	13-4151777
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification Number)
345 EAST MAIN STREET	46580
WARSAW, IN	(Zip Code)
(Address of principal executive offices)	
</TABLE>	

Registrant's telephone number, including area code:
(219) 267-6131

Securities to be registered pursuant to Section 12(b) of the Act:

<TABLE>	
<CAPTION>	
TITLE OF EACH CLASS TO BE SO REGISTERED	NAME OF EACH EXCHANGE ON WHICH EACH CLASS IS TO BE REGISTERED
-----	-----
<S>	<C>
Common Stock, par value \$.01 per share	The New York Stock Exchange
Preferred Stock Purchase Rights	The New York Stock Exchange
</TABLE>	

Securities to be registered pursuant to Section 12(g) of the Act:

None

ZIMMER HOLDINGS, INC.

I. INFORMATION INCLUDED IN INFORMATION STATEMENT
AND INCORPORATED IN FORM 10 BY REFERENCE

CROSS-REFERENCE SHEET BETWEEN INFORMATION STATEMENT
AND ITEMS OF FORM 10

Our Information Statement may be found as Exhibit 99.1 to this Form 10. For your convenience, we have below provided a cross-reference sheet identifying where the items required by Form 10 can be found in the Information Statement.

<TABLE> <CAPTION> ITEM NO.	CAPTION	LOCATION IN INFORMATION STATEMENT
<C>	<S>	<C>
1.	Business.....	"Summary;" "The Distribution;" "Risk Factors;" "Business;" "Management's Discussion and Analysis of Financial Condition and Results of Operations;" "Arrangements Between Bristol-Myers Squibb and Zimmer;"
2.	Financial Information.....	"Capitalization;" and "Available Information" "Summary;" "Selected Financial Information;" "Unaudited Pro Forma Combined Financial Statements;" and "Management's Discussion and Analysis of Financial Condition and Results of Operations"
3.	Properties.....	"Business--Properties"
4.	Securities Ownership of Certain Beneficial Owners and Management.....	"The Distribution;" "Management;" and "Ownership of Our Stock"
5.	Directors and Officers.....	"Management"
6.	Executive Compensation.....	"Management;" "Ownership of Our Stock;" and "Arrangements Between Bristol-Myers Squibb and Zimmer"
7.	Certain Relationships and Related Transactions.....	"Arrangements Between Bristol-Myers Squibb and Zimmer;" and "Certain Relationships and Related Transactions"
8.	Legal Proceedings.....	"Business--Legal Proceedings"
9.	Market Price of and Dividends on the Registrant's Common Equity and Related Stockholder Matters.....	"Summary;" "The Distribution;" "Capitalization;" "Dividend Policy;" "Description of Capital Stock;" and "Shares Eligible for Future Sale"
10.	Recent Sales of Unregistered Securities.....	Not Included (See Part II below)
11.	Description of Registrant's Securities to be Registered.....	"The Distribution;" "Dividend Policy;" and "Description of Capital Stock"
12.	Indemnification of Directors and Officers.....	"Indemnification of Directors and Officers"
13.	Financial Statements and Supplementary Data.....	"Unaudited Pro Forma Combined Financial Statements;" and "Index to Combined Financial Statements" and the statements referenced thereon
14.	Changes In and Disagreements with Accountants on Accounting and Financial Matters.....	Not Applicable
15.	Financial Statements and Exhibits.....	"Unaudited Pro Forma Combined Financial Statements;" "Index to Combined Financial Statements;" and "Index to Unaudited Interim Combined Financial Statements" (See also, Part II below)

</TABLE>

II. INFORMATION NOT INCLUDED IN INFORMATION STATEMENT

ITEM 10. RECENT SALES OF UNREGISTERED SECURITIES

We were incorporated in Delaware on January 12, 2001 under the name "Zodiac Holdings, Inc." Zodiac Holdings issued 1,000 shares of its common stock, par value \$0.01 per share, to Bristol-Myers Squibb Company, a Delaware corporation, in consideration of an aggregate capital contribution of \$10.00 by Bristol-Myers Squibb Company. Such issuance was exempt from registration under the Securities Act of 1933, as amended, pursuant to Section 4(2) thereof because such issuance did not involve any public offering of securities. As of March 22, 2001, we changed our name to "Zimmer Holdings, Inc."

ITEM 15. FINANCIAL STATEMENTS AND EXHIBITS

(a) Financial Statements filed as part of this registration statement:

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Combined Balance Sheets as of December 31, 2000 and 1999....	F-4
Combined Statements of Cash Flows for the Years Ended December 31, 2000, 1999 and 1998.....	F-5
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Combined Statements of Cash Flows for the Three Months Ended March 31, 2001 and 2000.....	F-19
Notes to Interim Combined Financial Statements.....	F-20

All other schedules are omitted because they are not applicable or the required information is shown in the financial statements or notes thereto.

(b) Exhibits:

EXHIBIT NO.	DESCRIPTION
2	Form of Contribution and Distribution Agreement between Bristol-Myers Squibb Company and Zimmer Holdings, Inc.*
3.1	Form of Restated Certificate of Incorporation of Zimmer Holdings, Inc.*
3.2	Form of Restated By-laws of Zimmer Holdings, Inc.*
4.1	Specimen Common Stock certificate*
4.2	Form of Restated Certificate of Incorporation of Zimmer Holdings, Inc. (filed as Exhibit 3.1 hereto)*

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EXHIBIT NO.	DESCRIPTION
4.3	Form of Restated By-laws of Zimmer Holdings, Inc. (filed as Exhibit 3.2 hereto)*
4.4	Form of Rights Agreement between Zimmer Holdings, Inc. and Mellon Investor Services LLC, as Rights Agent*
4.5	Form of Certificate of Designations of Series A Participating Cumulative Preferred Stock (attached as Exhibit A to the Rights Agreement filed as Exhibit 4.4 hereto)*
4.6	Form of Right Certificate (attached as Exhibit B to the Rights Agreement filed as Exhibit 4.4 hereto)*
10.1	Form of Contribution and Distribution Agreement between Bristol-Myers Squibb Company and Zimmer Holdings, Inc. (filed as Exhibit 2 hereto)*
10.2	Form of Interim Services Agreement*

10.3	Form of Employee Benefits Agreement*
10.4	Form of Tax Sharing Agreement*
10.5	Form of Zimmer Holdings, Inc. Savings and Investment Program**
10.6	Form of Zimmer Holdings, Inc. 2001 Stock Incentive Plan*
10.7	Form of Zimmer Holdings, Inc. TeamShare Stock Option Plan*
10.8	Retention Agreement of J. Raymond Elliott**
10.9	Retention Agreement of Roy D. Crowninshield**
10.10	Retention Agreement of Bruce E. Peterson**
10.11	Retention Agreement of Paul D. Schoenle**
10.12	Retention Agreement of John S. Loveman-Krelle**
10.13	Compensation Agreement of J. Raymond Elliott**
10.14	Compensation Agreement of Roy D. Crowninshield**
10.15	Compensation Agreement of Bruce E. Peterson**
10.16	Compensation Agreement of Paul D. Schoenle**
10.17	Compensation Agreement of John S. Loveman-Krelle**
10.18	Form of Zimmer Holdings, Inc. Executive Performance Incentive Plan*
10.19	Form of Zimmer Holdings, Inc. Stock Plan for Non-Employee Directors*
10.20	Form of Zimmer Holdings, Inc. Deferred Compensation Plan for Non-Employee Directors*
21	List of Subsidiaries of Zimmer Holdings, Inc.*
99.1	Zimmer Holdings, Inc. Preliminary Information Statement dated July 6, 2001*

</TABLE>

* Filed herewith.

** Filed as part of Amendment No. 2 to Form 10 dated June 18, 2001.

II-2

SIGNATURES

Pursuant to the requirements of Section 12 of the Securities Exchange Act of 1934, the registrant has duly caused this registration statement to be signed on its behalf by the undersigned, thereunto duly authorized.

<TABLE>

<S>

<C> <C>
 ZIMMER HOLDINGS, INC.
 (Registrant)

By: /s/ J. RAYMOND ELLIOTT

 Name: J. Raymond Elliott
 Title: PRESIDENT AND CHIEF
 EXECUTIVE OFFICER

</TABLE>

Date: July 6, 2001

INDEX TO EXHIBITS

<TABLE>

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dated July 6, 2001*

</TABLE>

* Filed herewith.

** Filed as part of Amendment No. 2 to Form 10 dated June 18, 2001.

CONTRIBUTION AND DISTRIBUTION AGREEMENT

by and between

BRISTOL-MYERS SQUIBB COMPANY

and

ZIMMER HOLDINGS, INC.

Dated as of [], 2001

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EXHIBITS

Exhibit A	Restated By-laws of Zimmer
Exhibit B	Restated Certificate of Incorporation of Zimmer
Exhibit C	Employee Benefits Agreement
Exhibit D	Interim Services Agreement
Exhibit E	Patent Assignments
Exhibit F	Rights Agreement
Exhibit G	Tax Sharing Agreement

THIS CONTRIBUTION AND DISTRIBUTION AGREEMENT, dated as of [], 2001, is by and between BRISTOL-MYERS SQUIBB COMPANY, a Delaware corporation ("BRISTOL-MYERS SQUIBB") and ZIMMER HOLDINGS, INC., a Delaware corporation ("ZIMMER"). Capitalized terms used herein and not otherwise defined shall have the respective meanings assigned to them in Article I hereof.

R E C I T A L S:

WHEREAS, the Board of Directors of Bristol-Myers Squibb has determined that it is in the best interests of Bristol-Myers Squibb and its stockholders to separate Bristol-Myers Squibb's orthopaedics business from its other existing businesses;

WHEREAS, Bristol-Myers Squibb's orthopaedics business is currently conducted in the United States by Zimmer, Inc., a Delaware corporation and a wholly owned Subsidiary of Bristol-Myers Squibb ("OLDCO");

WHEREAS, Bristol-Myers Squibb's orthopaedics business is currently conducted outside of the United States by (i) Oldco's wholly owned Subsidiaries (the "OLDCO SUBSIDIARIES"), (ii) certain wholly owned Subsidiaries of Bristol-Myers Squibb that only conduct business and operations that relate to the distribution or sale of Oldco's products ("ZIMMER INTERNATIONAL ENTITIES") and (iii) certain wholly owned Subsidiaries of Bristol-Myers Squibb that conduct business and operations that relate to the distribution or sale of Oldco's products and Bristol-Myers Squibb Business ("COMBINED INTERNATIONAL ENTITIES");

WHEREAS, subject to the terms and conditions set forth herein, Bristol-Myers Squibb will contribute or transfer, or cause to be contributed or transferred,

(i) all of the issued and outstanding capital stock of Oldco and the Zimmer International Entities listed on Schedule 1.01(e)(ii) (the "SHARES") to Zimmer;

(ii) the assets of the Combined International Entities listed on Schedule 1.01(a)(ii) related to the

Zimmer Business to Zimmer or other entities designated by Zimmer;

(iii) all of the assets of the Zimmer International Entities listed on Schedule 1.01(e)(iii) and the Combined International Entities listed in Schedule 1.01(a)(iii) to be transferred to Zimmer or other entities

designated by Zimmer pursuant to the Non-U.S. Plan (as defined in Section 1.01); and

(iv) the remaining assets comprising the Zimmer Assets as set forth in Section 2.02(a) to Zimmer or other entities designated by Zimmer;

and Zimmer will assume the Zimmer Liabilities as set forth in Section 2.03(a) (collectively, the "CONTRIBUTION");

WHEREAS, immediately after Oldco becomes a wholly-owned subsidiary of Zimmer pursuant to the Contribution, (i) Zimmer will contribute all of the Zimmer Assets received in the Contribution to Oldco and (ii) Zimmer will cause Oldco or its subsidiaries to assume all of the Zimmer Liabilities assumed by Zimmer in the Contribution;

WHEREAS, in connection with the Contribution, Bristol-Myers Squibb will distribute, on a pro rata basis, to holders of shares of common stock, par value \$0.10 per share, of Bristol-Myers Squibb ("BRISTOL-MYERS SQUIBB COMMON STOCK") all of the outstanding shares of common stock, par value \$0.01 per share, of Zimmer ("ZIMMER COMMON STOCK") owned directly or indirectly by Bristol-Myers Squibb (the "DISTRIBUTION"); and

WHEREAS, the Contribution is intended to qualify as a tax-free transaction under Section 368(a)(1)(D) of the Internal Revenue Code of 1986, as amended (the "CODE") and the Distribution is intended to qualify as a tax-free spin-off under Section 355 of the Code;

NOW, THEREFORE, in consideration of the mutual agreements, provisions and covenants contained in this Agreement, the parties, intending to be legally bound, hereby agree as follows:

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ARTICLE I

DEFINITIONS

SECTION 1.01. DEFINITIONS. For the purpose of this Agreement the following terms shall have the following meanings:

"ACTION" means any demand, action, suit, counter suit, arbitration, inquiry, proceeding or investigation by or before any Federal, state, local, foreign or international Governmental Authority or any arbitration or mediation tribunal.

"AFFILIATE" of any Person means a Person that controls, is controlled by, or is under common control with such Person. As used herein, "control" means the possession, directly or indirectly, of the power to direct or cause the direction of the management and policies of such Person, whether

through ownership of voting securities or other interests, by contract or otherwise.

"AGENT" means the distribution agent to be appointed by Bristol-Myers Squibb to distribute to the stockholders of Bristol-Myers Squibb pursuant to the Distribution all of the shares of Zimmer Common Stock held by Bristol-Myers Squibb.

"AGREEMENT" means this Contribution and Distribution Agreement, including all of the Schedules and Exhibits hereto.

"ANCILLARY AGREEMENTS" means the Employee Benefits Agreement, the Interim Services Agreement, the Tax Sharing Agreement, the Patent Assignment, the agreements and other documents comprising the Non-U.S. Plan, any sublease entered into on or prior to the Distribution Date between any member of the Zimmer Group, on the one hand, and any member of the Bristol-Myers Squibb Group, on the other hand, and the supplemental and other agreements and instruments related to the any of the foregoing.

"BRISTOL-MYERS SQUIBB" has the meaning set forth in the Preamble.

"BRISTOL-MYERS SQUIBB BUSINESS" means: (a) (i) the business and operations of the divisions and Subsidiaries of

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Bristol-Myers Squibb which produce, distribute and sell (1) pharmaceutical prescription and consumer medicines, including cardiovascular, anti-cancer, anti-infective and central nervous drugs and analgesics, skin care products, cough and cold remedies, deodorants and anti-perspirants, (2) nutritionals, including infant formula products, (3) medical devices, including osmotic and wound care products, but excluding the Zimmer Business, and (4) beauty care products, including haircoloring and hair care preparation products, and (ii) all other businesses of Bristol-Myers Squibb as of the date hereof not otherwise included in the Zimmer Business; and (b) except as otherwise expressly provided herein, any terminated, divested or discontinued businesses or operations that at the time of termination, divestiture or discontinuation primarily related to the Bristol-Myers Squibb Business (as described in subsection (a) above) as then conducted.

"BRISTOL-MYERS SQUIBB COMMON STOCK" has the meaning set forth in the Recitals.

"BRISTOL-MYERS SQUIBB GROUP" means Bristol-Myers Squibb and each Person (other than any member of the Zimmer Group) that is an Affiliate of Bristol-Myers Squibb immediately after the Distribution Date.

"BRISTOL-MYERS SQUIBB INDEMNITEES" has the meaning set forth in

Section 4.02.

"BYLAWS" means the Restated Bylaws of Zimmer, substantially in the form attached hereto as Exhibit A.

"CERTIFICATE OF INCORPORATION" means the Restated Certificate of Incorporation of Zimmer, substantially in the form attached hereto as Exhibit B.

"CODE" has the meaning set forth in the Recitals.

"COMBINED INTERNATIONAL ENTITIES" has the meaning set forth in the Recitals. A comprehensive list of the Combined International Entities as of the date of this Agreement is set forth in Schedule 1.01(a)(i) hereto.

"COMMISSION" means the Securities and Exchange Commission.

"CONSENTS" means any consents, waivers or approvals from, or notification requirements to, any third parties.

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"CONTINGENT CLAIM COMMITTEE" has the meaning set forth in Section 5.01(a).

"CONTINGENT GAIN" has the meaning set forth in Section 5.01(b).

"CONTINGENT LIABILITIES" has the meaning set forth in Section 5.01(c).

"CONTRIBUTION" has the meaning set forth in the Recitals.

"CONTRIBUTION DATE" means the Distribution Date or such other date as Bristol-Myers Squibb may determine.

"DELAYED TRANSFER ASSETS" means any Zimmer Assets that are expressly provided in this Agreement or any Ancillary Agreement to be transferred after the Distribution Date.

"DELAYED TRANSFER LIABILITIES" means any Zimmer Liabilities that are expressly provided in this Agreement or any Ancillary Agreement to be assumed after the Distribution Date.

"DETERMINATION REQUEST" means a written request made to the Contingent Claim Committee, pursuant to Section 5.06, for a determination as to whether a Third Party Claim specified in such request constitutes a Shared Contingent Liability.

"DISTRIBUTION" has the meaning set forth in the Recitals.

"DISTRIBUTION DATE" has the meaning set forth in Section 3.04.

"EMPLOYEE BENEFITS AGREEMENT" means the Employee Benefits Agreement by and between Bristol-Myers Squibb and Zimmer, substantially in the form attached hereto as Exhibit C, as of the Distribution Date and thereafter as amended.

"ENVIRONMENTAL LAW" means any Federal, state, local, foreign or international statute, ordinance, rule, regulation, code, license, permit, authorization, approval, consent, common law (including tort and environmental nuisance law), legal doctrine, order, judgment, decree, injunction, requirement or agreement with any Governmental Authority, now or hereafter in effect relating to health,

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safety, pollution or the environment (including ambient air, surface water, groundwater, land surface or subsurface strata) or to emissions, discharges, releases or threatened releases of any substance currently or at any time hereafter listed, defined designated or classified as hazardous, toxic, waste, radioactive or dangerous, or otherwise regulated, under any of the foregoing, or otherwise relating to the manufacture, processing, distribution, use, treatment, storage, disposal, transport or handling of any such substances, including the Comprehensive Environmental Response, Compensation and Liability Act, the Superfund Amendments and Reauthorization Act and the Resource Conservation and Recovery Act and comparable provisions in state, local, foreign or international law.

"ENVIRONMENTAL LIABILITIES" means all Liabilities relating to, arising out of or resulting from any Environmental Law or contract or agreement relating to environmental, health or safety matters (including all removal, remediation or cleanup costs, investigatory costs, governmental response costs, natural resources damages, property damages, personal injury damages, costs of compliance with any product take back requirements or with any settlement, judgment or other determination of Liability and indemnity, contribution or similar obligations) and all costs and expenses, interest, fines, penalties or other monetary sanctions in connection therewith.

"ESCALATION NOTICE" has the meaning set forth in Section 8.02.

"EXCHANGE ACT" means the Securities Exchange Act of 1934, as amended, together with the rules and regulations promulgated thereunder.

"EXCLUDED ASSETS" has the meaning set forth in Section 2.02(b).

"EXCLUDED EMPLOYEE LIABILITIES" means the employee-related liabilities, as set forth in the Employee Benefits Agreement, retained by

Bristol-Myers Squibb related to

(a) U.S. employees of Zimmer under the Bristol- Myers Squibb pension plans and

(b) postretirement medical and life insurance benefits for U.S. employees of Zimmer who have retired, or who are eligible to retire, as of the Distribution Date.

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"EXCLUDED INTERNATIONAL ASSETS" has the meaning set forth in Schedule 1.01(b).

"EXCLUDED INTERNATIONAL LIABILITIES" has the meaning set forth in Schedule 1.01(c).

"EXCLUDED LIABILITIES" has the meaning set forth in Section 2.03(b).

"EXCLUSIVE BRISTOL-MYERS SQUIBB CONTINGENT GAIN" has the meaning set forth in Section 5.01(d).

"EXCLUSIVE BRISTOL-MYERS SQUIBB CONTINGENT LIABILITY" has the meaning set forth in Section 5.01(e).

"EXCLUSIVE CONTINGENT GAIN" has the meaning set forth in Section 5.01(f).

"EXCLUSIVE CONTINGENT LIABILITY" has the meaning set forth in Section 5.01(g).

"EXCLUSIVE ZIMMER CONTINGENT GAIN" has the meaning set forth in Section 5.01(h).

"EXCLUSIVE ZIMMER CONTINGENT LIABILITY" has the meaning set forth in Section 5.01(i).

"FINANCING FACILITY" means the credit facility to be entered into prior to the Distribution Date by and among Bristol-Myers Squibb, Zimmer, and an agent or co-agents selected by Bristol-Myers Squibb and Zimmer, pursuant to which, prior to the Distribution Date, Bristol-Myers Squibb will borrow an amount determined by Bristol-Myers Squibb and, as of the Distribution Date, Zimmer will become the sole obligor and Bristol-Myers Squibb will have no further liability or obligation thereunder.

"GOVERNMENTAL APPROVALS" means any notices, reports or other filings to be made, or any consents, registrations, approvals, permits or authorizations

to be obtained from, any Governmental Authority.

"GOVERNMENTAL AUTHORITY" shall mean any Federal, state, local, foreign or international court, government, department, commission, board, bureau, agency, official or other regulatory, administrative or governmental authority.

"GROUP" means the Bristol-Myers Squibb Group or the Zimmer Group, as the context requires.

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"INDEMNIFYING PARTY" has the meaning set forth in Section 4.04(a).

"INDEMNITEE" has the meaning set forth in Section 4.04(a).

"INDEMNITY PAYMENT" has the meaning set forth in Section 4.04(a).

"INFORMATION" means information, whether or not patentable or copyrightable, in written, oral, electronic or other tangible or intangible forms, stored in any medium, including studies, reports, records, books, contracts, instruments, surveys, discoveries, ideas, concepts, know-how, techniques, designs, specifications, drawings, blueprints, diagrams, models, prototypes, samples, flow charts, data, computer data, disks, diskettes, tapes, computer programs or other software, marketing plans, customer names, communications by or to attorneys (including attorney-client privileged communications), memos and other materials prepared by attorneys or under their direction (including attorney work product), and other technical, financial, employee or business information or data.

"INFORMATION STATEMENT" means the information statement forming a part of the Registration Statement.

"INSURANCE POLICIES" means the insurance policies written by any insurance carrier, pursuant to which Zimmer or one or more of its Subsidiaries (or their respective officers or directors) will be insured parties after the Distribution Date.

"INSURANCE PROCEEDS" means those monies:

(a) received by an insured from an insurance carrier; or

(b) paid by an insurance carrier on behalf of the insured, in any such case net of any applicable premium adjustments (including reserves and retrospectively rated premium adjustments) and net of any costs or expenses incurred in the collection thereof.

"INTERIM SERVICES AGREEMENT" means the Interim Services Agreement by and between Bristol-Myers Squibb and Zimmer, substantially in the form attached hereto as Exhibit D, as of the Distribution Date and thereafter as amended.

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"INTERNATIONAL ASSETS" has the meaning set forth in Schedule 1.01 (b) .

"INTERNATIONAL LIABILITIES" has the meaning set forth in Schedule 1.01 (c) .

"LIABILITIES" means any and all losses, claims, charges, debts, demands, actions, causes of action, suits, damages, obligations, payments, costs and expenses, sums of money, accounts, reckonings, bonds, specialties, indemnities and similar obligations, exoneration, covenants, contracts, controversies, agreements, promises, doings, omissions, variances, guarantees, make whole agreements and similar obligations, and other liabilities and requirements, including all contractual obligations, whether absolute or contingent, matured or unmatured, liquidated or unliquidated, accrued or unaccrued, known or unknown, whenever arising, and including those arising under any law, rule, regulation, Action, threatened or contemplated Action (including the costs and expenses of demands, assessments, judgments, settlements and compromises relating thereto and attorneys' fees and any and all costs and expenses, whatsoever reasonably incurred in investigating, preparing or defending against any such Actions or threatened or contemplated Actions), order or consent decree of any Governmental Authority or any award of any arbitrator or mediator of any kind, and those arising under any contract, commitment or undertaking, including those arising under this Agreement or any Ancillary Agreement, in each case, whether or not recorded or reflected or required to be recorded or reflected on the books and records or financial statements of any Person.

"NON-U.S. PLAN" means the Non-U.S. Plan, comprised of the series of transactions, agreements and other arrangements, pursuant to which certain of the non-U.S. Zimmer Assets and Zimmer Liabilities will be transferred between the parties hereto, which are set forth or described in Schedule 1.01(g) (as such Schedule may be supplemented by Bristol-Myers Squibb prior to the Distribution Date).

"NYSE" means The New York Stock Exchange, Inc.

"OLDCO" has the meaning set forth in the Recitals.

"OLDCO SUBSIDIARIES" has the meaning set forth in the Recitals. A comprehensive list of the Oldco Subsidiaries as of the date of this Agreement is

"OTHER ASSETS" means the assets listed on Schedule 1.01(d).

"PATENT ASSIGNMENT" means the Patent Assignment, by and between Bristol-Myers Squibb and Zimmer, substantially in the form attached hereto as Exhibit E, as of the Distribution Date and thereafter as amended.

"PERSON" means an individual, a general or limited partnership, a corporation, a trust, a joint venture, an unincorporated organization, a limited liability entity, any other entity and any Governmental Authority.

"PRIME RATE" means the rate which The Chase Manhattan Bank (or any successor thereto or other major money center commercial bank agreed to by the parties hereto) announces from time to time as its prime lending rate, as in effect from time to time.

"RECORD DATE" means the close of business on the date to be determined by the Bristol-Myers Squibb Board of Directors as the record date for determining stockholders of Bristol-Myers Squibb entitled to receive shares of Zimmer Common Stock in the Distribution.

"REGISTRATION STATEMENT" means the registration statement on Form 10 filed under the Exchange Act on March 26, 2001 pursuant to which the Zimmer Common Stock to be distributed in the Distribution will be registered, together with all amendments thereto.

"RIGHTS PLAN" means the Rights Agreement to be entered into between Zimmer and Mellon Investor Services LLC, as rights agent, substantially in the form attached hereto as Exhibit F.

"SECURITIES ACT" means the Securities Act of 1933, together with the rules and regulations promulgated thereunder.

"SECURITY INTEREST" means any mortgage, security interest, pledge, lien, charge, claim, option, right to acquire, voting or other restriction, right-of-way, covenant, condition, easement, encroachment, restriction on transfer, or other encumbrance of any nature whatsoever.

"SHARED BRISTOL-MYERS SQUIBB PERCENTAGE" has the meaning set forth in Section 5.01(j).

"SHARED CONTINGENT GAIN" has the meaning set forth in Section 5.01(k).

"SHARED CONTINGENT LIABILITY" has the meaning set forth in Section 5.01(l).

"SHARED PERCENTAGE" has the meaning set forth in Section 5.01(m).

"SHARED ZIMMER PERCENTAGE" has the meaning set forth in Section 5.01(n).

"SHARES" has the meaning set forth in the Recitals.

"SUBSIDIARY" of any Person means any corporation or other organization whether incorporated or unincorporated of which at least a majority of the securities or interests having by the terms thereof ordinary voting power to elect at least a majority of the board of directors or others performing similar functions with respect to such corporation or other organization is directly or indirectly owned or controlled by such Person or by any one or more of its Subsidiaries, or by such Person and one or more of its Subsidiaries; PROVIDED, HOWEVER, that no Person that is not directly or indirectly wholly owned by any other Person shall be a Subsidiary of such other Person unless such other Person controls, or has the right, power or ability to control, that Person.

"TAX SHARING AGREEMENT" means the Tax Sharing Agreement by and between Bristol-Myers Squibb and Zimmer, substantially in the form attached hereto as Exhibit G, as of the Distribution Date and thereafter as amended.

"TAXES" has the meaning set forth in the Tax Sharing Agreement.

"THIRD PARTY CLAIM" has the meaning set forth in Section 4.05(a).

"ZIMMER" has the meaning set forth in the Preamble.

"ZIMMER ASSETS" has the meaning set forth in Section 2.02(a).

"ZIMMER BALANCE SHEET" means the unaudited combined balance sheet of Zimmer, including the notes

thereto, as of March 31, 2001, as presented in the Information Statement.

"ZIMMER BUSINESS" means (a) the business and operations of (i)

Oldco, (ii) the Oldco Subsidiaries, (iii) the Zimmer International Entities and (iv) the Combined International Entities, but only to the extent that such Combined International Entities' business and operations relate to the distribution or sale of Oldco's products and (b) except as otherwise expressly provided herein, any terminated, divested or discontinued businesses or operations that at the time of termination, divestiture or discontinuation primarily related to the Zimmer Business (as described in subsection (a) above) as then conducted, but in any event not the businesses and operations related to the Excluded Assets.

"ZIMMER COMMON STOCK" has the meaning set forth in the Recitals.

"ZIMMER GROUP" means Zimmer, each Subsidiary of Zimmer and each other Person that is either controlled directly or indirectly by Zimmer immediately after the Distribution Date or that is contemplated to be controlled by Zimmer pursuant to the terms hereof or the Non-U.S. Plan.

"ZIMMER INDEMNITEES" has the meaning set forth in Section 4.03(a).

"ZIMMER INTERNATIONAL ENTITIES" has the meaning set forth in the Recitals. A comprehensive list of the Zimmer International Entities as of the date of this Agreement is set forth in Schedule 1.01(e) (i) hereto.

"ZIMMER LIABILITIES" has the meaning set forth in Section 2.03(a).

ARTICLE II

THE CONTRIBUTION

SECTION 2.01. TRANSFER OF ZIMMER ASSETS AND ASSUMPTION OF ZIMMER LIABILITIES. (a) On the terms and subject to the conditions set forth in this Agreement and with effect as of the Contribution Date, Bristol-Myers Squibb shall contribute, assign, transfer, convey and deliver to Zimmer, and agrees to cause its applicable

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Subsidiaries to contribute, assign, transfer, convey and deliver to Zimmer, and Zimmer shall accept from Bristol-Myers Squibb and its Subsidiaries, all of Bristol-Myers Squibb's and its Subsidiaries' respective rights, title and interest in and to all Zimmer Assets, other than the Delayed Transfer Assets.

(b) On the terms and subject to the conditions set forth in this Agreement and with effect as of the Contribution Date, Zimmer shall accept, assume and shall agree faithfully to perform, discharge and fulfill all the Zimmer Liabilities, other than the Delayed Transfer Liabilities, in accordance with their respective terms. Zimmer shall be responsible for all Zimmer

Liabilities, regardless of when or where such Liabilities arose or arise, or whether the facts on which they are based occurred prior to or subsequent to the date hereof, regardless of where or against whom such Liabilities are asserted or determined (including any Zimmer Liabilities arising out of claims made by Bristol-Myers Squibb's, or Zimmer's respective directors, officers, employees, agents, Subsidiaries or Affiliates against any member of the Bristol-Myers Squibb Group or the Zimmer Group) or whether asserted or determined prior to the date hereof, and regardless of whether arising from or alleged to arise from negligence, recklessness, violation of law, fraud or misrepresentation by any member of the Bristol-Myers Squibb Group or the Zimmer Group or any of their respective directors, officers, employees, agents, Subsidiaries or Affiliates.

(c) Each of the parties hereto agrees that the Delayed Transfer Assets will be contributed, assigned, transferred, conveyed and delivered, and the Delayed Transfer Liabilities will be accepted and assumed, in accordance with the terms of the agreements that provide for such contribution, assignment, transfer, conveyance and delivery, or such acceptance and assumption, after the date of this Agreement or as otherwise set forth on Schedule 2.01(c). Following such contribution, assignment, transfer, conveyance and delivery of any Delayed Transfer Asset, or the acceptance and assumption of any Delayed Transfer Liability, the applicable Delayed Transfer Asset or Delayed Transfer Liability shall be treated for all purposes of this Agreement and the Ancillary Agreements as a Zimmer Asset or a Zimmer Liability, as the case may be.

(d) Each of the parties hereto agrees that until any Delayed Transfer Asset is contributed to Zimmer or a Subsidiary of Zimmer, Bristol-Myers Squibb and Zimmer shall

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cooperate (at their own expense) in any lawful and commercially reasonable arrangement proposed by Bristol-Myers Squibb under which Zimmer or a Subsidiary of Zimmer designated by Zimmer shall obtain the economic claims, rights and benefits under such Delayed Transfer Asset.

(e) Each of the parties hereto agrees that until any Delayed Transfer Liability is assumed by Zimmer or a Subsidiary of Zimmer designated by Zimmer, Zimmer will indemnify and hold harmless the Bristol-Myers Squibb Group from such Delayed Transfer Liability.

(f) In the event that any Delayed Transfer Asset has not been contributed to Zimmer or a Subsidiary of Zimmer designated by Zimmer by December 31, 2001, for any reason other than the gross negligence or wilful misconduct of any member of the Bristol-Myers Squibb Group, Bristol-Myers Squibb shall have the option to liquidate such Delayed Transfer Asset at Zimmer's expense; PROVIDED, HOWEVER, that any net proceeds of such liquidation shall be for the account of Zimmer.

(g) In the event that at any time or from time to time (whether prior to or after the Distribution Date), any party hereto (or any member of such party's respective Group), shall receive or otherwise possess any asset that is allocated to any other Person pursuant to this Agreement or any Ancillary Agreement, such party shall promptly transfer, or cause to be transferred, such asset to the Person so entitled thereto.

(h) On the terms and subject to the conditions set forth in this Agreement, immediately after Oldco becomes a wholly-owned subsidiary of Zimmer pursuant to the Contribution, Zimmer shall contribute to Oldco all of Zimmer's rights, title and interest in and to all of the Zimmer Assets, other than the capital stock of Oldco and the Delayed Transfer Assets. Zimmer shall contribute all of Zimmer's rights, title and interest in and to Delayed Transfer Assets to Oldco immediately after such Delayed Transfer Assets are contributed to Zimmer pursuant to the terms of this Agreement.

(i) On the terms and subject to the conditions set forth in this Agreement, immediately after Oldco becomes a wholly-owned subsidiary of Zimmer pursuant to the Contribution, Zimmer shall cause Oldco or its subsidiaries to assume all of the Zimmer Liabilities, other than any Zimmer Liabilities that already are Liabilities of Oldco, a

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Subsidiary of Oldco or any entity contributed by Zimmer to Oldco and other than the Delayed Transfer Liabilities, in accordance with their respective terms. Zimmer shall cause Oldco or its subsidiaries to assume all of the Delayed Transfer Liabilities in accordance with their respective terms immediately after such Delayed Transfer Liabilities are assumed by Zimmer pursuant to the terms of this Agreement.

SECTION 2.02. ZIMMER ASSETS. (a) For purposes of this Agreement, "ZIMMER ASSETS" shall mean (without duplication):

(i) the Shares;

(ii) the International Assets;

(iii) the Other Assets;

(iv) subject to the terms of Article V, any Exclusive Zimmer Contingent Gain and any Shared Zimmer Percentage of any Shared Contingent Gain; and

(v) except as expressly provided in this Agreement or any Ancillary Agreement, any and all assets owned or held immediately prior to the

Distribution Date by Bristol-Myers Squibb or any of its Subsidiaries that are used primarily in the Zimmer Business. The intention of this clause (v) is only to rectify any inadvertent omission of transfer or conveyance of any assets that, had the parties given specific consideration to such asset as of the date hereof, would have otherwise been classified as a Zimmer Asset. No asset shall be deemed to be a Zimmer Asset solely as a result of this clause (v) if such asset is expressly covered by the subject matter of an Ancillary Agreement or utilized by Bristol-Myers Squibb or its Affiliates to provide shared services to the Zimmer Business or the Bristol-Myers Squibb Business. In addition, no asset shall be deemed a Zimmer Asset solely as a result of this clause (v) unless Zimmer makes a claim with respect thereto on or prior to the first anniversary of the Distribution Date.

(b) Notwithstanding Section 2.02(a), the Zimmer Assets shall not in any event include the Excluded Assets. For the purposes of this Agreement, "EXCLUDED ASSETS" shall mean:

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(i) the assets listed or described on Schedule 2.02(b)(i);

(ii) the Excluded International Assets;

(iii) any and all assets that are expressly contemplated by this Agreement or any Ancillary Agreement (or the Schedules hereto or thereto) as assets to be retained by Bristol-Myers Squibb or any other member of the Bristol-Myers Squibb Group; and

(iv) except to the extent expressly set forth in Section 2.02(a)(iv), any Contingent Gains.

SECTION 2.03. ZIMMER LIABILITIES. (a) For purposes of this Agreement, "ZIMMER LIABILITIES" shall mean (without duplication):

(i) any and all Liabilities of Oldco, the Oldco Subsidiaries and the Zimmer International Entities listed in Schedule 1.01(e)(ii), including any and all Liabilities relating to the separation costs and expenses set forth in Schedule 2.03(a)(i);

(ii) any and all International Liabilities;

(iii) all Liabilities (other than federal income Taxes and State Income Taxes for the Pre-Distribution Period, each as defined in the Tax Sharing Agreement), including any employee-related Liabilities (other than Excluded Employee Liabilities) and Environmental Liabilities, primarily relating to, arising out of or resulting from:

(A) the operation of the Zimmer Business, as conducted at any time prior to, on or after the Distribution Date (including any Liability relating to, arising out of or resulting from any act or failure to act by any director, officer, employee, agent or representative (whether or not such act or failure to act is or was within such Person's authority));

(B) the operation of any business conducted by any member of the Zimmer Group at any time after the Distribution Date (including any Liability relating to, arising out of or resulting from any act or failure to act by any director, officer, employee, agent or representative (whether or not such act or failure to act is or was within such Person's authority)); or

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(C) any Zimmer Assets;

in any such case whether arising before, on or after the Distribution Date;

(iv) subject to the terms of Article V, all Exclusive Zimmer Contingent Liabilities and the Shared Zimmer Percentage of any Shared Contingent Liabilities;

(v) all Liabilities relating to, arising out of or resulting from the Financing Facility, including any third party costs and expenses incurred by any member of the Bristol-Myers Squibb Group;

(vi) all Liabilities relating to, arising out of or resulting from any of the terminated, divested or discontinued businesses and operations of the Zimmer Business (other than the Liabilities set forth on Schedule 2.03(b) (i); and

(vii) all Liabilities reflected as liabilities or obligations of Zimmer in the Zimmer Balance Sheet, subject to any discharge of such Liabilities subsequent to the date of the Zimmer Balance Sheet.

(b) Notwithstanding Section 2.03(a), the Zimmer Liabilities shall not include the Excluded Liabilities. For the purposes of this Agreement, "EXCLUDED LIABILITIES" shall mean:

(i) any Liabilities listed on Schedule 2.03(b) (i) hereto;

(ii) the Excluded International Liabilities;

(iii) the Excluded Employee Liabilities;

(iv) any and all liabilities relating to, arising out of or

resulting from any Excluded Assets;

(v) subject to the terms of Article V, all Exclusive Bristol-Myers Squibb Contingent Liabilities and the Shared Bristol-Myers Squibb Percentage of any Shared Contingent Liabilities;

(vi) except as set forth in any Ancillary Agreement, all Environmental Liabilities accrued as of the date hereof solely relating to, arising out of or resulting from the existence of any leasehold interest

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that is a Zimmer Asset if the applicable lessor, sublessor or sub-sublessor under the applicable lease, sublease or subsublease is a member of the Bristol-Myers Squibb Group; and

(vii) any and all Liabilities relating to the separation costs and expenses set forth in Schedule 2.03(b) (vii).

SECTION 2.04. TERMINATION OF AGREEMENTS. (a) Except as set forth in Section 2.04(b), in furtherance of the releases and other provisions of Section 4.01 hereof, Zimmer and each member of the Zimmer Group, on the one hand, and Bristol-Myers Squibb and each member of the Bristol-Myers Squibb Group, on the other hand, hereby terminate, any and all agreements, arrangements, commitments or understandings, whether or not in writing, between or among Zimmer and/or any member of the Zimmer Group, on the one hand, and Bristol-Myers Squibb and/or any member of the Bristol-Myers Squibb Group, on the other hand, effective as of the Distribution Date. No such terminated agreement, arrangement, commitment or understanding (including any provision thereof which purports to survive termination) shall be of any further force or effect after the Distribution Date. Each party shall, at the reasonable request of any other party, take, or cause to be taken, such other actions as may be necessary to effect the foregoing.

(b) The provisions of Section 2.04(a) shall not apply to any of the following agreements, arrangements, commitments or understandings (or to any of the provisions thereof): (i) this Agreement and the Ancillary Agreements (and each other agreement or instrument expressly contemplated by this Agreement or any Ancillary Agreement to be entered into by any of the parties hereto or any of the members of their respective Groups); (ii) any agreements, arrangements, orders, commitments or understandings listed or described on Schedule 2.04(b) (ii); (iii) any agreements, arrangements, commitments or understandings to which any Person other than the parties hereto and their respective Affiliates is a party (it being understood that to the extent that the rights and obligations of the parties and the members of their respective Groups under any such agreements, arrangements, commitments or understandings constitute

Zimmer Assets or Zimmer Liabilities, they shall be assigned pursuant to Section 2.01); (iv) any agreements, arrangements, commitments or understandings to which any non-wholly owned Subsidiary of Bristol-Myers Squibb or Zimmer, as the case may be, is a party (it being understood

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that directors' qualifying shares or similar interests will be disregarded for purposes of determining whether a Subsidiary is wholly owned); and (v) any other agreements, arrangements, commitments or understandings that this Agreement or any Ancillary Agreement expressly contemplates will survive the Distribution Date.

SECTION 2.05. TRANSFER DOCUMENTS. In furtherance of the contribution, assignment, transfer and conveyance of Zimmer Assets and the acceptance and assumption of Zimmer Liabilities provided for in Sections 2.01(a), 2.01(b), 2.01(h) and 2.01(i), on or prior to the Contribution Date or as promptly as practicable thereafter, (i) Bristol-Myers Squibb shall execute and deliver, and shall cause its Subsidiaries to execute and deliver, such bills of sale, stock powers, certificates of title, assignments of contracts and other instruments of transfer, conveyance and assignment as and to the extent necessary to evidence the transfer, conveyance and assignment of all of Bristol-Myers Squibb's and its Subsidiaries' right, title and interest in and to the Zimmer Assets to Oldco with effect (subject to Section 2.10) as of the Contribution Date and (ii) Zimmer shall cause Oldco to execute and deliver, to Bristol-Myers Squibb and its Subsidiaries such bills of sale, stock powers, certificates of title, assumptions of contracts and other instruments of assumption as and to the extent necessary to evidence the valid and effective assumption of the Zimmer Liabilities by Oldco with effect (subject to Section 2.10) as of the Contribution Date.

SECTION 2.06. ANCILLARY AGREEMENTS. Effective on or prior to the Contribution Date, the parties shall execute and deliver each of the following Ancillary Agreements to which it is a party:

(i) the Employee Benefits Agreement;

(ii) the Interim Services Agreement;

(iii) the Tax Sharing Agreement;

(iv) the Patent Assignment;

(v) the agreements and other documents comprising the Non-U.S. Plan;

and

(vi) the supplemental and other agreements and instruments related

SECTION 2.07. THE NON-U.S. PLAN. Each of Bristol-Myers Squibb and Zimmer shall take, and shall cause each member of its respective Group to take, such action as reasonably necessary to consummate the transactions contemplated by the Non-U.S. Plan (whether prior to or after the Contribution Date). Notwithstanding anything in this Agreement or in any Ancillary Agreement to the contrary, no party shall be entitled to receive or retain any asset unless such party shall have paid any consideration contemplated to be paid in connection therewith pursuant to the Non-U.S. Plan.

SECTION 2.08. DISCLAIMER OF REPRESENTATIONS AND WARRANTIES. (a) Each of Bristol-Myers Squibb (on behalf of itself and each member of the Bristol-Myers Squibb Group), and Zimmer (on behalf of itself and each member of the Zimmer Group) understands and agrees that, except as expressly set forth herein or in any Ancillary Agreement, no party to this Agreement, any Ancillary Agreement or any other agreement or document contemplated by this Agreement, any Ancillary Agreement or otherwise, is representing or warranting in any way as to the Zimmer Assets or the Zimmer Liabilities transferred or assumed as contemplated hereby or thereby, as to any consents or approvals required in connection therewith, as to the value or freedom from any Security Interests of, or any other matter concerning, any Zimmer Asset, or as to the absence of any defenses or right of setoff or freedom from counterclaim with respect to any claim or other Zimmer Asset, including any accounts receivable, of any party, or as to the legal sufficiency of any assignment, document or instrument delivered hereunder to convey title to any Zimmer Asset or thing of value upon the execution, delivery and filing hereof or thereof. Except as may expressly be set forth herein or in any Ancillary Agreement, all such Zimmer Assets are being transferred on an "as is," "where is" basis (and, in the case of any real property, by means of a quitclaim or similar form deed or conveyance) and the respective transferees shall bear the economic and legal risks that (i) any conveyance shall prove to be insufficient to vest in the transferee good and marketable title, free and clear of any Security Interest, and (ii) any necessary Consents or Governmental Approvals are not obtained or that any requirements of laws or judgments are not complied with.

SECTION 2.09. FINANCING ARRANGEMENTS. Prior to the Distribution Date, Bristol-Myers Squibb and Zimmer will enter into the Financing Facility. Bristol-Myers Squibb and Zimmer agree to take all such reasonable action as may be

necessary to permit Bristol-Myers Squibb to borrow such amount as it shall determine under the Financing Facility prior to the Distribution Date and to assure the assignment to and the assumption by Zimmer of all obligations thereunder and the full release and discharge of each of Bristol-Myers Squibb and any other member of the Bristol-Myers Squibb Group of all of its obligations thereunder as of the Distribution Date in accordance with the terms of the Financing Facility. Bristol-Myers Squibb and Zimmer shall participate in the preparation of all materials as may be reasonably necessary to secure funding pursuant to the Financing Facility, including rating agency presentations necessary to obtain the requisite ratings needed to secure the financing under the Financing Facility and such assignment, assumption, release and discharge. As of the time of such assignment, assumption, release and discharge, Zimmer shall pay all third party costs and expenses incurred by any member of the Bristol-Myers Squibb Group associated with the Financing Facility.

SECTION 2.10. CONSENTS AND GOVERNMENTAL APPROVALS. (a) To the extent that the Contribution requires any Consents or Governmental Approvals, the parties will use their reasonable efforts to obtain any such Consents and Governmental Approvals.

(b) If and to the extent that the valid, complete and perfected transfer or assignment to the Zimmer Group of any Zimmer Assets would be a material violation of applicable law or require any material Consent or Governmental Approval in connection with the Contribution or the Distribution, then, unless Bristol-Myers Squibb shall otherwise determine, the transfer or assignment to the Zimmer Group of such Zimmer Assets shall be automatically deemed deferred and any such purported transfer or assignment shall be null and void until such time as all legal impediments are removed and/or such Consents or Governmental Approvals have been obtained and such asset shall be deemed a Delayed Transfer Asset. Notwithstanding the foregoing, any such asset shall be deemed a Zimmer Asset for purposes of determining whether any Liability is a Zimmer Liability.

(c) If the transfer or assignment of any Zimmer Asset intended to be transferred or assigned hereunder including pursuant to the Non-U.S. Plan, is not consummated prior to or at the Distribution Date, whether as a result of the provisions of Section 2.10(b) or for any other reason, then, subject to Sections 2.01(d), (e) and (f), the Person

retaining such Zimmer Asset shall thereafter hold such Zimmer Asset for the use and benefit insofar as reasonably possible, of Zimmer (at Zimmer's expense). In addition, subject to Sections 2.01(d), (e) and (f), the Person retaining such Zimmer Asset shall take such other actions as may be reasonably requested by

Zimmer in order to place Zimmer, insofar as reasonably possible, in the same position as if such Zimmer Asset had been transferred as contemplated hereby and so that all the benefits and burdens relating to such Zimmer Assets, including possession, use, risk of loss, potential for gain, and dominion, control and command over such assets, are to inure from and after the Distribution Date to the Zimmer Group.

(d) If and when the Consents and/or Governmental Approvals, the absence of which caused the deferral of transfer of any Zimmer Asset pursuant to Section 2.10(b), are obtained, subject to Sections 2.01(d), (e) and (f), the transfer of the applicable Zimmer Asset shall be effected in accordance with the terms of this Agreement and/or the applicable Ancillary Agreement.

(e) The Person retaining any Zimmer Asset due to the deferral of the transfer of such Zimmer Asset shall not be obligated, in connection with the foregoing, to expend any money unless the necessary funds are advanced by Zimmer, other than reasonable out-of-pocket expenses, attorneys' fees and recording or similar fees, all of which shall be promptly reimbursed by Zimmer.

SECTION 2.11. NOVATION OF ASSUMED ZIMMER LIABILITIES. (a) Each of Bristol-Myers Squibb and Zimmer, at the request of the other, shall use its reasonable efforts to obtain, or to cause to be obtained, any consent, substitution, approval or amendment required to novate or assign all obligations under agreements, leases, licenses and other obligations or Liabilities of any nature whatsoever that constitute Zimmer Liabilities, including any Bristol-Myers Squibb Group guarantees of Zimmer Liabilities, or to obtain in writing the unconditional release of all parties to such arrangements other than any member of the Zimmer Group, so that, in any such case, Zimmer and its Subsidiaries will be solely responsible for such Liabilities; PROVIDED, HOWEVER, that neither Bristol-Myers Squibb nor Zimmer shall be obligated to pay any consideration therefor to any third party from whom such consents, approvals, substitutions and amendments are requested.

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(b) If Bristol-Myers Squibb or Zimmer is unable to obtain, or to cause to be obtained, any such required consent, approval, release, substitution or amendment, the applicable member of the Bristol-Myers Squibb Group shall continue to be bound by such agreements, leases, licenses and other obligations and, unless not permitted by law or the terms thereof, Zimmer shall, as agent or subcontractor for Bristol-Myers Squibb or such other Person and where appropriate in the name thereof, as the case may be, pay, perform and discharge fully all the obligations or other Liabilities of Bristol-Myers Squibb or such other Person, as the case may be, thereunder from and after the Distribution Date. Zimmer shall indemnify each Bristol-Myers Squibb Indemnitee and hold each of them harmless against any Liabilities arising in connection therewith. Bristol-Myers Squibb shall, without further consideration, pay and remit, or

cause to be paid or remitted to Zimmer promptly all money, rights and other consideration received by it or any member of its Group in respect of such performance (unless any such consideration is an Excluded Asset). If and when any such consent, approval, release, substitution or amendment shall be obtained or such agreement, lease, license or other rights or obligations shall otherwise become assignable or able to be novated, Bristol-Myers Squibb shall thereafter assign, or cause to be assigned, all its rights, obligations and other Liabilities thereunder or any rights or obligations of any member of its Group to Zimmer without payment of further consideration and Zimmer shall, without the payment of any further consideration, assume such rights and obligations.

SECTION 2.12. NOVATION OF LIABILITIES OTHER THAN ZIMMER LIABILITIES.

(a) Each of Bristol-Myers Squibb and Zimmer, at the request of the other, shall use its reasonable efforts to obtain, or to cause to be obtained, any consent, substitution, approval or amendment required to novate or assign all Excluded Liabilities, or to obtain in writing the unconditional release from any Excluded Liability of all members of the Zimmer Group, so that, in any such case, the members of the Bristol-Myers Squibb Group will be solely responsible for such Excluded Liabilities; PROVIDED, HOWEVER, that neither Bristol-Myers Squibb nor Zimmer shall be obligated to pay any consideration therefor to any third party from whom such consents, approvals, substitutions and amendments are requested.

(b) If Bristol-Myers Squibb or Zimmer is unable to obtain, or to cause to be obtained, any such required consent, approval, release, substitution or amendment, the

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applicable member of the Zimmer Group shall continue to be bound by such agreements, leases, licenses and other obligations under which such Excluded Liabilities arise and, unless not permitted by law or the terms thereof, Bristol-Myers Squibb shall cause a member of the Bristol-Myers Squibb Group, as agent or subcontractor for such member of the Zimmer Group and where appropriate in the name thereof, to pay, perform and discharge fully all the Excluded Liabilities of such member of the Zimmer Group thereunder from and after the Distribution Date. Bristol-Myers Squibb shall indemnify each Zimmer Indemnitee and hold each of them harmless against any Excluded Liabilities arising in connection therewith. Zimmer shall cause each member of the Zimmer Group without further consideration, to pay and remit, or cause to be paid or remitted, to Bristol-Myers Squibb or to another member of the Bristol-Myers Squibb Group specified by Bristol-Myers Squibb promptly all money, rights and other consideration received by it or any member of the Zimmer Group in respect of such performance. If and when any such consent, approval, release, substitution or amendment shall be obtained or such agreement, lease, license or other rights or obligations shall otherwise become assignable or able to be novated, Zimmer shall promptly assign, or cause to be assigned, all Excluded Liabilities and related rights thereunder or any such Excluded Liabilities and related rights of

any member of the Zimmer Group to Bristol-Myers Squibb or to another member of the Bristol-Myers Squibb Group specified by Bristol-Myers Squibb without payment of further consideration and Bristol-Myers Squibb, without the payment of any further consideration shall, or shall cause such other member of the Bristol-Myers Squibb Group to, assume such rights and Excluded Liabilities.

ARTICLE III

THE DISTRIBUTION

SECTION 3.01. THE DISTRIBUTION. (a) Bristol-Myers Squibb and Zimmer shall use their reasonable efforts to consummate the Distribution. Such actions shall include, but not necessarily be limited to, those specified in this Article III.

(b) Subject to Section 3.05 hereof, on or prior to the Distribution Date, Bristol-Myers Squibb will deliver to the Agent for the benefit of holders of record of

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Bristol-Myers Squibb Common Stock on the Record Date, a single stock certificate, endorsed by Bristol-Myers Squibb in blank, representing all of the outstanding shares of Zimmer Common Stock then owned by Bristol-Myers Squibb or any member of the Bristol-Myers Squibb Group, and shall cause the transfer agent for the shares of Bristol-Myers Squibb Common Stock to instruct the Agent to distribute on the Distribution Date the appropriate number of such shares of Zimmer Common Stock to each such holder or designated transferee or transferees of such holder. The Distribution shall be effective at 11:59 p.m. Eastern Standard Time on the Distribution Date.

(c) Subject to Sections 3.05 and 3.06, each holder of Bristol-Myers Squibb Common Stock on the Record Date (or such holder's designated transferee or transferees) will be entitled to receive in the Distribution a number of shares of Zimmer Common Stock equal to the number of shares of Bristol-Myers Squibb Common Stock held by such holder on the Record Date multiplied by the distribution ratio to be determined by Bristol-Myers Squibb's Board of Directors when it declares the Distribution. The distribution ratio to be determined by Bristol-Myers Squibb is intended to approximate a fraction the numerator of which is the number of shares of Zimmer Common Stock beneficially owned by Bristol-Myers Squibb or any other member of the Bristol-Myers Squibb Group on the Distribution Date and the denominator of which is the number of shares of Bristol-Myers Squibb Common Stock outstanding on the Record Date. Bristol-Myers Squibb and Zimmer, as the case may be, will provide to the Agent all share certificates and any information required in order to complete the Distribution on the basis specified above.

SECTION 3.02. ACTIONS PRIOR TO THE DISTRIBUTION. (a) Bristol-Myers Squibb and Zimmer shall cooperate in preparing, and Zimmer shall file, the Registration Statement, and such amendments or supplements thereto, as may be necessary in order to cause the same to become and remain effective as required by law, including filing such amendments to the Registration Statement as may be required by the Commission or Federal, state or foreign securities laws. Bristol-Myers Squibb and Zimmer shall also cooperate in preparing, filing with the Commission and causing to become effective registration statements or amendments thereof which are required to reflect the establishment of, or amendments to, any employee benefit and other plans necessary or appropriate in connection with the

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Contribution, the Distribution or the other transactions contemplated by this Agreement and the Ancillary Agreements.

(b) Zimmer shall participate in the preparation of materials and presentations as Bristol-Myers Squibb's financial advisors shall deem necessary or desirable.

(c) Bristol-Myers Squibb and Zimmer shall prepare and mail, on or prior to the Distribution Date, to the holders of Bristol-Myers Squibb Common Stock, such information concerning Zimmer, its business, operations and management, the Distribution and such other matters as Bristol-Myers Squibb shall reasonably determine and as may be required by law. Bristol-Myers Squibb and Zimmer will prepare, and Zimmer will, to the extent required under applicable law, file with the Commission any such documentation and any requisite no action letters which Bristol-Myers Squibb determines are necessary or desirable to effectuate the Distribution and Bristol-Myers Squibb and Zimmer shall each use its reasonable efforts to obtain all necessary approvals from the Commission with respect thereto as soon as practicable.

(d) Bristol-Myers Squibb and Zimmer shall take all such action as may be necessary or appropriate under the securities or blue sky laws of the United States (and any comparable laws under any foreign jurisdiction) in connection with the Distribution.

(e) Bristol-Myers Squibb and Zimmer shall cooperate and take all reasonable steps necessary and appropriate to cause the conditions set forth in Section 3.05 (subject to Section 3.04 and Section 3.05(a)(viii)) to be satisfied and to effect the Distribution on the Distribution Date.

(f) Zimmer shall prepare and file, and shall use its reasonable efforts to have approved, an application for the listing of the Zimmer Common Stock to be distributed in the Distribution on the NYSE, subject to official notice of distribution.

(g) Zimmer shall pay all third party costs, fees and expenses relating to the costs of producing, printing, mailing and otherwise distributing the Information Statement other than any such costs, fees and expenses that are Excluded Liabilities.

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SECTION 3.03. CHARTER; BYLAWS; RIGHTS PLAN. At or prior to the Distribution Date, Bristol-Myers Squibb and Zimmer shall each take all actions that may be required to provide for the adoption by Zimmer of the Certificate of Incorporation, the Bylaws and the Rights Plan.

SECTION 3.04. SOLE DISCRETION OF BRISTOL-MYERS SQUIBB. Bristol-Myers Squibb shall have the sole and absolute discretion to determine whether to proceed with all or part of the Distribution and all terms of the Distribution, including the form, structure and terms of any transaction(s) and/or offering(s) to effect the Distribution and the timing of and conditions to the consummation of the Distribution. In addition, Bristol-Myers Squibb may, in its sole and absolute discretion, determine the date of consummation of the Distribution (such date as so determined by Bristol-Myers Squibb in accordance with this Article III is referred to herein as the "DISTRIBUTION DATE") and may at any time and from time to time until the completion of the Distribution modify or change the terms of the Distribution including by accelerating or delaying the timing of the consummation of all or part of the Distribution. Zimmer shall cooperate with Bristol-Myers Squibb in all respects to accomplish the Distribution and shall, at Bristol-Myers Squibb's direction, promptly take any and all actions necessary or desirable to effect the Distribution, including the registration under the Securities Act of the common stock of Zimmer on an appropriate registration form or forms to be designated by Bristol-Myers Squibb. Bristol-Myers Squibb shall select any investment banker(s) and manager(s) in connection with the Distribution, as well as any financial printer, solicitation and/or exchange agent and outside counsel for Bristol-Myers Squibb, which shall include Cravath, Swaine & Moore and Morgan Lewis & Bockius LLP. Zimmer acknowledges, for itself and the Zimmer Group, that Cravath, Swaine & Moore and Morgan Lewis & Bockius LLP have acted only in the capacity as counsel to Bristol-Myers Squibb and the Bristol-Myers Squibb Group, and not as counsel to Zimmer or the Zimmer Group, in connection with this Agreement and the Ancillary Agreements and the documents and transactions contemplated herein or therein (other than the transactions contemplated by Section 2.09).

SECTION 3.05. CONDITIONS TO DISTRIBUTION. (a) Subject to Section 3.04, the following are the conditions, to Bristol-Myers Squibb's obligation to effect the Distribution:

(i) the Registration Statement shall have been filed and declared effective by the Commission, and there shall be no stop-order in effect with respect thereto and no proceeding for that purpose shall have been instituted by the Commission;

(ii) Bristol-Myers Squibb shall be satisfied in its sole discretion that as of the Distribution Date it will have no further liability or obligation whatsoever under the Financing Facility;

(iii) the actions and filings with regard to state securities and blue sky laws of the United States (and any comparable laws under any foreign jurisdictions) described in Section 3.02(d) shall have been taken and, where applicable, have become effective or been accepted;

(iv) the Zimmer Common Stock to be distributed in the Distribution shall have been accepted for listing on the NYSE, on official notice of distribution;

(v) no order, injunction or decree issued by any court or agency of competent jurisdiction or other legal restraint or prohibition preventing the consummation of the Contribution, Distribution or any of the other transactions contemplated by this Agreement or any Ancillary Agreement shall be in effect;

(vi) a private letter ruling from the Internal Revenue Service shall have been obtained, and shall continue in effect, to the effect that, among other things, the Distribution will qualify as a tax-free distribution for federal income tax purposes under Section 355 of the Code and the transfer to Zimmer of the Zimmer Assets and the assumption by Zimmer of the Zimmer Liabilities in connection with the Contribution will not result in the recognition of any gain or loss to Bristol-Myers Squibb, Zimmer or Bristol-Myers Squibb's or Zimmer's stockholders for Federal income tax purposes, and such ruling shall be in form and substance satisfactory to Bristol-Myers Squibb in its sole discretion;

(vii) any material Consents and Governmental Approvals necessary to consummate the Distribution shall have been obtained and be in full force and effect;

(viii) no other events or developments shall have occurred

subsequent to the date hereof that, in the judgment of Bristol-Myers Squibb, would result in the Distribution having an adverse effect on Bristol-Myers Squibb or on the stockholders of Bristol-Myers Squibb; and

(ix) this Agreement shall not have been terminated.

(b) The foregoing conditions are for the sole benefit of Bristol-Myers Squibb and shall not give rise to or create any duty on the part of Bristol-Myers Squibb or Bristol-Myers Squibb's board of directors to waive or not waive such conditions or in any way limits Bristol-Myers Squibb's right to terminate this Agreement as set forth in Article X or alter the consequences of any such termination from those specified in such Article. Any determination made by Bristol-Myers Squibb prior to the Distribution concerning the satisfaction or waiver of any or all of the conditions set forth in this Section 3.05 shall be conclusive.

SECTION 3.06. FRACTIONAL SHARES. Bristol-Myers Squibb shall direct the Agent to (i) determine the number of whole shares and fractional shares of Zimmer Common Stock allocable to each holder of record or beneficial owner of Bristol-Myers Squibb Common Stock as of the Record Date, (ii) aggregate all such fractional shares and sell the whole shares obtained thereby in open market transactions as soon as practicable on or after the Distribution Date at then prevailing trading prices and (iii) cause to be distributed to each such holder or for the benefit of each such beneficial owner, in lieu of any fractional share, such holder's or owner's ratable share of the proceeds of such sale, after making appropriate deductions of the amount required to be withheld for federal income tax purposes and after deducting an amount equal to all brokerage charges, commissions and transfer taxes attributed to such sale.

SECTION 3.07. THE ZIMMER BOARD OF DIRECTORS. Bristol-Myers Squibb and Zimmer shall each take all actions which may be required to elect or otherwise appoint as directors of Zimmer, on or prior to the Distribution Date, the persons designated as nominees to Zimmer's board of directors in the Information Statement.

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ARTICLE IV

MUTUAL RELEASES; INDEMNIFICATION

SECTION 4.01. RELEASE OF PRE-DISTRIBUTION CLAIMS. (a) Except as provided in Section 4.01(c), effective as of the Distribution Date, Zimmer does hereby, for itself and each other member of the Zimmer Group, their respective Affiliates (other than any member of the Bristol-Myers Squibb Group), successors and assigns, and all Persons who at any time prior to the Distribution Date have been stockholders, directors, officers, agents or employees of any member of the

Zimmer Group (in each case, in their respective capacities as such), remise, release and forever discharge each of Bristol-Myers Squibb, the members of the Bristol-Myers Squibb Group, their respective Affiliates (other than any member of the Zimmer Group), successors and assigns, and all Persons who at any time prior to the Distribution Date have been stockholders, directors, officers, agents or employees of any member of the Bristol-Myers Squibb Group (in each case, in their respective capacities as such), and their respective heirs, executors, administrators, successors and assigns, from any and all Liabilities whatsoever, whether at law or in equity (including any right of contribution), whether arising under any contract or agreement, by operation of law or otherwise, existing or arising from any acts or events occurring or failing to occur or alleged to have occurred or to have failed to occur or any conditions existing or alleged to have existed on or before the Distribution Date, including in connection with the transactions and all other activities to implement the Contribution and the Distribution.

(b) Except as provided in Section 4.01(c), effective as of the Distribution Date, Bristol-Myers Squibb does hereby, for itself and each other member of the Bristol-Myers Squibb Group, their respective Affiliates (other than any member of the Zimmer Group), successors and assigns, and all Persons who at any time prior to the Distribution Date have been stockholders, directors, officers, agents or employees of any member of the Bristol-Myers Squibb Group (in each case, in their respective capacities as such), remise, release and forever discharge each of Zimmer, the members of the Zimmer Group, their respective Affiliates (other than any member of the Bristol-Myers Squibb Group), successors and assigns, and all Persons who at any time prior to the Distribution Date have been stockholders, directors, officers, agents or employees

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of any member of the Zimmer Group (in each case, in their respective capacities as such), and their respective heirs, executors, administrators, successors and assigns, from any and all Liabilities whatsoever, whether at law or in equity (including any right of contribution), whether arising under any contract or agreement, by operation of law or otherwise, existing or arising from any acts or events occurring or failing to occur or alleged to have occurred or to have failed to occur or any conditions existing or alleged to have existed on or before the Distribution Date, including in connection with the transactions and all other activities to implement the Contribution and the Distribution.

(c) Nothing contained in Section 4.01(a) or 4.01(b) shall impair any right of any Person to enforce this Agreement, any Ancillary Agreement or any agreements, arrangements, commitments or understandings that are specified in Section 2.04(b) or the applicable Schedules thereto not to terminate as of the Distribution Date, in each case in accordance with its terms. Nothing contained in Section 4.01(a) or 4.01(b) shall release any Person from:

(i) any Liability provided in or resulting from any agreement among any members of the Bristol-Myers Squibb Group or the Zimmer Group that is specified in Section 2.04(b) or the applicable Schedules thereto as not to terminate as of the Distribution Date, or any other Liability specified in such Section 2.04(b) as not to terminate as of the Distribution Date;

(ii) any Liability, contingent or otherwise, assumed, transferred, assigned or allocated to the Group of which such Person is a member in accordance with, or any other Liability of any member of any Group under, this Agreement or any Ancillary Agreement;

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(iii) any Liability that the parties may have with respect to indemnification or contribution pursuant to this Agreement for claims brought against the parties by third Persons, which Liability shall be governed by the provisions of this Article IV and Article V and, if applicable, the appropriate provisions of the Ancillary Agreements; or

(iv) any Liability the release of which would result in the release of any Person other than a Person released pursuant to this Section 4.01.

In addition, nothing contained in Section 4.01(a) shall release Bristol-Myers Squibb from honoring its existing obligations to indemnify any director, officer or employee of Zimmer who was a director, officer or employee of Bristol-Myers Squibb on or prior to the Distribution Date, to the extent such director, officer or employee becomes a named defendant in any litigation involving Bristol-Myers Squibb and was entitled to such indemnification pursuant to then existing obligations.

(d) Zimmer shall not make, and shall not permit any member of the Zimmer Group to make, any claim or demand, or commence any Action asserting any claim or demand, including any claim of contribution or any indemnification, against Bristol-Myers Squibb or any member of the Bristol-Myers Squibb Group or any other Person released pursuant to Section 4.01(a), with respect to any Liabilities released pursuant to Section 4.01(a). Bristol-Myers Squibb shall not, and shall not permit any member of the Bristol-Myers Squibb Group, to make any claim or demand, or commence any Action asserting any claim or demand, including any claim of contribution or any indemnification against Zimmer or any member of the Zimmer Group, or any other Person released pursuant to Section 4.01(b), with respect to any Liabilities released pursuant to Section 4.01(b).

(e) It is the intent of Bristol-Myers Squibb and Zimmer by virtue of the provisions of this Section 4.01 to provide for a full and complete release and discharge of all Liabilities existing or arising from all acts and events

occurring or failing to occur or alleged to have occurred or to have failed to occur and all conditions existing or alleged to have existed on or before the Distribution Date,

between or among Zimmer or any member of the Zimmer Group, on the one hand, and Bristol-Myers Squibb or any member of the Bristol-Myers Squibb Group, on the other hand (including any contractual agreements or arrangements existing or alleged to exist between or among any such members on or before the Distribution Date), except as expressly set forth in Section 4.01(c). At any time, at the request of any other party, each party shall cause each member of its respective Group to execute and deliver releases reflecting the provisions hereof.

SECTION 4.02. INDEMNIFICATION BY ZIMMER. Except as provided in Section 4.04, Zimmer shall indemnify defend and hold harmless Bristol-Myers Squibb, each member of the Bristol-Myers Squibb Group and each of their respective directors, officers and employees, and each of the heirs, executors, successors and assigns of any of the foregoing (collectively, the "BRISTOL-MYERS SQUIBB INDEMNITEES") from and against any and all Liabilities of the Bristol-Myers Squibb Indemnitees relating to, arising out of or resulting from any of the following items (without duplication):

(a) the failure of Zimmer or any other member of the Zimmer Group or any other Person to pay, perform or otherwise promptly discharge any Zimmer Liability in accordance with its terms, whether prior to or after the Distribution Date;

(b) the Zimmer Business, any Zimmer Asset or any Zimmer Liability;

(c) any material breach by Zimmer or any member of the Zimmer Group of this Agreement or any of the Ancillary Agreements; and

(d) any untrue statement or alleged untrue statement of a material fact or omission or alleged omission to state a material fact required to be stated therein or necessary to make the statements therein not misleading, with respect to all information contained in any Registration Statement or Information Statement.

SECTION 4.03. INDEMNIFICATION BY BRISTOL-MYERS SQUIBB. Except as provided in Section 4.04, Bristol-Myers Squibb shall indemnify, defend and hold harmless Zimmer, each member of the Zimmer Group and each of their respective directors, officers and employees, and each of the heirs, executors, successors and assigns of any of the foregoing (collectively, the "ZIMMER INDEMNITEES"), from and against

any and all Liabilities of the Zimmer Indemnitees relating to, arising out of or resulting from any of the following items (without duplication):

(a) the failure of Bristol-Myers Squibb or any other member of the Bristol-Myers Squibb Group or any other Person to pay, perform or otherwise promptly discharge any Liabilities of the Bristol-Myers Squibb Group other than the Zimmer Liabilities, whether prior to or after the Distribution Date;

(b) the Bristol-Myers Squibb Business or any Liability of the Bristol-Myers Squibb Group other than the Zimmer Liabilities; and

(c) any material breach by Bristol-Myers Squibb or any member of the Bristol-Myers Squibb Group of this Agreement or any of the Ancillary Agreements.

SECTION 4.04. INDEMNIFICATION OBLIGATIONS NET OF INSURANCE PROCEEDS AND OTHER AMOUNTS. (a) The parties intend that any Liability subject to indemnification or reimbursement pursuant to this Article IV or Article V will be net of Insurance Proceeds that actually reduce the amount of the Liability. Accordingly, the amount which any party (an "INDEMNIFYING PARTY") is required to pay to any Person entitled to indemnification hereunder (an "INDEMNITEE") will be reduced by any Insurance Proceeds theretofore actually recovered by or on behalf of the Indemnitee in respect of the related Liability. If an Indemnitee receives a payment (an "INDEMNITY PAYMENT") required by this Agreement from an Indemnifying Party in respect of any Liability and subsequently receives Insurance Proceeds, then the Indemnitee will pay to the Indemnifying Party an amount equal to the excess of the Indemnity Payment received over the amount of the Indemnity Payment that would have been due if the Insurance Proceeds had been received, realized or recovered before the Indemnity Payment was made.

(b) In the case of any Shared Contingent Liability, any Insurance Proceeds actually received, realized or recovered by any party in respect of the Shared Contingent Liability will be shared among the parties in such manner as may be necessary so that the obligations of the parties for such Shared Contingent Liability, net of such Insurance Proceeds, will remain in proportion to their respective Shared Percentages, regardless of which party or parties may actually receive, realize or recover such Insurance Proceeds.

(c) An insurer who would otherwise be obligated to pay any claim shall not be relieved of the responsibility with respect thereto or, solely by virtue of the indemnification provisions hereof, have any subrogation rights

with respect thereto, it being expressly understood and agreed that no insurer or any other third party shall be entitled to a "wind-fall" (i.e., a benefit they would not be entitled to receive in the absence of the indemnification provisions) by virtue of the indemnification provisions hereof. Nothing contained in this Agreement or any Ancillary Agreement shall obligate any member of any Group to seek to collect or recover any Insurance Proceeds.

SECTION 4.05. PROCEDURES FOR INDEMNIFICATION OF THIRD PARTY CLAIMS.

(a) If an Indemnitee shall receive notice or otherwise learn of the assertion by a Person (including any Governmental Authority) who is not a member of the Bristol-Myers Squibb Group or the Zimmer Group of any claim or of the commencement by any such Person of any Action (collectively, a "THIRD PARTY CLAIM") with respect to which an Indemnifying Party may be obligated to provide indemnification to such Indemnitee pursuant to Section 4.02 or 4.03, or any other Section of this Agreement or any Ancillary Agreement, such Indemnitee shall give such Indemnifying Party written notice thereof within 20 days after becoming aware of such Third Party Claim. Any such notice shall describe the Third Party Claim in reasonable detail. If any Person shall receive notice or otherwise learn of the assertion of a Third Party Claim which may reasonably be determined to be a Shared Contingent Liability, Zimmer, or Bristol-Myers Squibb, as appropriate depending on which Group such Person is a member of, shall give the other party to this Agreement written notice thereof within 20 days after such Person becomes aware of such Third Party Claim. Any such notice shall describe the Third Party Claim in reasonable detail. Notwithstanding the foregoing, the failure of any Indemnitee or other Person to give notice as provided in this Section 4.05(a) shall not relieve the related Indemnifying Party of its obligations under this Article IV, except to the extent that such Indemnifying Party is actually prejudiced by such failure to give notice.

(b) If Bristol-Myers Squibb or Zimmer receives any notice relating to a Third Party Claim and such party believes that the relevant Third Party Claim is or may be a Shared Contingent Liability, such party may make a Determination Request at any time following receipt of such notice. Unless the parties have acknowledged that the

applicable Third Party Claim (including any Third Party Claim set forth on Schedule 5.06) is not a Shared Contingent Liability or unless a determination to such effect has been made in accordance with Section 5.06, Bristol-Myers Squibb shall be entitled (but not obligated) to assume the defense of such Third Party Claim as if it were the Indemnifying Party hereunder. In any such event, Bristol-Myers Squibb shall be entitled to reimbursement of all the costs and expenses of such defense once a final determination or acknowledgment is made as to the status of the Third Party Claim; PROVIDED, HOWEVER, that, if such Third Party Claim is determined to be a Shared Contingent Liability, such costs and expenses shall be shared as provided in Section 4.05(c); PROVIDED, FURTHER, that

if such Third Party Claim is determined to be an Exclusive Bristol-Myers Squibb Contingent Liability, such costs and expenses shall be borne by Bristol-Myers Squibb.

(c) Bristol-Myers Squibb shall assume the defense of, and may, subject to Section 4.05(g), seek to settle or compromise, any Third Party Claim that is a Shared Contingent Liability, and the costs and expenses thereof shall be included in the calculation of the amount of the applicable Shared Contingent Liability in determining the reimbursement obligations of the other party with respect thereto pursuant to Section 5.04. Any Indemnitee in respect of a Shared Contingent Liability shall have the right to employ separate counsel and to participate in (but not control) the defense, compromise, or settlement thereof, but all fees and expenses of such counsel shall be the expense of such Indemnitee.

(d) Other than in the case of a Shared Contingent Liability, an Indemnifying Party may elect to defend (and, unless the Indemnifying Party has specified any reservations or exceptions, to seek to settle or compromise), at such Indemnifying Party's own expense and by such Indemnifying Party's own counsel, any Third Party Claim. Within 30 days after the receipt of notice from an Indemnitee in accordance with Section 4.05(a) (or sooner, if the nature of such Third Party Claim so requires), the Indemnifying Party shall notify the Indemnitee of its election whether the Indemnifying Party will assume responsibility for defending such Third Party Claim, which election shall specify any reservations or exceptions. After notice from an Indemnifying Party to an Indemnitee of its election to assume the defense of a Third Party Claim, such Indemnitee shall have the right to employ separate counsel and to participate in (but not control) the defense, compromise, or

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settlement thereof, but the fees and expenses of such counsel shall be the expense of such Indemnitee except as set forth in the next sentence. In the event that (i) the Third Party Claim is not a Shared Contingent Liability and (ii) the Indemnifying Party has elected to assume the defense of the Third Party Claim but has specified, and continues to assert, any reservations or exceptions in such notice, then, in any such case, the reasonable fees and expenses of one separate counsel for all Indemnitees shall be borne by the Indemnifying Party.

(e) Other than in the case of a Shared Contingent Liability, if an Indemnifying Party elects not to assume responsibility for defending a Third Party Claim, or fails to notify an Indemnitee of its election as provided in Section 4.05(d), such Indemnitee may defend such Third Party Claim at the cost and expense of the Indemnifying Party.

(f) No Indemnitee may settle or compromise any Third Party Claim that is not a Shared Contingent Liability without the consent of the

Indemnifying Party, which, if the Indemnifying Party has failed to assume the defense of the Third Party Claim in accordance with the terms of this Agreement, shall not be unreasonably withheld. No Indemnitee may settle or compromise any Third Party Claim that is a Shared Contingent Liability without the consent of Bristol-Myers Squibb.

(g) In the case of a Third Party Claim that is not a Shared Contingent Liability, no Indemnifying Party shall consent to entry of any judgment or enter into any settlement of the Third Party Claim without the consent of the Indemnitee if the effect thereof is to permit any injunction, declaratory judgment, other order or other nonmonetary relief to be entered, directly or indirectly against any Indemnitee. In the case of a Third Party Claim that is a Shared Contingent Liability, Bristol-Myers Squibb shall not consent to entry of any judgment or enter into any settlement of the Third Party Claim without the consent of the Indemnitee if the effect thereof is to permit any injunction, declaratory judgment, other order or other nonmonetary relief to be entered, directly or indirectly, against any Indemnitee.

(h) The provisions of Section 4.05 and Section 4.06 shall not apply to Taxes (which are covered by the Tax Sharing Agreement).

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SECTION 4.06. ADDITIONAL MATTERS. (a) Any claim on account of a Liability which does not result from a Third Party Claim shall be asserted by written notice given by the Indemnitee to the related Indemnifying Party. Such Indemnifying Party shall have a period of 30 days after the receipt of such notice within which to respond thereto. If such Indemnifying Party does not respond within such 30-day period, such Indemnifying Party shall be deemed to have refused to accept responsibility to make payment. If such Indemnifying Party does not respond within such 30-day period or rejects such claim in whole or in part, such Indemnitee shall be free to pursue such remedies as may be available to such party as contemplated by this Agreement and the Ancillary Agreements.

(b) In the event of payment by or on behalf of any Indemnifying Party to any Indemnitee in connection with any Third Party Claim, such Indemnifying Party shall be subrogated to and shall stand in the place of such Indemnitee as to any events or circumstances in respect of which such Indemnitee may have any right, defense or claim relating to such Third Party Claim against any claimant or plaintiff asserting such Third Party Claim or against any other Person. Such Indemnitee shall cooperate with such Indemnifying Party in a reasonable manner, and at the cost and expense of such Indemnifying Party, in prosecuting any subrogated right, defense or claim.

(c) In the event of an Action in which the Indemnifying Party is not a named defendant, if either the Indemnitee or Indemnifying Party shall so

request, the parties shall endeavor to substitute the Indemnifying Party for the named defendant or, in the case of a Shared Contingent Liability, add the Indemnifying Party as a named defendant, if at all practicable. If such substitution or addition cannot be achieved for any reason or is not requested, the named defendant shall allow the Indemnifying Party to manage the Action as set forth in this Section, subject to Section 5.04 with respect to Shared Contingent Liabilities, and the Indemnifying Party shall fully indemnify the named defendant against all costs of defending the Action (including court costs, sanctions imposed by a court, attorneys' fees, experts fees and all other external expenses), the costs of any judgment or settlement, and the cost of any interest or penalties relating to any judgment or settlement.

SECTION 4.07. REMEDIES CUMULATIVE. The remedies provided in this Article IV shall be cumulative and, subject

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to the provisions of Article VIII, shall not preclude assertion by any Indemnitee of any other rights or the seeking of any and all other remedies against any Indemnifying Party.

SECTION 4.08. SURVIVAL OF INDEMNITIES. The rights and obligations of each of Bristol-Myers Squibb and Zimmer and their respective Indemnitees under this Article IV shall survive the sale or other transfer by any party of any assets or the assignment by it of any Liabilities.

ARTICLE V

CONTINGENT GAINS AND CONTINGENT LIABILITIES

SECTION 5.01. DEFINITIONS RELATING TO CONTINGENT GAINS AND CONTINGENT LIABILITIES. For the purpose of this Agreement the following terms shall have the following meanings:

(a) "CONTINGENT CLAIM COMMITTEE" means a committee composed of one representative designated from time to time by each of Bristol-Myers Squibb and Zimmer that shall be established in accordance with Section 5.06.

(b) "CONTINGENT GAIN" means any claim or other right of Bristol-Myers Squibb, Zimmer or any of their respective Affiliates, whenever arising, against any Person other than Bristol-Myers Squibb, Zimmer or any of their respective Affiliates, if and to the extent that (i) such claim or right has accrued as of the Distribution Date (based on then existing law) and (ii) the existence or scope of the obligation of such other Person as of the Distribution Date was not acknowledged, fixed or determined in any material respect, due to a dispute or other uncertainty as of the Distribution Date or as a result of the failure of such claim or other right to have been discovered or

asserted as of the Distribution Date. A claim or right meeting the foregoing definition shall be considered a Contingent Gain regardless of whether there was any Action pending, threatened or contemplated as of the Distribution Date with respect thereto. For purposes of the foregoing, a claim or right shall be deemed to have accrued as of the Distribution Date if all the elements of the claim necessary for its assertion shall have occurred on or prior to the Distribution Date, such that the claim or right, were

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it asserted in an Action on or prior to the Distribution Date, would not be dismissed by a court on ripeness or similar grounds. Notwithstanding the foregoing, none of (i) any Insurance Proceeds, (ii) any Excluded Assets, (iii) any reversal of any litigation or other reserve, or (iv) any matters relating to Taxes (which are governed by the Tax Sharing Agreement) shall be deemed to be a Contingent Gain.

(c) "CONTINGENT LIABILITY" means any Liability, other than Liabilities for Taxes (which are governed by the Tax Sharing Agreement), of Bristol-Myers Squibb, Zimmer or any of their respective Affiliates, whenever arising, to any Person other than Bristol-Myers Squibb, Zimmer or any of their respective Affiliates, if and to the extent that (i) such Liability has accrued as of the Distribution Date (based on then existing law) and (ii) the existence or scope of the obligation of Bristol-Myers Squibb, Zimmer or any of their respective Affiliates as of the Distribution Date with respect to such Liability was not acknowledged, fixed or determined in any material respect, due to a dispute or other uncertainty as of the Distribution Date or as a result of the failure of such Liability to have been discovered or asserted as of the Distribution Date (it being understood that the existence of a litigation or other reserve with respect to any Liability shall not be sufficient for such Liability to be considered acknowledged, fixed or determined). In the case of any Liability a portion of which had accrued as of the Distribution Date and a portion of which accrues after the Distribution Date, only that portion that had accrued as of the Distribution Date shall be considered a Contingent Liability. For purposes of the foregoing, a Liability shall be deemed to have accrued as of the Distribution Date if all the elements necessary for the assertion of a claim with respect to such Liability shall have occurred on or prior to the Distribution Date, such that the claim, were it asserted in an Action on or prior to the Distribution Date, would not be dismissed by a court on ripeness or similar grounds. Notwithstanding the foregoing, the parties agree that no Liability relating to, arising out of or resulting from any obligation of any Person to perform the executory portion of any contract or agreement existing as of the Distribution Date, or to satisfy any obligation accrued under any Plan (as defined in the Employee Benefits Agreement) as of the Distribution Date, shall be deemed to be a Contingent Liability.

(d) "EXCLUSIVE BRISTOL-MYERS SQUIBB CONTINGENT GAIN" means any

Contingent Gain if such Contingent Gain primarily relates to the Bristol-Myers Squibb Business,

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including the matters listed or described on Schedule 5.01(d) hereto, or if such Contingent Gain is expressly assigned to Bristol-Myers Squibb pursuant to this Agreement or any Ancillary Agreement.

(e) "EXCLUSIVE BRISTOL-MYERS SQUIBB CONTINGENT LIABILITY" means any Contingent Liability if such Contingent Liability primarily relates to the Bristol-Myers Squibb Business, including the matters listed or described on Schedule 5.01(e) hereto, or if such Contingent Liability is expressly assigned to Bristol-Myers Squibb pursuant to this Agreement or any Ancillary Agreement.

(f) "EXCLUSIVE CONTINGENT GAIN" means any Exclusive Bristol-Myers Squibb Contingent Gain or Exclusive Zimmer Contingent Gain.

(g) "EXCLUSIVE CONTINGENT LIABILITY" means any Exclusive Bristol-Myers Squibb Contingent Liability or Exclusive Zimmer Contingent Liability.

(h) "EXCLUSIVE ZIMMER CONTINGENT GAIN" means any Contingent Gain if such Contingent Gain primarily relates to the Zimmer Business, including the matters listed or described on Schedule 5.01(h) hereto, or if such Contingent Gain is expressly assigned to Zimmer pursuant to this Agreement or any Ancillary Agreement.

(i) "EXCLUSIVE ZIMMER CONTINGENT LIABILITY" means any Contingent Liability if such Contingent Liability primarily relates to the Zimmer Business, including the matters listed or described on Schedule 5.01(i) hereto, or if such Contingent Liability is expressly assigned to Zimmer pursuant to this Agreement or any Ancillary Agreement.

(j) "SHARED BRISTOL-MYERS SQUIBB PERCENTAGE" means 95%, unless the parties shall agree to a different percentage with respect to any Shared Contingent Gain or Shared Contingent Liability.

(k) "SHARED CONTINGENT GAIN" means any Contingent Gain that is not an Exclusive Bristol-Myers Squibb Contingent Gain or an Exclusive Zimmer Contingent Gain including any Contingent Gain relating to, arising out of or resulting from the matters set forth on Schedule 5.01(k).

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(l) "SHARED CONTINGENT LIABILITY" means, without duplication:

(i) any Contingent Liability that is not an Exclusive Bristol-Myers Squibb Contingent Liability or an Exclusive Zimmer Contingent Liability; and

(ii) any Liability (other than Taxes) relating to, arising out of or resulting from the matters set forth on Schedule 5.01(l).

(m) "SHARED PERCENTAGE" means the Shared Bristol-Myers Squibb Percentage or the Shared Zimmer Percentage, as the case may be.

(n) "SHARED ZIMMER PERCENTAGE" means 5%, unless the parties shall agree to a different percentage with respect to any Shared Contingent Gain or Shared Contingent Liability.

SECTION 5.02. CONTINGENT GAINS. (a) Each of Bristol-Myers Squibb and Zimmer shall have sole and exclusive right to any benefit received with respect to any Exclusive Bristol-Myers Squibb Contingent Gain, or Exclusive Zimmer Contingent Gain, respectively. Each of Bristol-Myers Squibb and Zimmer shall have sole and exclusive authority to commence, prosecute, settle, manage, control, conduct, waive, forego, release, discharge, forgive and otherwise determine all matters whatsoever with respect to any Exclusive Bristol-Myers Squibb Contingent Gain or Exclusive Zimmer Contingent Gain, respectively.

(b) Any benefit that may be received from any Shared Contingent Gain shall be shared among Bristol-Myers Squibb and Zimmer in proportion to the Shared Bristol-Myers Squibb Percentage and the Shared Zimmer Percentage, respectively, and shall be paid in accordance with Section 5.05. Notwithstanding the foregoing, Bristol-Myers Squibb shall have sole and exclusive authority to commence, prosecute, settle, manage, control, conduct, waive, forgo, release, discharge, forgive and otherwise determine all matters whatsoever with respect to any Shared Contingent Gain. Zimmer shall not take, or permit any member of its Group to take, any action (including commencing any claim) that would interfere with such rights and powers of Bristol-Myers Squibb. Bristol-Myers Squibb shall use its reasonable efforts to notify Zimmer in the event that it commences an Action with respect to a Shared Contingent Gain; PROVIDED, HOWEVER, that the failure to provide such

notice shall not give rise to any rights on the part of Zimmer against Bristol-Myers Squibb or affect any other provision of this Section 5.02. Zimmer acknowledges that Bristol-Myers Squibb may elect not to pursue any Shared Contingent Gain for any reason whatsoever (including a different assessment of the merits of any Action, claim or right than Zimmer or any business reasons

that are in the best interests of Bristol-Myers Squibb or a member of the Bristol-Myers Squibb Group, without regard to the best interests of any member of the Zimmer Group) and that no member of the Bristol-Myers Squibb Group shall have any liability to any Person (including any member of the Zimmer Group) as a result of any such determination.

(c) In the event of any dispute as to whether any claim or right is a Contingent Gain or whether any Contingent Gain is a Shared Contingent Gain, an Exclusive Bristol-Myers Squibb Contingent Gain or an Exclusive Zimmer Contingent Gain, Bristol-Myers Squibb may, but shall not be obligated to, commence prosecution or other assertion of such claim or right pending resolution of such dispute. In the event that Bristol-Myers Squibb commences any such prosecution or assertion and, upon resolution of the dispute, it is determined hereunder that Zimmer has the exclusive right to such claim or right, Bristol-Myers Squibb shall, promptly upon the request of Zimmer, discontinue the prosecution or assertion of such right or claim and transfer the control thereof to Zimmer. In such event, Zimmer shall reimburse Bristol-Myers Squibb for all costs and expenses, reasonably incurred prior to resolution of such dispute in the prosecution or assertion of such claim or right.

SECTION 5.03. EXCLUSIVE CONTINGENT LIABILITIES. Bristol-Myers Squibb shall be solely responsible for each Exclusive Bristol-Myers Squibb Contingent Liability and Zimmer shall be solely responsible for each Exclusive Zimmer Contingent Liability. Each Exclusive Contingent Liability shall constitute a Liability for which indemnification is provided by Bristol-Myers Squibb or Zimmer, as the case may be, pursuant to Article IV hereof and shall be subject to the procedures set forth in Article IV with respect thereto.

SECTION 5.04. SHARED CONTINGENT LIABILITIES. (a) As set forth in Section 4.05(c) and subject to Section 4.05(g), Bristol-Myers Squibb shall assume the defense of, and may seek to settle or compromise, any Third Party Claim that is a Shared Contingent Liability, and the costs and expenses thereof shall be included in the calculation of the amount of the applicable Shared

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Contingent Liability in determining the reimbursement obligations of the other parties with respect thereto pursuant to this Section 5.04.

(b) Each of Bristol-Myers Squibb and Zimmer shall be responsible for its Shared Percentage of any Shared Contingent Liability. It shall not be a defense to any obligation by any party to pay any amount in respect of any Shared Contingent Liability that such party was not consulted in the defense thereof, that such party's views or opinions as to the conduct of such defense were not accepted or adopted, that such party does not approve of the quality or manner of the defense thereof or that such Shared Contingent Liability was incurred by reason of a settlement rather than by a judgment or other

determination of liability (even if, subject to Section 4.05(g), such settlement was effected without the consent or over the objection of such party).

SECTION 5.05. PAYMENTS. (a) Any amount owed in respect of (i) any Shared Contingent Liabilities, including reimbursement for the cost or expense of defense, of any Third Party Claim that is a Shared Contingent Liability, or (ii) any Shared Contingent Gains pursuant to this Article V shall be remitted promptly after the party entitled to such amount provides an invoice (including reasonable supporting information with respect thereto) to the party owing such amount.

(b) In the case of any Shared Contingent Liability, Bristol-Myers Squibb shall be entitled to reimbursement from Zimmer in advance of a final determination of any Action for amounts paid in respect of costs and expenses related thereto, from time to time as such costs and expenses are paid. In the case of any Shared Contingent Gain, Bristol-Myers Squibb shall be entitled to retain from the amount of the Shared Contingent Gain otherwise payable to Zimmer, Zimmer's Shared Percentage of the costs and expenses paid or incurred by or on behalf of any member of the Bristol-Myers Squibb Group in connection with such Shared Contingent Gain.

(c) Any amounts billed and properly payable in accordance with this Article V that are not paid within 30 days of such bill shall bear interest at the Prime Rate plus 2% per annum.

SECTION 5.06. PROCEDURES TO DETERMINE STATUS OF CONTINGENT LIABILITY OR CONTINGENT GAIN. (a) With respect

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to the Actions set forth on Schedule 5.06, and with respect to any other matters not set forth on Schedules 5.01(d), 5.01(e), 5.01(h), 5.01(i), 5.01(k) or 5.01(l) (regardless of whether such matters are currently pending but not set forth on such Schedules or are asserted or filed hereafter), Bristol-Myers Squibb and Zimmer will form the Contingent Claim Committee for the purpose of resolving whether:

(i) any claim or right is a Contingent Gain;

(ii) any Contingent Gain is a Shared Contingent Gain, an Exclusive Bristol-Myers Squibb Contingent Gain or an Exclusive Zimmer Contingent Gain;

(iii) any Liability is a Contingent Liability; or

(iv) any Contingent Liability is a Shared Contingent Liability, an Exclusive Bristol-Myers Squibb Contingent Liability or an Exclusive Zimmer

Contingent Liability.

(b) Any of the parties may refer any potential Contingent Gains or Contingent Liabilities to the Contingent Claim Committee for resolution as described in Section 5.06(a) and if the Contingent Claim Committee reaches a determination (which shall be made within 30 days of such referral), then that determination shall be binding on all of the parties and their respective successors and assigns. In the event that the Contingent Claim Committee cannot reach a determination as to the nature or status of any such Liabilities or claims or rights within 30 days after such referral, then the issue will be submitted to the respective General Counsels of Bristol-Myers Squibb and Zimmer for determination. If the General Counsels cannot reach a determination, then the procedures set forth in Article VIII of this Agreement shall govern.

(c) In resolving, with respect to any Action set forth on Schedule 5.06 or any other matter not set forth in Schedules 5.01(d), 5.01(e), 5.01(h), 5.01(i), 5.01(k) or 5.01(l), whether (i) any Contingent Gain is a Shared Contingent Gain, an Exclusive Bristol-Myers Squibb Contingent Gain or an Exclusive Zimmer Contingent Gain or (ii) any Contingent Liability is a Shared Contingent Liability, an Exclusive Bristol-Myers Squibb Contingent Liability or an Exclusive Zimmer Contingent Liability, the categorization of Contingent Gains and Contingent Liabilities reflected in 5.01(d), 5.01(e), 5.01(h), 5.01(i),

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5.01(k) or 5.01(l) shall be considered and used as a presumptive guide.

SECTION 5.07. CERTAIN CASE ALLOCATION MATTERS. The parties agree that if any Action not set forth on Schedule 5.01(d), 5.01(e), 5.01(h), 5.01(i), 5.01(k) or 5.01(l) involves separate and distinct claims that, if not joined in a single Action, would constitute separate Exclusive Contingent Liabilities of two or more parties, they will use their reasonable efforts to segregate such separate and distinct claims so that the Liabilities associated with each such claim (including all costs and expenses) shall be treated as Exclusive Contingent Liabilities of the appropriate party and so that each party shall have the rights and obligations with respect to each such claim (including pursuant to Article V hereof) as would have been applicable had such claims been commenced as separate Actions. Notwithstanding the foregoing provisions, this Section 5.07 shall not apply to any separate and distinct claim that is de minimis or frivolous in nature.

SECTION 5.08. TERMINATION OF CERTAIN ARTICLE V PROVISIONS. The provisions set forth in this Article V related to sharing of Contingent Gains and Contingent Liabilities shall terminate on the third anniversary of the Distribution Date except for (a) any claim or action pending or asserted by either party on or prior to such termination, or (b) any claim or action related to any matter that has a statute of limitations that extends beyond

such termination date. Any claim or action referred to in (a) and (b) above shall survive until the later of the final determination applicable to any such claim or action or, in the case of clause (b) above, the applicable statute of limitations covering such claim or action.

ARTICLE VI

INTERIM OPERATIONS AND CERTAIN OTHER MATTERS

SECTION 6.01. INSURANCE MATTERS. Zimmer does hereby, for itself and each other member of the Zimmer Group, agree that no member of the Bristol-Myers Squibb Group or any Bristol-Myers Squibb Indemnitee shall have any Liability whatsoever as a result of the insurance policies and practices of Bristol-Myers Squibb and its Affiliates as in effect at any time prior to the Distribution Date, including as a result of the level or scope of any such

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insurance, the creditworthiness of any insurance carrier, the terms and conditions of any policy, the adequacy or timeliness of any notice to any insurance carrier with respect to any claim or potential claim or otherwise.

SECTION 6.02. CERTAIN BUSINESS MATTERS. No member of any Group shall have any duty to refrain from (i) engaging in the same or similar activities or lines of business as any member of the other Group, (ii) doing business with any potential or actual supplier or customer of any member of the other Group, or (iii) engaging in, or refraining from, any other activities whatsoever relating to any of the potential or actual suppliers or customers of any member of the other Group.

SECTION 6.03. LATE PAYMENTS. Except as expressly provided to the contrary in this Agreement or in any Ancillary Agreement, any amount not paid when due pursuant to this Agreement or any Ancillary Agreement (and any amounts billed or otherwise invoiced or demanded and properly payable that are not paid within 30 days of such bill, invoice or other demand) shall accrue interest at a rate per annum equal to the Prime Rate plus 2%.

ARTICLE VII

EXCHANGE OF INFORMATION; CONFIDENTIALITY

SECTION 7.01. AGREEMENT FOR EXCHANGE OF INFORMATION; ARCHIVES. (a) Each of Bristol-Myers Squibb and Zimmer, on behalf of its respective Group, agrees to provide, or cause to be provided, to the other Group, at any time before or after the Distribution Date, as soon as reasonably practicable after written request therefor, any Information in the possession or under the control of such respective Group which the requesting party reasonably needs (i) to

comply with reporting, disclosure, filing or other requirements imposed on the requesting party (including under applicable securities laws) by a Governmental Authority having jurisdiction over the requesting party, (ii) for use in any other judicial, regulatory, administrative or other proceeding or in order to satisfy audit, accounting, claims, regulatory, litigation or other similar requirements, in each case other than claims or allegations that one party to this Agreement has against the other or (iii) subject to foregoing clause (ii) above, to comply with its obligations under this Agreement, or any

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Ancillary Agreement; PROVIDED, HOWEVER, that in the event that any party determines that any such provision of Information could be commercially detrimental, violate any law or agreement, or waive any attorney-client privilege, the parties shall take all reasonable measures to permit the compliance with such obligations in a manner that avoids any such harm or consequence. The parties acknowledge that the Tax Sharing Agreement shall govern the exchange of Information with respect to Taxes.

(b) After the Distribution Date, Zimmer shall have access during regular business hours (as in effect from time to time) to the documents and objects of historic significance that relate to the Zimmer Business that are located in archives retained or maintained by Bristol-Myers Squibb. Zimmer may obtain copies (but not originals) of documents for bona fide business purposes and may obtain objects for exhibition purposes for commercially reasonable periods of time if required for bona fide business purposes, provided that Zimmer shall cause any such objects to be returned promptly in the same condition in which they were delivered to Zimmer and Zimmer shall comply with any rules, procedures or other requirements, and shall be subject to any restrictions (including prohibitions on removal of specified objects), that are then applicable to Bristol-Myers Squibb. Zimmer shall pay the applicable fee or rate per hour for archives research services (subject to increase from time to time to reflect rates then in effect for Bristol-Myers Squibb generally). Nothing herein shall be deemed to restrict the access of any member of the Bristol-Myers Squibb Group to any such documents or objects or to impose any liability on any member of the Bristol-Myers Squibb Group if any such documents or objects are not maintained or preserved by Bristol-Myers Squibb.

(c) After the date hereof, each of Bristol-Myers Squibb and Zimmer (i) shall maintain in effect at its own cost and expense adequate systems and controls to the extent necessary to enable the members of the other Group to satisfy their respective reporting, accounting, audit and other obligations, and (ii) shall provide, or cause to be provided, to the other party in such form as the requesting party shall request, at no charge to such requesting party, all financial and other data and information as such requesting party determines necessary or advisable in order to prepare its financial statements and reports

SECTION 7.02. OWNERSHIP OF INFORMATION. Any Information owned by one Group that is provided to a requesting party pursuant to Section 7.01 shall be deemed to remain the property of the providing party. Unless specifically set forth herein, nothing contained in this Agreement shall be construed as granting or conferring rights of license or otherwise in any such Information.

SECTION 7.03. COMPENSATION FOR PROVIDING INFORMATION. Except as set forth in Section 7.01(c) (ii), the party requesting Information agrees to reimburse the other party for the reasonable costs, if any, of creating, gathering and copying such Information, to the extent that such costs are incurred for the benefit of the requesting party. Except as may be otherwise specifically provided elsewhere in this Agreement or in any other agreement between the parties, such costs shall be computed in accordance with the providing party's standard methodology and procedures.

SECTION 7.04. RECORD RETENTION. To facilitate the possible exchange of Information pursuant to this Article VII and other provisions of this Agreement after the Distribution Date, the parties agree to use their reasonable efforts to retain all Information in their respective possession or control on the Distribution Date in accordance with the policies of Bristol-Myers Squibb as in effect on the Distribution Date or such other policies as may be reasonably adopted by the appropriate party after the Distribution Date. No party will destroy, or permit any of its Subsidiaries to destroy, any Information which the other party may have the right to obtain pursuant to this Agreement prior to the third anniversary of the date hereof without first using its reasonable efforts to notify the other party of the proposed destruction and giving the other party the opportunity to take possession of such information prior to such destruction; PROVIDED, HOWEVER, that in the case of any Information relating to employee benefits or Environmental Liabilities, such period shall be extended to the expiration of the applicable statute of limitations (giving effect to any extensions thereof); PROVIDED, FURTHER, that in the event that any such Information is also subject to a retention requirement contained in any Ancillary Agreement that is longer than the requirement contained in this Section 7.04, then the requirement in such agreement shall supersede this Section 7.04.

SECTION 7.05. LIMITATIONS OF LIABILITY. No party shall have any liability to any other party in the event

that any Information exchanged or provided pursuant to this Agreement which is an estimate or forecast, or which is based on an estimate or forecast, is found to be inaccurate in the absence of willful misconduct by the party providing such Information. No party shall have any liability to any other party if any Information is destroyed after reasonable efforts by such party to comply with the provisions of Section 7.04.

SECTION 7.06. OTHER AGREEMENTS PROVIDING FOR EXCHANGE OF INFORMATION. The rights and obligations granted under this Article VII are subject to any specific limitations, qualifications or additional provisions on the sharing, exchange, retention or confidential treatment of Information set forth in any Ancillary Agreement.

SECTION 7.07. PRODUCTION OF WITNESSES; RECORDS; COOPERATION. (a) After the Distribution Date, except in the case of an adversarial Action by one party against another party, each party hereto shall use its reasonable efforts to make available to each other party, upon written request, the former, current and future directors, officers, employees, other personnel and agents of the members of its respective Group as witnesses and any books, records or other documents within its control or which it otherwise has the ability to make available, to the extent that any such person (giving consideration to business demands of such directors, officers, employees, other personnel and agents) or books, records or other documents may reasonably be required in connection with any Action in which the requesting party may from time to time be involved, regardless of whether such Action is a matter with respect to which indemnification may be sought hereunder. The requesting party shall bear all costs and expenses in connection therewith.

(b) If an Indemnifying Party or Bristol-Myers Squibb chooses to defend or to seek to compromise or settle any Third Party Claim, the other parties shall make available to such Indemnifying Party, Bristol-Myers Squibb or such other party, as the case may be, upon written request, the former, current and future directors, officers, employees, other personnel and agents of the members of its respective Group as witnesses and any books, records or other documents within its control or which it otherwise has the ability to make available, to the extent that any such person (giving consideration to business demands of such directors, officers, employees, other personnel and agents) or books, records or other documents may reasonably be

required in connection with such defense, settlement or compromise, as the case may be, and shall otherwise cooperate in such defense, settlement or compromise, as the case may be.

(c) Without limiting the foregoing, the parties shall cooperate and

consult to the extent reasonably necessary with respect to any Actions.

(d) Without limiting any provision of this Section 7.07, each of the parties agrees to cooperate, and to cause each member of its respective Group to cooperate, with each other in the defense of any infringement or similar claim with respect any intellectual property and shall not claim to acknowledge, or permit any member of its respective Group to claim to acknowledge, the validity or infringing use of any intellectual property of a third Person in a manner that would hamper or undermine the defense of such infringement or similar claim.

(e) The obligation of the parties to provide witnesses pursuant to this Section 7.07 is intended to be interpreted in a manner so as to facilitate cooperation and shall include the obligation to provide as witnesses inventors and other employees without regard to whether the witness or the employer of the witness could assert a possible business conflict (subject to the exception set forth in the first sentence of Section 7.07(a)).

(f) In connection with any matter contemplated by this Section 7.07, the parties will enter into a mutually acceptable joint defense agreement so as to maintain to the extent practicable any applicable attorney-client privilege or work product immunity of any member of any Group.

SECTION 7.08. CONFIDENTIALITY. (a) Subject to Section 7.09, each of Bristol-Myers Squibb and Zimmer, on behalf of itself and each member of its respective Group, agrees to hold, and to cause its respective directors, officers, employees, agents, accountants, counsel and other advisors and representatives to hold, in strict confidence, with at least the same degree of care that applies to Bristol-Myers Squibb's confidential and proprietary information pursuant to policies in effect as of the Distribution Date, all Information concerning each such other Group that is either in its possession (including Information in its possession prior to any of the date hereof or the Distribution Date) or furnished by any such other Group or its respective directors, officers,

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employees, agents, accountants, counsel and other advisors and representatives at any time pursuant to this Agreement or any Ancillary Agreement, and shall not use any such Information other than for such purposes as shall be expressly permitted hereunder or thereunder, except, in each case, to the extent that such Information has been (i) in the public domain through no fault of such party or any member of such Group or any of their respective directors, officers, employees, agents, accountants, counsel and other advisors and representatives, (ii) later lawfully acquired from other sources by such party (or any member of such party's Group) which sources are not themselves bound by a confidentiality obligation, or (iii) independently generated without reference to any

proprietary or confidential Information of the other party.

(b) Each party agrees not to release or disclose, or permit to be released or disclosed, any such Information to any other Person, except its directors, officers, employees, agents, accountants, counsel and other advisors and representatives who need to know such Information (who shall be advised of their obligations hereunder with respect to such Information), except in compliance with Section 7.09. Without limiting the foregoing, when any Information furnished by the other party after the Distribution Date pursuant to this Agreement or any Ancillary Agreement is no longer needed for the purposes contemplated by this Agreement or any Ancillary Agreement, each party will promptly after request of the other party either return to the other party all such Information in a tangible form (including all copies thereof and all notes, extracts or summaries based thereon) or certify to the other party that it has destroyed such Information (and such copies thereof and such notes, extracts or summaries based thereon).

SECTION 7.09. PROTECTIVE ARRANGEMENTS. In the event that any party or any member of its Group either determines on the advice of its counsel that it is required to disclose any Information pursuant to applicable law or receives any demand under lawful process or from any Governmental Authority to disclose or provide Information of any other party (or any member of any other party's Group) that is subject to the confidentiality provisions hereof, such party shall notify the other party prior to disclosing or providing such Information and shall cooperate at the expense of the requesting party in seeking any reasonable protective arrangements requested by such other party. Subject to the foregoing, the Person that received such

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request may thereafter disclose or provide Information to the extent required by such law (as so advised by counsel) or by lawful process or such Governmental Authority.

ARTICLE VIII

DISPUTE RESOLUTION

SECTION 8.01. DISPUTES. Except as otherwise specifically provided in any Ancillary Agreement, the procedures for discussion, negotiation and mediation set forth in this Article VIII shall apply to all disputes, controversies or claims (whether arising in contract, tort or otherwise) that may arise out of or relate to, or arise under or in connection with this Agreement or any Ancillary Agreement, or the transactions contemplated hereby or thereby (including all actions taken in furtherance of the transactions contemplated hereby or thereby on or prior to the date hereof), or the commercial or economic relationship of the parties relating hereto or thereto,

between or among any member of the Bristol-Myers Squibb Group and the Zimmer Group.

SECTION 8.02. ESCALATION; MEDIATION. (a) It is the intent of the parties to use their respective reasonable efforts to resolve expeditiously any dispute, controversy or claim between or among them with respect to the matters covered hereby that may arise from time to time on a mutually acceptable negotiated basis. In furtherance of the foregoing, any party involved in a dispute, controversy or claim may deliver a notice (an "ESCALATION NOTICE") demanding an in person meeting involving representatives of the parties at a senior level of management of the parties (or if the parties agree, of the appropriate strategic business unit or division within such entity). A copy of any such Escalation Notice shall be given to the General Counsel, or like officer or official, of each party involved in the dispute, controversy or claim (which copy shall state that it is an Escalation Notice pursuant to this Agreement). Any agenda, location or procedures for such discussions or negotiations between the parties may be established by the parties from time to time; PROVIDED, HOWEVER, that the parties shall use their reasonable efforts to meet within 30 days of the Escalation Notice.

(b) If the parties are not able to resolve the dispute, controversy or claim through the escalation process referred to above, then the matter shall be referred to

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mediation. The parties shall retain a mediator to aid the parties in their discussions and negotiations by informally providing advice to the parties. Any opinion expressed by the mediator shall be strictly advisory and shall not be binding on the parties, nor shall any opinion expressed by the mediator be admissible in any other proceeding. The mediator may be chosen from a list of mediators previously selected by the parties or by other agreement of the parties. Costs of the mediation shall be borne equally by the parties involved in the matter, except that each party shall be responsible for its own expenses. Mediation shall be a prerequisite to the commencement of any action by either party.

SECTION 8.03. COURT ACTIONS. (a) In the event that any party, after complying with the provisions set forth in Section 8.02 above, desires to commence an Action, such party may submit the dispute, controversy or claim (or such series of related disputes, controversies or claims) to any court of competent jurisdiction.

(b) The parties irrevocably submit to the exclusive jurisdiction of (a) the Supreme Court of the State of New York, New York County, and (b) the United States District Court for the Southern District of New York, for the purposes of any Action arising out of this Agreement, the Ancillary Agreements

or any transaction contemplated hereby or thereby. The parties agree to commence any Action relating hereto either in the United States District Court for the Southern District of New York or if such Action may not be brought in such court for jurisdictional reasons, in the Supreme Court of the State of New York, New York County. The parties further agree that service of any process, summons, notice or document by U.S. registered mail to their respective addresses set forth above shall be effective service of process for any Action in New York with respect to any matters to which each party has submitted to jurisdiction in this Section 8.03(b). Each of the parties irrevocably and unconditionally waives any objection to the laying of venue of any Action arising out of this Agreement or the transactions contemplated hereby in (i) the Supreme Court of the State of New York, New York County, or (ii) the United States District Court for the Southern District of New York, and hereby further irrevocably and unconditionally waives and agrees not to plead or claim in any such court that any such Action brought in any such court has been brought in an inconvenient forum.

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(c) The parties each hereby waive to the fullest extent permitted by applicable law, any right it may have to a trial by jury in respect of any litigation directly or indirectly arising out of, under or in connection with this Agreement or any of the Ancillary Agreements or any transaction contemplated hereby or thereby. Each party hereto (a) certifies that no representative, agent or attorney of any other party has represented, expressly or otherwise, that such other party would not, in the event of litigation, seek to enforce that foregoing waiver and (b) acknowledges that it and the other party hereto have been induced to enter into this Agreement and the Ancillary Agreements by, among other things, the mutual waivers and certifications in this Section 8.03.

(d) Unless otherwise agreed in writing, the parties will continue to provide service and honor all other commitments under this Agreement and each Ancillary Agreement during the course of dispute resolution pursuant to the provisions of this Article VIII with respect to all matters not subject to such dispute, controversy or claim.

ARTICLE IX

FURTHER ASSURANCES

SECTION 9.01. FURTHER ASSURANCES. (a) In addition to the actions specifically provided for elsewhere in this Agreement, each of the parties hereto shall use its reasonable efforts, prior to, on and after the Distribution Date, to take, or cause to be taken, all actions, and to do, or cause to be done, all things, reasonably necessary, proper or advisable under applicable laws, regulations and agreements to consummate and make effective the

transactions contemplated by this Agreement and the Ancillary Agreements.

(b) Without limiting the foregoing, prior to, on and after the Distribution Date, each party hereto shall cooperate with the other party, and without any further consideration, but at the expense of the requesting party, to execute and deliver, or use its reasonable efforts to cause to be executed and delivered, all instruments, including instruments of conveyance, assignment and transfer, and to make all filings with, and to obtain all consents, approvals or authorizations of, any Governmental Authority or any other Person under any permit, license, agreement, indenture or other instrument (including any

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Consents or Governmental Approvals), and to take all such other actions as such party may reasonably be requested to take by any other party hereto from time to time, consistent with the terms of this Agreement and the Ancillary Agreements, in order to effectuate the provisions and purposes of this Agreement and the Ancillary Agreements and the transfers of the Zimmer Assets and the assignment and assumption of the Zimmer Liabilities and the other transactions contemplated hereby and thereby. Without limiting the foregoing, each party will, at the reasonable request, cost and expense of any other party, take such other actions as may be reasonably necessary to vest in such other party good and marketable title, free and clear of any Security Interest, if and to the extent it is practicable to do so.

(c) On or prior to the Distribution Date, Bristol-Myers Squibb and Zimmer in their respective capacities as direct and indirect stockholders of their respective Subsidiaries, shall each ratify any actions which are reasonably necessary or desirable to be taken by Bristol-Myers Squibb, Zimmer or any other Subsidiary of Bristol-Myers Squibb or Zimmer, as the case may be, to effectuate the transactions contemplated by this Agreement. On or prior to the Distribution Date, Bristol-Myers Squibb and Zimmer shall take all actions as may be necessary to approve the stock-based employee benefit plans of Zimmer in order to satisfy the requirement of Rule 16b-3 under the Exchange Act.

(d) Prior to the Distribution Date, if one or more of the parties identifies any commercial or other service that is needed to assure a smooth and orderly transition of the businesses in connection with the consummation of the transactions contemplated hereby, and that is not otherwise governed by the provisions of this Agreement or any Ancillary Agreement, the parties will cooperate in determining whether there is a mutually acceptable arm's-length basis on which the other party will provide such service.

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ARTICLE X

TERMINATION

SECTION 10.01. TERMINATION. This Agreement and all Ancillary Agreements may be terminated and the Distribution may be amended, modified or abandoned at any time prior to the Distribution Date by and in the sole discretion of Bristol-Myers Squibb without the approval of Zimmer or the stockholders of Bristol-Myers Squibb. In the event of such termination, no party shall have any liability of any kind to any other party or any other Person. After the Distribution Date, this Agreement may not be terminated except by an agreement in writing signed by the parties.

ARTICLE XI

MISCELLANEOUS

SECTION 11.01. COUNTERPARTS; ENTIRE AGREEMENT; CORPORATE POWER. (a) This Agreement and each Ancillary Agreement may be executed in one or more counterparts, all of which shall be considered one and the same agreement, and shall become effective when one or more counterparts have been signed by each of the parties and delivered to the other party.

(b) This Agreement, and the Ancillary Agreements and the Exhibits, Schedules and Appendices hereto and thereto contain the entire agreement between the parties with respect to the subject matter hereof, supersede all previous agreements, negotiations, discussions, writings, understandings, commitments and conversations with respect to such subject matter and there are no agreements or understandings between the parties other than those set forth or referred to herein or therein.

(c) Bristol-Myers Squibb represents on behalf of itself and each other member of the Bristol-Myers Squibb Group and Zimmer represents on behalf of itself and each other member of the Zimmer Group as follows:

(i) each such Person has the requisite corporate or other power and authority and has taken all corporate or other action necessary in order to execute, deliver and perform each of this Agreement and

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each other Ancillary Agreement to which it is a party and to consummate the transactions contemplated hereby and thereby; and

(ii) this Agreement and each Ancillary Agreement to which it is a

party has been duly executed and delivered by it and constitutes a valid and binding agreement of it enforceable in accordance with the terms thereof.

(d) Each party hereto acknowledges that it and each other party hereto is executing certain of the Ancillary Agreements by facsimile, stamp or mechanical signature. Each party hereto expressly adopts and confirms each such facsimile, stamp or mechanical signature made in its respective name as if it were a manual signature, agrees that it will not assert that any such signature is not adequate to bind such party to the same extent as if it were signed manually and agrees that at the reasonable request of any other party hereto at any time it will as promptly as reasonably practicable cause each such Ancillary Agreement to be manually executed (any such execution to be as of the date of the initial date thereof).

SECTION 11.02. GOVERNING LAW. This Agreement and, unless expressly provided therein, each Ancillary Agreement, shall be governed by and construed and interpreted in accordance with the laws of the State of New York irrespective of the choice of laws principles of the State of New York, as to all matters, including matters of validity, construction, effect, enforceability, performance and remedies.

SECTION 11.03. ASSIGNABILITY. Except as set forth in any Ancillary Agreement, this Agreement and each Ancillary Agreement shall be binding upon and inure to the benefit of the parties hereto and thereto, respectively, and their respective successors and assigns; PROVIDED, HOWEVER, that no party hereto or thereto may assign its respective rights or delegate its respective obligations under this Agreement or any Ancillary Agreement without the express prior written consent of the other parties hereto or thereto.

SECTION 11.04. THIRD PARTY BENEFICIARIES. Except for the indemnification rights under this Agreement of any Bristol-Myers Squibb Indemnitee or Zimmer Indemnitee in their respective capacities as such and for the release under Section 4.01 of any Person provided therein, (a) the

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provisions of this Agreement and each Ancillary Agreement are solely for the benefit of the parties and are not intended to confer upon any Person except the parties any rights or remedies hereunder, and (b) there are no third party beneficiaries of this Agreement or any Ancillary Agreement and neither this Agreement nor any Ancillary Agreement shall provide any third Person with any remedy, claim, liability, reimbursement, claim of action or other right in excess of those existing without reference to this Agreement or any Ancillary Agreement.

SECTION 11.05. NOTICES. All notices or other communications under

this Agreement or any Ancillary Agreement shall be in writing and shall be deemed to be duly given when (a) delivered in person or (b) deposited in the United States mail or private express mail, postage prepaid, addressed as follows:

If to Bristol-Myers Squibb, to:

Bristol-Myers Squibb Company
345 Park Avenue
New York, New York 10154
Attn: General Counsel

If to Zimmer to:

Zimmer Holdings, Inc.
345 East Main Street
Warsaw, Indiana 46580
Attn: General Counsel

Any party may, by notice to the other party, change the address to which such notices are to be given.

SECTION 11.06. SEVERABILITY. If any provision of this Agreement or any Ancillary Agreement or the application thereof to any Person or circumstance is determined by a court of competent jurisdiction to be invalid, void or unenforceable, the remaining provisions hereof or thereof, or the application of such provision to Persons or circumstances or in jurisdictions other than those as to which it has been held invalid or unenforceable, shall remain in full force and effect and shall in no way be affected, impaired or invalidated thereby, so long as the economic or legal substance of the transactions contemplated hereby or thereby, as the case may be, is not affected in any manner adverse to any party. Upon such determination, the parties shall negotiate in good faith in an effort to

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agree upon such a suitable and equitable provision to effect the original intent of the parties.

SECTION 11.07. FORCE MAJEURE. No party shall be deemed in default of this Agreement or any Ancillary Agreement to the extent that any delay or failure in the performance of its obligations under this Agreement or any Ancillary Agreement results from any cause beyond its reasonable control and without its fault or negligence, such as acts of God, acts of civil or military authority, embargoes, epidemics, war, riots, insurrections, fires, explosions, earthquakes, floods, unusually severe weather conditions, labor problems or unavailability of parts, or, in the case of computer systems, any failure in

electrical or air conditioning equipment. In the event of any such excused delay, the time for performance shall be extended for a period equal to the time lost by reason of the delay.

SECTION 11.08. PUBLICITY. Prior to the Distribution, each of Bristol-Myers Squibb and Zimmer shall consult with each other prior to issuing any press releases or otherwise making public statements with respect to the Contribution, the Distribution or any of the other transactions contemplated hereby and prior to making any filings with any Governmental Authority with respect thereto.

SECTION 11.09. EXPENSES. Except as expressly set forth in this Agreement or in any Ancillary Agreement, all third party fees, costs and expenses paid or incurred in connection with the Distribution will be paid by Zimmer.

SECTION 11.10. HEADINGS. The article, section and paragraph headings contained in this Agreement and in the Ancillary Agreements are for reference purposes only and shall not affect in any way the meaning or interpretation of this Agreement or any Ancillary Agreement.

SECTION 11.11. SURVIVAL OF COVENANTS. Except as expressly set forth in any Ancillary Agreement, the covenants, representations and warranties contained in this Agreement and each Ancillary Agreement, and liability for the breach of any obligations contained herein or therein, shall survive the Contribution and the Distribution and shall remain in full force and effect.

SECTION 11.12. WAIVERS OF DEFAULT. Waiver by any party of any default by the other party of any provision of this Agreement or any Ancillary Agreement shall not be

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deemed a waiver by the waiving party of any subsequent or other default, nor shall it prejudice the rights of the other party.

SECTION 11.13. AMENDMENTS. No provisions of this Agreement or any Ancillary Agreement shall be deemed waived, amended, supplemented or modified by any party, unless such waiver, amendment, supplement or modification is in writing and signed by the authorized representative of the party against whom it is sought to enforce such waiver, amendment, supplement or modification.

SECTION 11.14. INTERPRETATION. Words in the singular shall be held to include the plural and vice versa and words of one gender shall be held to include the other genders as the context requires. The terms "hereof," "herein," and "herewith" and words of similar import shall, unless otherwise stated, be construed to refer to this Agreement (or the applicable Ancillary Agreement) as

a whole (including all of the Schedules, Exhibits and Appendices hereto and thereto) and not to any particular provision of this Agreement (or such Ancillary Agreement). Article, Section, Exhibit, Schedule and Appendix references are to the Articles, Sections, Exhibits, Schedules and Appendices to this Agreement (or the applicable Ancillary Agreement) unless otherwise specified. The word "including" and words of similar import when used in this Agreement (or the applicable Ancillary Agreement) shall mean "including, without limitation," unless the context otherwise requires or unless otherwise specified. The word "or" shall not be exclusive. Unless expressly stated to the contrary in this Agreement or in any Ancillary Agreement, all references to "the date hereof," "the date of this Agreement," "hereby"

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and "hereupon" and words of similar import shall all be references to [], 2001, regardless of any amendment or restatement hereof.

IN WITNESS WHEREOF, the parties have caused this Contribution and Distribution Agreement to be executed by their duly authorized representatives.

BRISTOL-MYERS SQUIBB COMPANY

By: _____
Name:
Title:

ZIMMER HOLDINGS, INC.

By: _____
Name:
Title:

RESTATED
CERTIFICATE OF INCORPORATION
OF
ZIMMER HOLDINGS, INC.

The corporation was incorporated under the name "Zodiac Holdings, Inc." by the filing of its original Certificate of Incorporation with the Secretary of State of Delaware on January 12, 2001. The present name of the corporation is Zimmer Holdings, Inc., as changed by the filing of a Certificate of Amendment of Certificate of Incorporation with the Secretary of State of Delaware on March 21, 2001. This Restated Certificate of Incorporation of the corporation, which both restates and further amends the provisions of the corporation's Certificate of Incorporation, was duly adopted in accordance with the provisions of Sections 242 and 245 of the General Corporation Law of the State of Delaware (the "DGCL") and by the written consent of its stockholders in accordance with Section 228 of the DGCL. The Certificate of Incorporation of the corporation is hereby amended and restated to read in its entirety as follows:

ARTICLE I

NAME

SECTION 1.01. The name of the Corporation (which is hereinafter referred to as the "CORPORATION") is "Zimmer Holdings, Inc."

ARTICLE II

REGISTERED AGENT

SECTION 2.01. The address, including street, number, city, and county, of the registered office of the Corporation in the State of Delaware is Corporation Trust Center, 1209 Orange Street, in the City of Wilmington, County of New Castle. The name of its registered agent at such address is the Corporation Trust Company.

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ARTICLE III

PURPOSE

SECTION 3.01. AUTHORIZED CAPITAL STOCK. The purpose of the

Corporation shall be to engage in any lawful act or activity for which corporations may be organized and incorporated under the DGCL.

ARTICLE IV

CAPITAL STOCK

SECTION 4.01. The Corporation shall be authorized to issue 1,250,000,000 shares of capital stock, of which 1,000,000,000 shares shall be shares of common stock, \$0.01 par value per share ("COMMON STOCK"), and 250,000,000 shares shall be shares of preferred stock, \$0.01 par value per share ("PREFERRED STOCK").

SECTION 4.02. PREFERRED STOCK. The Preferred Stock may be issued from time to time in one or more series. The Board of Directors of the Corporation (the "BOARD OF DIRECTORS" and each member thereof, a "DIRECTOR") is hereby authorized to provide for the issuance of shares of Preferred Stock in series and, by filing a certificate pursuant to the DGCL (a "PREFERRED STOCK DESIGNATION"), to establish from time to time the number of shares to be included in each such series, and to fix the designation, powers, privileges, preferences and rights of the shares of each such series and the qualifications, limitations and restrictions thereof. The authority of the Board of Directors with respect to each series shall include, but not be limited to, determination of the following:

(a) the designation of the series, which may be by distinguishing number, letter or title;

(b) the number of shares of the series, which number the Board of Directors may thereafter, except where otherwise provided in the applicable Preferred Stock Designation, increase or decrease, but not below the number of shares thereof then outstanding;

(c) whether dividends, if any, shall be cumulative or noncumulative, and, in the case of shares of any series having cumulative dividend rights, the date or dates or method of determining the date or dates from which dividends on the shares of such series shall be cumulative;

(d) the rate of any dividends, or method of determining such dividends, payable to the holders of the shares of such series, any conditions upon which such dividends shall be paid and the date or dates or the method for determining the date or dates upon which such dividends shall be payable;

(e) the price or prices, or method of determining such price or prices, at which, the form of payment of such price or prices (which may be cash, property or rights, including securities of the same or another

corporation or other entity) for which, the period or periods within which and the terms and conditions upon which the shares of such series may be redeemed, in whole or in part, at the option of the Corporation or at the option of the holder or holders thereof or upon the happening of a specified event or events, if any;

(f) the obligation, if any, of the Corporation to purchase or redeem shares of such series pursuant to a sinking fund or otherwise and the price or prices at which, the form of payment of such price or prices (which may be cash, property or rights, including securities of the same or another corporation or other entity) for which, the period or periods within which and the terms and conditions upon which the shares of such series shall be redeemed or purchased, in whole or in part, pursuant to such obligation;

(g) the amounts payable out of the assets of the Corporation on and the preferences, if any, of shares of the series in the event of any voluntary or involuntary liquidation, dissolution or winding up of the affairs of the Corporation;

(h) provisions, if any, for the conversion or exchange of the shares of such series, at any time or times at the option of the holder or holders thereof or at the option of the Corporation or upon the happening of a specified event or events, into shares of any other class or classes or any other series of the same or any other class or classes of stock, or any other security, of the Corporation, or any other corporation or other entity, and the price or prices or rate or rates of conversion or exchange and any adjustments applicable thereto, the date or dates as of when such shares will be converted or exchanged and all other terms and conditions upon which such conversion or exchange may be made;

(i) restrictions on the issuance of shares of the same series or of any other class or series, if any; and

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(j) the voting rights, if any, of the holders of shares of the series.

SECTION 4.03. COMMON STOCK. (a) The Common Stock shall be subject to the express terms of the Preferred Stock and any series thereof. Each share of Common Stock shall be equal to every other share of Common Stock, except as otherwise provided herein or required by law.

(b) Shares of Common Stock authorized hereby shall not be subject to preemptive rights. The holders of shares of Common Stock now or hereafter outstanding shall have no preemptive right to purchase or have offered to them for purchase any of such authorized but unissued shares, or any shares

of Preferred Stock, Common Stock or other equity securities issued or to be issued by the Corporation.

(c) The holders of shares of Common Stock shall be entitled to one vote for each such share upon all proposals presented to the stockholders on which the holders of Common Stock are entitled to vote. Except as otherwise provided by law or by the resolution or resolutions adopted by the Board of Directors designating the rights, powers and preferences of any series of Preferred Stock, the Common Stock shall have the exclusive right to vote for the election of Directors and for all other purposes, and holders of Preferred Stock shall not be entitled to receive notice of any meeting of stockholders at which they are not entitled to vote. The number of authorized shares of Preferred Stock may be increased or decreased (but not below the number of shares thereof then outstanding) by the affirmative vote of the holders of a majority of the outstanding Common Stock, without a vote of the holders of the Preferred Stock, or of any series thereof, unless a vote of any such holders is required pursuant to any Preferred Stock Designation.

(d) Subject to the rights of any class or series of stock having a preference over the Common Stock as to dividends, the holders of the shares of Common Stock shall be entitled to receive such dividends and other distributions in cash, stock or property of the Corporation as may be declared on the Common Stock by the Board of Directors at any time or from time to time out of any funds legally available therefor.

(e) In the event of any voluntary or involuntary liquidation, dissolution or winding up of the Corporation, subject to the rights of any class or series of stock having a preference over the Common Stock as to dividends or upon liquidation, dissolution or winding up, the holders of

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shares of Common Stock shall be entitled to receive all of the remaining assets of the Corporation available for distribution to its stockholders, ratably in proportion to the number of shares of Common Stock held by them.

(f) The Corporation shall be entitled to treat the person in whose name any share of its stock is registered as the owner thereof for all purposes and shall not be bound to recognize any equitable or other claim to, or interest in, such share on the part of any other person, whether or not the Corporation shall have notice thereof, except as expressly provided by applicable law.

ARTICLE V

STOCKHOLDER ACTION

SECTION 5.01. Effective as of the time at which Bristol-Myers Squibb Company, a Delaware corporation, shall cease to be the beneficial owner of an aggregate of at least a majority of the then outstanding shares of Common Stock (the "TRIGGER DATE"), any action required or permitted to be taken by the stockholders of the Corporation must be effected at a duly called annual or special meeting of such holders and may not be effected by any consent in writing by such holders, except this provision shall not apply to any action taken by the stockholders of the Corporation after the Trigger Date in respect of a record date occurring prior to the Trigger Date. Effective as of the Trigger Date, except as otherwise required by law and subject to the rights of the holders of any class or series of stock having a preference over the Common Stock as to dividends or upon liquidation, dissolution or winding up, special meetings of stockholders of the Corporation for any purpose or purposes may be called only by the Board of Directors pursuant to a resolution stating the purpose or purposes thereof approved by a majority of the total number of Directors which the Corporation would have if there were no vacancies or unfilled newly-created directorships (the "WHOLE BOARD") or by the Chairman of the Board of Directors and, effective as of the Trigger Date, any power of stockholders to call a special meeting is specifically denied. No business other than that stated in the notice shall be transacted at any special meeting of stockholders. Notwithstanding anything contained in this Restated Certificate of Incorporation to the contrary, the affirmative vote of the holders of at least 80% of the voting power of all shares of the Corporation entitled to vote generally in the election of Directors (the "VOTING STOCK") then outstanding, voting together as a single class, shall be required to alter, amend, adopt any provision inconsistent with or repeal this Article V.

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ARTICLE VI

ELECTION OF DIRECTORS

SECTION 6.01. Unless and except to the extent that the By-laws of the Corporation (the "BY-LAWS") shall so require, the election of Directors of the Corporation need not be by written ballot.

ARTICLE VII

BOARD OF DIRECTORS

SECTION 7.01. NUMBER, ELECTION AND TERMS. Except as otherwise fixed by or pursuant to the provisions of Article IV hereof relating to the rights of the holders of any class or series of stock having a preference over the Common Stock as to dividends or upon liquidation, dissolution or winding up, to elect additional Directors under specified circumstances, the number of the Directors shall be fixed from time to time

exclusively pursuant to a resolution adopted by a majority of the Whole Board (but shall not be less than three). The Directors, other than those who may be elected by the holders of any class or series of stock having a preference over the Common Stock as to dividends or upon liquidation, dissolution or winding up, shall be classified, with respect to the time for which they severally hold office, into three classes, as nearly equal in number as possible, one class to be originally elected for a term expiring at the first annual meeting of stockholders following the effectiveness of this Restated Certificate of Incorporation, another class to be originally elected for a term expiring at the second annual meeting of stockholders following the effectiveness of this Restated Certificate of Incorporation, and another class to be originally elected for a term expiring at the third annual meeting of stockholders following the effectiveness of this Restated Certificate of Incorporation, with each Director to hold office until such person's successor is duly elected and qualified. At each annual meeting of stockholders, Directors elected to succeed those Directors whose terms then expire shall be elected for a term of office to expire at the third succeeding annual meeting of stockholders after their election, with each Director to hold office until such person's successor shall have been duly elected and qualified.

SECTION 7.02. STOCKHOLDER NOMINATION OF DIRECTOR CANDIDATES; STOCKHOLDER PROPOSAL OF BUSINESS. Advance notice of stockholder nominations for the election of

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Directors and of the proposal of business by stockholders shall be given in the manner provided in the By-laws, as amended and in effect from time to time.

SECTION 7.03. NEWLY CREATED DIRECTORSHIPS AND VACANCIES. Except as otherwise provided for or fixed by or pursuant to the provisions of Article IV hereof relating to the rights of the holders of any class or series of stock having a preference over the Common Stock as to dividends or upon liquidation, dissolution or winding up, to elect Directors under specified circumstances, newly created directorships resulting from any increase in the number of Directors and any vacancies on the Board of Directors resulting from death, resignation, disqualification, removal or other cause shall only be filled by the affirmative vote of a majority of the remaining Directors then in office, even though less than a quorum of the Board of Directors, and not by the stockholders. Any Director elected in accordance with the preceding sentence shall serve for the remainder of the full term of the class of Directors in which the new directorship was created or the vacancy occurred and until such Director's successor shall have been duly elected and qualified. No decrease in the number of Directors constituting the Board of Directors shall shorten the term of any incumbent Director.

SECTION 7.04. REMOVAL. Subject to the rights of any class or series of stock having a preference over the Common Stock as to dividends or upon liquidation, dissolution or winding up, to elect Directors under specified circumstances, any Director may be removed from office only for cause and only by the affirmative vote of the holders of at least 80% of the voting power of all Voting Stock then outstanding, voting together as a single class.

SECTION 7.05. AMENDMENT, REPEAL, ETC. Notwithstanding anything contained in this Restated Certificate of Incorporation to the contrary, the affirmative vote of the holders of at least 80% of the voting power of all Voting Stock then outstanding, voting together as a single class, shall be required to alter, amend, adopt any provision inconsistent with or repeal this Article VII.

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SECTION 7.06. OTHER PROVISIONS. Notwithstanding any other provision of this Article VII, and except as otherwise required by law, whenever the holders of one or more series of Preferred Stock shall have the right, voting separately as a class, to elect one or more Directors of the Corporation, the term of office, the filling of vacancies, the removal from office and other features of such directorships shall be governed by the terms of this Restated Certificate of Incorporation (including any Preferred Stock Designation). During any period when the holders of any series of Preferred Stock have the right to elect additional Directors as provided for or fixed pursuant to the provisions of Article IV hereof, then upon commencement and for the duration of the period during which such right continues: (i) the then otherwise total authorized number of Directors of the Corporation shall automatically be increased by such specified number of Directors, and the holders of such Preferred Stock shall be entitled to elect the additional Directors so provided for or fixed pursuant to said provisions, and (ii) each such additional Director shall serve until such Director's successor shall have been duly elected and qualified, or until such Director's right to hold such office terminates pursuant to said provisions, whichever occurs earlier, subject to his earlier death, disqualification, resignation or removal. Except as otherwise provided by the Whole Board in the resolution or resolutions establishing such series, whenever the holders of any series of Preferred Stock having such right to elect additional Directors are divested of such right pursuant to the provisions of such stock, the terms of office of all such additional Directors elected by the holders of such stock, or elected to fill any vacancies resulting from the death, resignation, disqualification or removal of such additional Directors, shall forthwith terminate and the total authorized number of Directors of the Corporation shall be reduced accordingly.

ARTICLE VIII

BY-LAWS

SECTION 8.01. The By-laws may be altered or repealed and new By-laws may be adopted (a) at any annual or special meeting of stockholders, by the affirmative vote of the holders of a majority of the voting power of the Voting Stock then outstanding, voting together as a single class; PROVIDED, HOWEVER, that any proposed alteration or repeal of, or the adoption of any By-law inconsistent with, Section 2.02, 2.07 or 8.01 of the By-laws, by the stockholders shall

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require the affirmative vote of the holders of at least 80% of the voting power of all Voting Stock then outstanding, voting together as a single class; PROVIDED, FURTHER, HOWEVER, that in the case of any such stockholder action at a special meeting of stockholders, notice of the proposed alteration, repeal or adoption of the new By-law or By-laws must be contained in the notice of such special meeting, or (b) by the affirmative vote of a majority of the Whole Board. Notwithstanding anything contained in this Restated Certificate of Incorporation to the contrary, the affirmative vote of the holders of at least 80% of the voting power of all Voting Stock then outstanding, voting together as a single class shall be required to alter, amend, adopt any provision inconsistent with or repeal this Article VIII.

ARTICLE IX

AMENDMENT OF CERTIFICATE OF INCORPORATION

SECTION 9.01. The Corporation reserves the right at any time from time to time to amend, alter, change or repeal any provision contained in this Restated Certificate of Incorporation, and any other provisions authorized by the laws of the State of Delaware at the time in force may be added or inserted, in the manner now or hereafter prescribed by law; and, except as set forth in Article X, all rights, preferences and privileges of whatsoever nature conferred upon stockholders, Directors or any other persons whomsoever by and pursuant to this Restated Certificate of Incorporation in its present form or as hereafter amended are granted subject to the right reserved in this Article. Notwithstanding anything contained in this Restated Certificate of Incorporation to the contrary, the affirmative vote of the holders of at least 80% of the Voting Stock then outstanding, voting together as a single class, shall be required to alter, amend, adopt any provision inconsistent with or repeal Article V, VII, VIII or this sentence.

ARTICLE X

LIMITED LIABILITY; INDEMNIFICATION

SECTION 10.01. LIMITED LIABILITY OF DIRECTORS. A Director shall not be personally liable to the Corporation or its stockholders for monetary damages for breach of fiduciary duty as a Director, except, if required by the DGCL, as amended from time to time, for liability (a) for

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any breach of the Director's duty of loyalty to the Corporation or its stockholders, (b) for acts or omissions not in good faith or which involve intentional misconduct or a knowing violation of law, (c) under Section 174 of the DGCL, or (d) for any transaction from which the Director derived an improper personal benefit. Neither the amendment nor repeal of this Section 10.01 shall eliminate or reduce the effect of this Section 10.01 in respect of any matter occurring, or any cause of action, suit or claim that, but for this Section 10.01 would accrue or arise, prior to such amendment or repeal.

SECTION 10.02. INDEMNIFICATION AND INSURANCE. (a) RIGHT TO INDEMNIFICATION. Each person who was or is made a party or is threatened to be made a party to or is involved in any threatened, pending or completed action, suit or proceeding, whether civil, criminal, administrative or investigative (hereinafter a "PROCEEDING"), by reason of the fact that such person, or a person of whom such person is the legal representative, is or was a Director or officer of the Corporation or, while a Director or officer of the Corporation, is or was serving at the request of the Corporation as a director, officer, employee or agent of another corporation or of a partnership, joint venture, trust or other enterprise, including service with respect to employee benefit plans, whether the basis of such proceeding is alleged action in an official capacity as a Director, officer, employee or agent or in any other capacity while serving as a Director, officer, employee or agent, shall be indemnified and held harmless by the Corporation to the fullest extent authorized by the DGCL, as the same exists or may hereafter be amended, against all expense, liability and loss (including attorneys' fees, judgments, fines, amounts paid or to be paid in settlement, and excise taxes or penalties arising under the Employee Retirement Income Security Act of 1974, as in effect from time to time) reasonably incurred or suffered by such person in connection therewith if such person acted in good faith and in a manner such person reasonably believed to be in compliance with the standard of conduct set forth in Section 145 (or any successor provision) of the DGCL and such indemnification shall continue as to a person who has ceased to be a Director, officer, employee or agent and shall inure to the benefit of such person's heirs, executors and administrators; PROVIDED, HOWEVER, that, except as provided in paragraph (b) hereof, the Corporation shall indemnify any such person seeking indemnification in connection with a proceeding (or part thereof) initiated by such person only if such proceeding (or part thereof) was authorized by the

Board of Directors. The Corporation shall pay the expenses incurred in defending any such proceeding in advance of its final disposition with any advance payments to be paid by the Corporation within 20 calendar days after the receipt by the Corporation of a statement or statements from the claimant requesting such advance or advances from time to time; PROVIDED, HOWEVER, that, if and to the extent the DGCL requires, the payment of such expenses incurred by a Director or officer in such person's capacity as a Director or officer (and not in any other capacity in which service was or is rendered by such person while a Director or officer, including, without limitation, service to an employee benefit plan) in advance of the final disposition of a proceeding, shall be made only upon delivery to the Corporation of an undertaking, by or on behalf of such Director or officer, to repay all amounts so advanced if it shall ultimately be determined that such Director or officer is not entitled to be indemnified under this Section 10.02 or otherwise. The Corporation may, to the extent authorized from time to time by the Board of Directors, grant rights to indemnification, and rights to have the Corporation pay the expenses incurred in defending any proceeding in advance of its final disposition, to any employee or agent of the Corporation to the fullest extent of the provisions of this Article with respect to the indemnification and advancement of expenses of Directors and officers of the Corporation.

(b) RIGHT OF CLAIMANT TO BRING SUIT. If a claim under paragraph (a) of this Section 10.02 is not paid in full by the Corporation within 30 calendar days after a written claim has been received by the Corporation, the claimant may at any time thereafter bring suit against the Corporation to recover the unpaid amount of the claim and, if successful in whole or in part, the claimant shall be entitled to be paid also the expense of prosecuting such claim. It shall be a defense to any such action (other than an action brought to enforce a claim for expenses incurred in defending any proceeding in advance of its final disposition where the required undertaking, if any is required, has been tendered to the Corporation) that the claimant has not met the standard of conduct which makes it permissible under the DGCL for the Corporation to indemnify the claimant for the amount claimed, but the burden of proving such defense shall be on the Corporation. Neither the failure of the Corporation (including its Board of Directors, independent legal counsel, or its stockholders) to have made a determination prior to the commencement of such action that indemnification of the claimant is proper in the circumstances because the claimant has met the applicable standard of conduct set forth in the DGCL, nor an actual determination by the Corporation (including its Board

of Directors, independent legal counsel, or its stockholders) that the claimant has not met such applicable standard of conduct, shall be a defense to the

action or create a presumption that the claimant has not met the applicable standard of conduct.

(c) NON-EXCLUSIVITY OF RIGHTS. The right to indemnification and the payment of expenses incurred in defending a proceeding in advance of its final disposition conferred in this Section 10.02 shall not be exclusive of any other right which any person may have or hereafter acquire under any statute, provision of the Restated Certificate of Incorporation, By-law, agreement, vote of stockholders or disinterested Directors or otherwise. No repeal or modification of this Article shall in any way diminish or adversely affect the rights of any Director, officer, employee or agent of the Corporation hereunder in respect of any occurrence or matter arising prior to any such repeal or modification.

(d) INSURANCE. The Corporation may maintain insurance, at its expense, to protect itself and any person who is or was a Director, officer, employee or agent of the Corporation or is or was serving at the request of the Corporation as a director, officer, employee or agent of another corporation, partnership, joint venture, trust or other enterprise against any such expense, liability or loss, whether or not the Corporation would have the power to indemnify such person against such expense, liability or loss under the DGCL.

(e) SEVERABILITY. If any provision or provisions of this Article X shall be held to be invalid, illegal or unenforceable for any reason whatsoever: (i) the validity, legality and enforceability of the remaining provisions of this Article X (including, without limitation, each portion of any paragraph of this Article X containing any such provision held to be invalid, illegal or unenforceable, that is not itself held to be invalid, illegal or unenforceable) shall not in any way be affected or impaired thereby; and (ii) to the fullest extent possible, the provisions of this Article X (including, without limitation, each such portion of any paragraph of this Article X containing any such provision held to be invalid, illegal or unenforceable) shall be construed so as to give effect to the intent manifested by the provision held invalid, illegal or unenforceable.

IN WITNESS WHEREOF, the Corporation has caused this Restated Certificate of Incorporation to be signed by its duly authorized officer this [] day of [] 2001.

Name:
Title:

RESTATED BY-LAWS
OF
ZIMMER HOLDINGS, INC.

ARTICLE I
OFFICES AND RECORDS

SECTION 1.01. DELAWARE OFFICE. The principal office of the Zimmer Holdings, Inc. (the "CORPORATION") in the State of Delaware shall be located in the City of Wilmington, County of New Castle, and the name and address of its registered agent is the Corporation Trust Company, Corporation Trust Center, 1209 Orange Street, City of Wilmington, County of New Castle.

SECTION 1.02. OTHER OFFICES. The Corporation may have such other offices, either within or without the State of Delaware, as the board of directors of the Corporation (the "BOARD OF DIRECTORS", and each member thereof, a "DIRECTOR") may designate or as the business of the Corporation may from time to time require.

SECTION 1.03. BOOKS AND RECORDS. The books and records of the Corporation may be kept outside the State of Delaware at such place or places as may from time to time be designated by the Board of Directors.

ARTICLE II
STOCKHOLDERS

SECTION 2.01. ANNUAL MEETING. The annual meeting of the stockholders of the Corporation shall be held on such date and at such time as may be fixed by resolution of the Board of Directors.

SECTION 2.02. SPECIAL MEETING. Except as otherwise required by law and subject to the rights of the holders of any class or series of stock having a preference over the common stock, par value \$0.01 per share, of the Corporation (the "COMMON STOCK") as to dividends or upon liquidation, dissolution or winding up, special meetings of stockholders of the Corporation for any purpose or purposes may be called only by (a) the Board of Directors pursuant to a resolution stating the purpose or purposes thereof approved by a majority of the total number of Directors which the

Corporation would have if there were no vacancies or unfilled newly-created directorships (the "WHOLE BOARD"), or (b) by the Chairman of the Board of Directors (the "CHAIRMAN OF THE BOARD"). No business other than that stated in the notice shall be transacted at any special meeting.

SECTION 2.03. PLACE OF MEETING. The Board of Directors or the Chairman of the Board, as the case may be, may designate the place, if any, of meeting for any annual meeting or for any special meeting of the stockholders. If no designation is so made, the place of meeting shall be the principal office of the Corporation.

SECTION 2.04. NOTICE OF MEETING. Notice, stating the place, day and hour of the meeting and the purpose or purposes for which the meeting is called, shall be delivered by the Corporation not less than 10 calendar days nor more than 60 calendar days before the date of the meeting, either personally, by mail or by other lawful means, to each stockholder of record entitled to vote at such meeting. If mailed, such notice shall be deemed to be delivered when deposited in the United States mail with postage thereon prepaid, addressed to the stockholder at such person's address as it appears on the stock transfer books of the Corporation. Such further notice shall be given as may be required by law. Only such business shall be conducted at a special meeting of stockholders as shall have been brought before the meeting pursuant to the Corporation's notice of meeting. Meetings may be held without notice if all stockholders entitled to notice are present (except when stockholders entitled to notice attend the meeting for the express purpose of objecting, at the beginning of the meeting, because the meeting is not lawfully called or convened), or if notice is waived by those not present in accordance with Section 6.04. Any previously scheduled meeting of the stockholders may be postponed, and any special meeting of the stockholders may be canceled, by resolution of the Board of Directors upon public notice given prior to the date previously scheduled for such meeting of stockholders.

SECTION 2.05. QUORUM AND ADJOURNMENT; VOTING. Except as otherwise provided by law or by the Restated Certificate of Incorporation of the Corporation

(the "CERTIFICATE OF INCORPORATION"), the holders of a majority of the voting power of all outstanding shares of the Corporation entitled to vote generally in the election of Directors (the "VOTING STOCK"), represented in person or by proxy, shall constitute a quorum at a meeting of stockholders, except that when specified business is to be voted on by a class or series of stock voting as a class, the holders of a majority of the voting power of the outstanding shares of such class or series shall constitute a quorum of such class or series for the transaction of such business. The chairman of the

meeting may adjourn the meeting from time to time, whether or not there is such a quorum. No notice of the time and place of adjourned meetings need be given except as required by law. The stockholders present at a duly called meeting at which a quorum is present may continue to transact business until adjournment, notwithstanding the withdrawal of enough stockholders to leave less than a quorum.

SECTION 2.06. PROXIES. At all meetings of stockholders, a stockholder may vote by proxy in accordance with the General Corporation Law of the State of Delaware (the "DGCL") or by such person's duly authorized attorney in fact.

SECTION 2.07. NOTICE OF STOCKHOLDER BUSINESS AND NOMINATIONS. (a) ANNUAL MEETINGS OF STOCKHOLDERS. (i) Nominations of persons for election to the Board of Directors and the proposal of business to be considered by the stockholders may be made at an annual meeting of stockholders (A) pursuant to the Corporation's notice of meeting pursuant to Section 2.04, (B) by or at the direction of the Chairman of the Board or (C) by any stockholder of the Corporation who was a stockholder of record at the time of giving of notice provided for in this By-Law, who is entitled to vote at the meeting and who complies with the notice procedures set forth in this By-Law.

(ii) For nominations or other business to be properly brought before an annual meeting by a stockholder pursuant to clause (C) of paragraph (a)(i) of this Section 2.07, the stockholder must have given timely notice thereof in writing to the Secretary of the Corporation and such other business must otherwise be a proper matter for stockholder action. To be timely, a stockholder's notice shall be delivered to the Secretary of the Corporation at the principal executive offices of the Corporation not later than the close of business on the ninetieth calendar day nor earlier than the close of business on the one hundred twentieth calendar day prior to the first anniversary of the preceding

year's annual meeting; PROVIDED, HOWEVER, that in the event that the date of the annual meeting is more than thirty calendar days before or more than sixty calendar days after such anniversary date, notice by the stockholder to be timely must be so delivered not earlier than the close of business on the one hundred twentieth calendar day prior to such annual meeting and not later than the close of business on the later of the ninetieth calendar day prior to such annual meeting or the tenth calendar day following the calendar day on which public announcement of the date of such meeting is first made by the Corporation. For purposes of determining whether a stockholder's notice shall have been delivered in a timely manner for the annual meeting of stockholders in 2002, the first anniversary of the previous year's meeting shall be deemed to be June 1, 2002. In no event shall the public announcement of an adjournment or postponement of an annual meeting commence a new time period

(or extend any time period) for the giving of a stockholder's notice as described above. Such stockholder's notice shall set forth (A) as to each person whom the stockholder proposes to nominate for election or reelection as a Director all information relating to such person that is required to be disclosed in solicitations of proxies for election of Directors in an election contest, or is otherwise required, in each case pursuant to Regulation 14A under the Securities Exchange Act of 1934, as amended (the "EXCHANGE ACT") (including such person's written consent to being named in the proxy statement as a nominee and to serving as a Director if elected); (B) as to any other business that the stockholder proposes to bring before the meeting, a brief description of the business desired to be brought before the meeting, the text of the proposal or business (including the text of any resolutions proposed for consideration and in the event that such business includes a proposal to amend these By-Laws, the language of the proposed amendment), the reasons for conducting such business at the meeting and any material interest in such business of such stockholder and the beneficial owner, if any, on whose behalf the proposal is made; and (C) as to the stockholder giving the notice and the beneficial owner, if any, on whose behalf the nomination or proposal is made (1) the name and address of such stockholder, as they appear on the Corporation's books, and of such beneficial owner, (2) the class and number of shares of stock of the Corporation which are owned beneficially and of record by such stockholder and such beneficial owner, (3) a representation that the stockholder is a holder of record of stock of the Corporation entitled to vote at such meeting and intends to appear in person or by proxy at the meeting to propose such business or nomination, and (4) a representation whether the stockholder or the beneficial owner, if any, intends or is

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part of a group which intends (x) to deliver a proxy statement and/or form of proxy to holders of at least the percentage of the Corporation's outstanding capital stock required to approve or adopt the proposal or elect the nominee and/or (y) otherwise to solicit proxies from stockholders in support of such proposal or nomination. The foregoing notice requirements shall be deemed satisfied by a stockholder if the stockholder has notified the Corporation of his or her intention to present a proposal at an annual meeting in compliance with Rule 14a-8 (or any successor thereof) promulgated under the Exchange Act and such stockholder's proposal has been included in a proxy statement that has been prepared by the Corporation to solicit proxies for such annual meeting. The Corporation may require any proposed nominee to furnish such other information as it may reasonably require to determine the eligibility of such proposed nominee to serve as a Director.

(iii) Notwithstanding anything in the second sentence of paragraph (a)(ii) of this Section 2.07 to the contrary, in the event that the number of Directors to be elected to the Board of Directors at an annual meeting is increased and there is no public announcement by the Corporation

naming all of the nominees for Director or specifying the size of the increased Board of Directors at least one hundred calendar days prior to the first anniversary of the preceding year's annual meeting, a stockholder's notice required by this By-Law shall also be considered timely, but only with respect to nominees for any new positions created by such increase, if it shall be delivered to the Secretary at the principal executive offices of the Corporation not later than the close of business on the tenth calendar day following the day on which such public announcement is first made by the Corporation.

(b) SPECIAL MEETINGS OF STOCKHOLDERS. Only such business shall be conducted at a special meeting of stockholders as shall have been brought before the meeting pursuant to the Corporation's notice of meeting under Section 2.04. Nominations of persons for election to the Board of Directors may be made at a special meeting of stockholders at which Directors are to be elected (i) pursuant to the Corporation's notice of meeting, (ii) by or at the direction of the Chairman of the Board or (iii) provided that the Board of Directors has determined that Directors shall be elected at such meeting, by any stockholder of the Corporation who is a stockholder of record at the time of giving of notice provided for in this By-Law, who shall be entitled to vote at the meeting and who complies with the notice procedures set forth in this By-

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Law. In the event the Corporation calls a special meeting of stockholders for the purpose of electing one or more Directors to the Board of Directors, any stockholder entitled to vote in such election of Directors may nominate pursuant to clause (iii) of the immediately preceding sentence of this Section 2.07(b) a person or persons (as the case may be), for election to such position(s) as specified in the Corporation's notice of meeting, if the stockholder's notice required by paragraph (a)(ii) of this Section 2.07 shall be delivered to the Secretary at the principal executive offices of the Corporation not earlier than the close of business on the one hundred twentieth calendar day prior to such special meeting and not later than the close of business on the later of the ninetieth calendar day prior to such special meeting or the tenth calendar day following the day on which public announcement is first made of the date of the special meeting and of the nominees proposed by the Board of Directors to be elected at such meeting. In no event shall the public announcement of an adjournment or postponement of a special meeting commence a new time period (or extend any time period) for the giving of a stockholder's notice as described above.

(c) GENERAL. (i) Only such persons who are nominated in accordance with the procedures set forth in this Section 2.07 shall be eligible to serve as Directors and only such business shall be conducted at a meeting of stockholders as shall have been brought before the meeting in accordance with the procedures set forth in this By-Law. Except as otherwise provided by law,

the Certificate of Incorporation or these By-Laws, the chairman of the meeting shall have the power and duty to determine whether a nomination or any business proposed to be brought before the meeting was made or proposed, as the case may be, in accordance with the procedures set forth in this Section 2.07 (including whether the stockholder or beneficial owner, if any, on whose behalf the nomination or proposal is made solicited (or is part of a group which solicited) or did not so solicit, as the case may be, proxies in support of such stockholder's nominee or proposal in compliance with such stockholder's representation as required by clause (a)(ii)(C)(4) of this Section 2.07) and, if any proposed nomination or business is not in compliance with this By-Law, to declare that such defective proposal or nomination shall be disregarded. Notwithstanding the foregoing provisions of this Section 2.07, if the stockholder (or a qualified representative of the stockholder) does not appear at the annual or special meeting of stockholders of the Corporation to present a nomination or business, such nomination shall be disregarded and such proposed business

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shall not be transacted, notwithstanding that proxies in respect of such vote may have been received by the Corporation.

(ii) For purposes of this By-Law, "public announcement" shall mean disclosure in a press release reported by the Dow Jones News Service, Associated Press or comparable national news service or in a document publicly filed by the Corporation with the Securities and Exchange Commission pursuant to Section 13, 14 or 15(d) of the Exchange Act.

(iii) Notwithstanding the foregoing provisions of this Section 2.07, a stockholder shall also comply with all applicable requirements of the Exchange Act and the rules and regulations thereunder with respect to the matters set forth in this Section 2.07. Nothing in this Section 2.07 shall be deemed to affect any rights (a) of stockholders to request inclusion of proposals in the Corporation's proxy statement pursuant to Rule 14a-8 under the Exchange Act or (b) of the holders of any series of preferred stock of the Corporation ("PREFERRED STOCK") to elect Directors under an applicable Preferred Stock Designation (as defined in the Certificate of Incorporation).

SECTION 2.08. PROCEDURE FOR ELECTION OF DIRECTORS; REQUIRED VOTE. Election of Directors at all meetings of the stockholders at which Directors are to be elected shall be by ballot, and, subject to the rights of the holders of any series of Preferred Stock to elect Directors under an applicable Preferred Stock Designation, a plurality of the votes cast thereat shall elect Directors. Except as otherwise provided by law, the Certificate of Incorporation, a Preferred Stock Designation, applicable stock exchange rules or other rules and regulations applicable to the Corporation or these By-Laws, in all matters other than the election of Directors, the affirmative vote of a majority of the voting power of the shares present in person or represented by

proxy at the meeting and entitled to vote on the matter shall be the act of the stockholders.

SECTION 2.09. INSPECTORS OF ELECTIONS; OPENING AND CLOSING THE POLLS. (a) The Board of Directors by resolution shall appoint, or shall authorize an officer of the Corporation to appoint, one or more inspectors, which inspector or inspectors may include individuals who serve the Corporation in other capacities, including, without limitation, as officers, employees, agents or representatives, to act at the meetings of stockholders and make a written report thereof. One or more persons may be

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designated as alternate inspector(s) to replace any inspector who fails to act. If no inspector or alternate has been appointed to act or is able to act at a meeting of stockholders, the chairman of the meeting shall appoint one or more inspectors to act at the meeting. Each inspector, before discharging such person's duties, shall take and sign an oath faithfully to execute the duties of inspector with strict impartiality and according to the best of such person's ability. The inspector(s) shall have the duties prescribed by law.

(b) The date and time of the opening and the closing of the polls for each matter upon which the stockholders will vote at a meeting shall be announced at the meeting by the person presiding over the meeting. The Board of Directors may adopt by resolution such rules and regulations for the conduct of the meeting of stockholders as it shall deem appropriate. Except to the extent inconsistent with such rules and regulations as adopted by the Board of Directors, the person presiding over any meeting of stockholders shall have the right and authority to convene and to adjourn the meeting, to prescribe such rules, regulations and procedures and to do all such acts as, in the judgment of such presiding officer, are appropriate for the proper conduct of the meeting. Such rules, regulations or procedures, whether adopted by the Board of Directors or prescribed by the presiding officer of the meeting, may include, without limitation, the following: (i) an agenda or order of business for the meeting; (ii) rules and procedures for maintaining order at the meeting and the safety of those present; (iii) limitations on attendance at or participation in the meeting to stockholders of record of the Corporation, their duly authorized and constituted proxies or such other persons as the chairman of the meeting shall determine; (iv) restrictions on entry to the meeting after the time fixed for the commencement thereof; and (v) limitations on the time allotted to questions or comments by participants. The presiding officer at any meeting of stockholders, in addition to making any other determinations that may be appropriate to the conduct of the meeting, shall, if the facts warrant, determine and declare to the meeting that a matter or business was not properly brought before the meeting and if such presiding officer should so determine, such person shall so declare to the meeting that any such matter or business not properly brought before the meeting shall not be transacted or considered. Unless and to the extent determined by the Board of Directors or the person

presiding over the meeting, meetings of stockholders shall not be required to be held in accordance with the rules of parliamentary procedure.

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ARTICLE III

BOARD OF DIRECTORS

SECTION 3.01. GENERAL POWERS. The business and affairs of the Corporation shall be managed by or under the direction of the Board of Directors. In addition to the powers and authorities by these By-Laws expressly conferred upon them, the Board of Directors may exercise all such powers of the Corporation and do all such lawful acts and things as are not by statute or by the Certificate of Incorporation or by these By-Laws required to be exercised or done by the stockholders.

SECTION 3.02. REGULAR MEETINGS. A regular meeting of the Board of Directors shall be held without other notice than this By-Law in conjunction with the annual meeting of stockholders. The Board of Directors may, by resolution, provide the time and place for the holding of additional regular meetings without other notice than such resolution.

SECTION 3.03. SPECIAL MEETINGS. Special meetings of the Board of Directors shall be called at the request of the Chairman of the Board, the President and Chief Executive Officer or a majority of the Board of Directors then in office. The person or persons authorized to call special meetings of the Board of Directors may fix the place and time of the meetings.

SECTION 3.04. NOTICE. Notice of any special meeting of Directors shall be given to each Director at such person's business or residence in writing by hand delivery, first-class or overnight mail or courier service, telegram or facsimile transmission, orally by telephone or any other lawful means. If mailed by first-class mail, such notice shall be deemed adequately delivered when deposited in the United States mail so addressed, with postage thereon prepaid, at least 5 calendar days before such meeting. If by telegram, overnight mail or courier service, such notice shall be deemed adequately delivered when the telegram is delivered to the telegraph company or the notice is delivered to the overnight mail or courier service company at least 24 hours before such meeting. If by facsimile transmission, such notice shall be deemed adequately delivered when the notice is transmitted at least 12 hours before such meeting. If by telephone, by hand delivery or by other lawful means, the notice shall be given at least 12 hours prior to the time set for the meeting. Neither the business to be transacted at, nor the purpose of, any

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regular or special meeting of the Board of Directors need be specified in the notice of such meeting, except for amendments to these By-Laws, as provided under Section 8.01. A meeting may be held at any time without notice if all the Directors are present (except when Directors attend for the express purpose of objecting, at the beginning of the meeting, because it is not lawfully called or conveyed) or if those not present waive notice of the meeting either before or after such meeting.

SECTION 3.05. ACTION BY CONSENT OF BOARD OF DIRECTORS. Any action required or permitted to be taken at any meeting of the Board of Directors or of any committee thereof may be taken without a meeting if all members of the Board of Directors or committee, as the case may be, consent thereto in accordance with applicable law.

SECTION 3.06. CONFERENCE TELEPHONE MEETINGS. Members of the Board of Directors or any committee thereof may participate in a meeting of the Board of Directors or such committee by means of conference telephone or other communications equipment by means of which all persons participating in the meeting can hear each other, and such participation in a meeting shall constitute presence in person at such meeting.

SECTION 3.07. QUORUM. Subject to Article VII of the Certificate of Incorporation, a whole number of Directors equal to at least a majority of the Whole Board shall constitute a quorum for the transaction of business, but if at any meeting of the Board of Directors there shall be less than a quorum present, a majority of the Directors present may adjourn the meeting from time to time without further notice. The act of the majority of the Directors present at a meeting at which a quorum is present shall be the act of the Board of Directors.

SECTION 3.08. COMMITTEES OF THE BOARD OF DIRECTORS. (a) The Board of Directors may from time to time designate committees, which shall consist of one or more Directors. The Board of Directors may designate one or more Directors as alternate members of any committee, who may replace any absent or disqualified member at any meeting of the committee. Any such committee may, to the extent permitted by law, exercise such powers and shall have such responsibilities as shall be specified in the designating resolution. In the absence or disqualification of any member of such committee or committees, the member or members thereof present at any meeting and not disqualified from voting, whether or not constituting a quorum, may unanimously appoint another member of the Board of Directors

to act at the meeting in the place of any such absent or disqualified member. Each committee shall keep written minutes of its proceedings and shall report such proceedings to the Board of Directors when required.

(b) A majority of any committee may determine its action and fix the time and place of its meetings, unless the Board of Directors shall otherwise provide. Notice of such meetings shall be given to each member of the committee in the manner provided for in Section 3.04. The Board of Directors shall have power at any time to fill vacancies in, to change the membership of, or to dissolve any such committee. Nothing herein shall be deemed to prevent the Board of Directors from appointing one or more committees consisting in whole or in part of persons who are not Directors; PROVIDED, HOWEVER, that no such committee shall have or may exercise any authority of the Board of Directors.

SECTION 3.09. RECORDS. The Board of Directors shall cause to be kept a record containing the minutes of the proceedings of the meetings of the Board of Directors and of the stockholders, appropriate stock books and registers and such books of records and accounts as may be necessary for the proper conduct of the business of the Corporation.

ARTICLE IV

OFFICERS

SECTION 4.01. ELECTED OFFICERS. The elected officers of the Corporation shall be a Chairman of the Board, a President and Chief Executive Officer, a Secretary, a Treasurer, and such other officers (including, without limitation, Senior Vice Presidents and Executive Vice Presidents and Vice Presidents) as the Board of Directors from time to time may deem proper. The Chairman of the Board shall be chosen from among the Directors. All officers elected by the Board of Directors shall each have such powers and duties as generally pertain to their respective offices, subject to the specific provisions of this Article IV. Such officers shall also have such powers and duties as from time to time may be conferred by the Board of Directors or by any committee thereof. The Board of Directors or any committee thereof may from time to time elect, or the Chairman of the Board or President and Chief Executive Officer may appoint, such other officers (including one or more Vice Presidents, Controllers, Assistant Secretaries and Assistant Treasurers), as may be

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necessary or desirable for the conduct of the business of the Corporation. Such other officers and agents shall have such duties and shall hold their offices for such terms as shall be provided in these By-Laws or as may be prescribed by the Board of Directors or such committee or by the Chairman of the Board or President and Chief Executive Officer, as the case may be.

SECTION 4.02. ELECTION AND TERM OF OFFICE. The elected officers of the Corporation shall be elected annually by the Board of Directors at the regular meeting of the Board of Directors held in conjunction with the annual meeting of the stockholders. If the election of officers shall not be

held at such meeting, such election shall be held as soon thereafter as convenient. Each officer shall hold office until such person's successor shall have been duly elected and shall have qualified or until such person's death or until he shall resign or be removed pursuant to Section 4.08.

SECTION 4.03. CHAIRMAN OF THE BOARD. The Chairman of the Board shall preside at all meetings of the stockholders and of the Board of Directors. The Chairman of the Board shall be responsible for the general management of the affairs of the Corporation and shall perform all duties incidental to such person's office which may be required by law and all such other duties as are properly required of him by the Board of Directors. The Chairman of the Board shall make reports to the Board of Directors and the stockholders, and shall see that all orders and resolutions of the Board of Directors and of any committee thereof are carried into effect. The Chairman of the Board shall be the President and Chief Executive Officer of the Corporation if no other person has been elected as the President and Chief Executive Officer. The Board of Directors also may elect a Vice-Chairman to act in the place of the Chairman of the Board upon his or her absence or inability to act.

SECTION 4.04. PRESIDENT; CHIEF EXECUTIVE OFFICER. The President shall be the Chief Executive Officer of the Corporation, shall act in a general executive capacity and shall assist the Chairman of the Board in the administration and operation of the Corporation's business and general supervision of its policies and affairs. The President and Chief Executive Officer, if he or she is also a Director, shall, in the absence of or because of the inability to act of the Chairman of the Board, perform all duties of the Chairman of the Board and preside at all meetings of stockholders and of the Board of Directors.

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SECTION 4.05. VICE PRESIDENTS. Each Senior Vice President and Executive Vice President and any Vice President shall have such powers and shall perform such duties as shall be assigned to such person by the Board of Directors or by the President and Chief Executive Officer.

SECTION 4.06. (a) TREASURER. The Treasurer shall exercise general supervision over the receipt, custody and disbursement of corporate funds. The Treasurer shall cause the funds of the Corporation to be deposited in such banks as may be authorized by the Board of Directors, or in such banks as may be designated as depositories in the manner provided by resolution of the Board of Directors. The Treasurer shall have such further powers and duties and shall be subject to such directions as may be granted or imposed from time to time by the Board of Directors, the Chairman of the Board or the President and Chief Executive Officer.

(b) The Board of Directors, the Chairman of the Board or the

President and Chief Executive Officer may designate one or more Assistant Treasurers who shall have such of the authority and perform such of the duties of the Treasurer as may be assigned to them by the Board of Directors, the Chairman of the Board or the President and Chief Executive Officer. During the Treasurer's absence or inability, the Treasurer's authority and duties shall be possessed by such Assistant Treasurer(s) as the Board of Directors, the Chairman of the Board or the President and Chief Executive Officer may designate.

SECTION 4.07. SECRETARY. (a) The Secretary shall keep or cause to be kept in one or more books provided for that purpose, the minutes of all meetings of the Board of Directors, the committees of the Board of Directors and the stockholders; shall see that all notices are duly given in accordance with the provisions of these By-Laws and as required by law; shall be custodian of the records and the seal of the Corporation and affix and attest the seal to all stock certificates of the Corporation (unless the seal of the Corporation on such certificates shall be a facsimile, as hereinafter provided) and affix and attest the seal to all other documents to be executed on behalf of the Corporation under its seal and shall see that the books, reports, statements, certificates and other documents and records required by law to be kept and filed are properly kept and filed; and in general, shall perform all the duties incident to the office of Secretary and such other duties as from time to time may be assigned to the Secretary by the Board of Directors, the Chairman of the Board or the President and Chief Executive Officer.

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(b) The Board of Directors, the Chairman of the Board or the President and Chief Executive Officer may designate one or more Assistant Secretaries who shall have such of the authority and perform such of the duties of the Secretary as may be provided in these By-Laws or assigned to them by the Board of Directors, the Chairman of the Board or the President and Chief Executive Officer. During the Secretary's absence or inability, the Secretary's authority and duties shall be possessed by such Assistant Secretary or Assistant Secretaries as the Board of Directors, the Chairman of the Board or the President and Chief Executive Officer may designate.

SECTION 4.08. REMOVAL. Any officer or agent of the Corporation may be removed by the affirmative vote of a majority of the Board of Directors whenever, in their judgment, the best interests of the Corporation would be served thereby. Any officer or agent appointed by the Chairman of the Board or the President and Chief Executive Officer may be removed by him or her whenever, in such person's judgment, the best interests of the Corporation would be served thereby. No elected officer shall have any contractual rights against the Corporation for compensation by virtue of such election beyond the date of the election of such person's successor, such person's death, such person's resignation or such person's removal, whichever event shall first occur, except as otherwise provided in an employment contract or under an employee benefit plan.

SECTION 4.09. VACANCIES. A newly created elected office and a vacancy in any elected office because of death, resignation, or removal may be filled by the Board of Directors for the unexpired portion of the term at any meeting of the Board of Directors. Any vacancy in an office appointed by the Chairman of the Board or the President and Chief Executive Officer because of death, resignation, or removal may be filled by the Chairman of the Board or the President and Chief Executive Officer.

ARTICLE V

STOCK CERTIFICATES AND TRANSFERS

SECTION 5.01. STOCK CERTIFICATES AND TRANSFERS. The interest of each stockholder of the Corporation shall be evidenced by certificates for shares of stock in such form as the Corporation may from time to time prescribe. The shares of the stock of the Corporation shall be transferred on the books of the Corporation by the holder thereof in person or by such person's attorney, upon surrender for

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cancelation of certificates for at least the same number of shares, with an assignment and power of transfer endorsed thereon or attached thereto, duly executed, with such proof of the authenticity of the signature as the Corporation or its agents may reasonably require. The certificates of stock shall be signed, countersigned and registered in such manner as the Board of Directors may by resolution prescribe or as may otherwise be permitted by applicable law, which resolution may permit all or any of the signatures on such certificates to be in facsimile. In case any officer, transfer agent or registrar who has signed or whose facsimile signature has been placed upon a certificate has ceased to be such officer, transfer agent or registrar before such certificate is issued, it may be issued by the Corporation with the same effect as if he were such officer, transfer agent or registrar at the date of issue. Notwithstanding the foregoing provisions regarding share certificates, the Corporation may provide that, subject to the rights of stockholders under applicable law, some or all of any or all classes or series of the Corporation's common or any preferred shares may be uncertificated shares.

SECTION 5.02. LOST, STOLEN OR DESTROYED CERTIFICATES. No certificate for shares of stock in the Corporation shall be issued in place of any certificate alleged to have been lost, destroyed or stolen, except on production of such evidence of such loss, destruction or theft and on delivery to the Corporation of a bond of indemnity in such amount, upon such terms and secured by such surety, as the Board of Directors or any financial officer may in its or such person's discretion require.

ARTICLE VI

MISCELLANEOUS PROVISIONS

SECTION 6.01. FISCAL YEAR. The fiscal year of the Corporation shall begin on the first day of January and end on the last day of December of each year.

SECTION 6.02. DIVIDENDS. The Board of Directors may from time to time declare, and the Corporation may pay, dividends on its outstanding shares in the manner and upon the terms and conditions provided by law and the Certificate of Incorporation.

SECTION 6.03. SEAL. The corporate seal shall have inscribed thereon the words "Corporate Seal," the year of incorporation and the word "Delaware."

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SECTION 6.04. WAIVER OF NOTICE. Whenever any notice is required to be given to any stockholder or Director under the provisions of the DGCL or these By-Laws, a waiver thereof given in accordance with applicable law shall be deemed equivalent to the giving of such notice. Neither the business to be transacted at, nor the purpose of, any annual or special meeting of the stockholders or the Board of Directors or committee thereof need be specified in any waiver of notice of such meeting.

SECTION 6.05. AUDITS. The accounts, books and records of the Corporation shall be audited upon the conclusion of each fiscal year by an independent certified public accountant selected by the Board of Directors, and it shall be the duty of the Board of Directors to cause such audit to be done annually.

SECTION 6.06. RESIGNATIONS. Any Director or any officer, whether elected or appointed, may resign at any time by giving written notice of such resignation to the Chairman of the Board, the President and Chief Executive Officer, or the Secretary, and such resignation shall be deemed to be effective as of the close of business on the date said notice is received by the Chairman of the Board, the President and Chief Executive Officer, or the Secretary, or at such later time as is specified therein. No formal action shall be required of the Board of Directors or the stockholders to make any such resignation effective.

ARTICLE VII

CONTRACTS, PROXIES, ETC.

SECTION 7.01. CONTRACTS. Except as otherwise required by law,

the Certificate of Incorporation, a Preferred Stock Designation, or these By-Laws, any contracts or other instruments may be executed and delivered in the name and on the behalf of the Corporation by such officer or officers of the Corporation as the Board of Directors may from time to time direct. Such authority may be general or confined to specific instances as the Board of Directors may determine. The Chairman of the Board, the President and Chief Executive Officer or any Senior Vice President, Executive Vice President or Vice President may execute bonds, contracts, deeds, leases and other instruments to be made or executed or for or on behalf of the Corporation. Subject to any restrictions imposed by the Board of Directors or the Chairman of the Board, the President and Chief Executive Officer or any Senior Vice President, Executive Vice President or Vice President of the

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Corporation may delegate contractual powers to others under such person's jurisdiction, it being understood, however, that any such delegation of power shall not relieve such officer of responsibility with respect to the exercise of such delegated power.

SECTION 7.02. PROXIES. Unless otherwise provided by resolution adopted by the Board of Directors, the Chairman of the Board, the President and Chief Executive Officer or any Senior Vice President, Executive Vice President or Vice President may from time to time appoint an attorney or attorneys or agent or agents of the Corporation, in the name and on behalf of the Corporation, to cast the votes which the Corporation may be entitled to cast as the holders of stock or other securities in any other entity, any of whose stock or other securities may be held by the Corporation, at meetings of the holders of the stock or other securities of such other entity, or to consent in accordance with applicable law, in the name of the Corporation as such holder, to any action by such other entity, and may instruct the person or persons so appointed as to the manner of casting such votes or giving such consent, and may execute or cause to be executed in the name and on behalf of the Corporation and under its corporate seal or otherwise, all such proxies, consents or other instruments as such person may deem necessary or proper in the premises.

ARTICLE VIII

AMENDMENTS

SECTION 8.01. AMENDMENTS. The By-Laws may be altered or repealed and new By-Laws may be adopted (a) at any annual or special meeting of stockholders by the affirmative vote of the holders of a majority of the voting power of the Voting Stock then outstanding, voting as a single class, PROVIDED, HOWEVER, that any proposed alteration or repeal of, or the adoption of any By-Law inconsistent with, Section 2.02, Section 2.07 or this Section 8.01 by the stockholders shall require the affirmative vote of the holders of at least 80%

of the voting power of all Voting Stock then outstanding, voting together as a single class, and PROVIDED, FURTHER, HOWEVER, that, in the case of any such stockholder action at a special meeting of stockholders, notice of the proposed alteration, repeal or adoption of the new By-Law or By-Laws must be contained in the notice of such special meeting, or (b) by the affirmative vote of a majority of the Whole Board.

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I HEREBY CERTIFY that the foregoing is a full, true, and correct copy of the By Laws of Zimmer Holdings, Inc., a Delaware corporation, as in effect on the date hereof.

Dated: _____, 2001

Name:

Title:

ZC
COMMON STOCK
CUSIP 98956P 10 2
SEE REVERSE FOR CERTAIN DEFINITIONS
THIS CERTIFICATE IS TRANSFERABLE
IN NEW YORK, NY AND RIDGEFIELD PARK, NJ

ZIMMER HOLDINGS, INC.
INCORPORATED UNDER THE LAWS OF THE STATE OF DELAWARE

THIS CERTIFIES THAT

IS THE OWNER OF

FULLY PAID AND NON-ASSESSABLE SHARES OF THE COMMON STOCK OF

Zimmer Holdings, Inc. (hereinafter called the "Corporation"), transferable on the books of said Corporation by the holder hereof in person or by duly authorized attorney upon surrender of this Certificate properly endorsed. This Certificate and the shares represented hereby are issued and shall be held subject to all of the provisions of the Certificate of Incorporation of the Corporation, to all of which the holder by acceptance hereof assents. This Certificate is not valid until countersigned by the Transfer Agent and registered by the Registrar.

Witness the seal of said Corporation and the signatures of its duly authorized officers.

Dated

J. Raymond Elliott
PRESIDENT AND CHIEF EXECUTIVE OFFICER

Paul D. Schoenle
ASSISTANT SECRETARY

Countersigned and Registered:

MELLON INVESTOR SERVICES LLC

Transfer Agent
and Registrar

By

ZIMMER HOLDINGS, INC.

ZIMMER HOLDINGS, INC. WILL FURNISH WITHOUT CHARGE TO EACH STOCKHOLDER WHO SO REQUESTS A STATEMENT OF THE DESIGNATIONS AND THE POWERS, PREFERENCES AND RIGHTS, AND THE QUALIFICATIONS, LIMITATIONS OR RESTRICTIONS THEREOF, OF EACH CLASS OF STOCK OR SERIES THEREOF SET FORTH IN THE CERTIFICATE OF INCORPORATION, WHICH THE CORPORATION IS AUTHORIZED TO ISSUE.

This certificate also evidences and entitles the holder hereof to certain Rights as set forth in a Rights Agreement dated as of [], 2001 (as it may be amended from time to time (the "Rights Agreement")), between Zimmer Holdings, Inc. (the "Corporation") and Mellon Investor Services LLC, as Rights Agent (the "Rights Agent"), the terms of which (including restrictions on the transfer of such Rights) are hereby incorporated herein by reference and a copy of which is on file at the principal executive offices of the Corporation. Under certain circumstances, as set forth in the Rights Agreement, such Rights shall be evidenced by separate certificates and shall no longer be evidenced by this certificate. The Corporation shall mail to the holder of this Certificate a copy of the Rights Agreement without charge after receipt of a written request therefor. RIGHTS BENEFICIALLY OWNED BY ACQUIRING PERSONS (AS SUCH TERM IS DEFINED IN THE RIGHTS AGREEMENT) AND CERTAIN TRANSFEREES THEREOF ARE NULL AND VOID AND ARE NO LONGER TRANSFERABLE.

The following abbreviations, when used in the inscription on the face of this certificate, shall be construed as though they were written out in full according to applicable laws or regulations:

- | | |
|---|-----------------------------------|
| TEN COM - as tenants in common | UNIF GIFT MIN ACT -- |
| TEN ENT - as tenants by the entirety |Custodian..... |
| JT TEN - as joint tenants with right of survivorship and not as tenants in common | (Cost) (Minor) |
| | under Uniform Gifts to Minors Act |
| | |
| | (State) |

Additional abbreviations may also be used though not in the above list.

FOR VALUE RECEIVED, _____ HEREBY SELL, ASSIGN AND TRANSFER UNTO

PLEASE PRINT OR TYPE NAME AND ADDRESS OF ASSIGNEE

PLEASE INSERT TAXPAYER IDENTIFYING NUMBER OF ASSIGNEE

Name

Street

SHARES

City, State and Zip Code

=====

PLEASE PRINT OR TYPE NAME AND ADDRESS OF ASSIGNEE

PLEASE INSERT TAXPAYER
IDENTIFYING NUMBER OF
ASSIGNEE

Name

Street

SHARES

City, State and Zip Code

=====

PLEASE PRINT OR TYPE NAME AND ADDRESS OF ASSIGNEE

PLEASE INSERT TAXPAYER
IDENTIFYING NUMBER OF
ASSIGNEE

Name

Street

SHARES

City, State and Zip Code

=====

OF THE COMMON STOCK REPRESENTED BY THE WITHIN CERTIFICATE, AND DO HEREBY
IRREVOCABLY CONSTITUTE AND APPOINT _____
ATTORNEY TO TRANSFER THE SAID STOCK ON THE BOOKS OF THE WITHIN-NAMED
CORPORATION WITH FULL POWER OF SUBSTITUTION IN THE PREMISES.

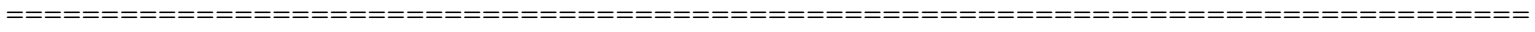
DATED, _____

X

NOTICE: THE SIGNATURE TO THIS ASSIGNMENT MUST
CORRESPOND WITH THE NAME AS WRITTEN UPON THE
FACE OF THE CERTIFICATE IN EVERY PARTICULAR,
WITHOUT ALTERNATION OR ENLARGEMENT OR ANY
CHANGE WHATEVER

SIGNATURE (S) GUARANTEED:

By _____
THE SIGNATURE (S) MUST BE GUARANTEED BY AN
ELIGIBLE GUARANTOR INSTITUTION (BANKS,
STOCKBROKERS, SAVINGS AND LOAN ASSOCIATIONS
AND CREDIT UNIONS WITH MEMBERSHIP IN AN
APPROVED SIGNATURE GUARANTEE MEDALLION PROGRAM) ,
PURSUANT TO S.E.C. RULE 17Ad-15.



RIGHTS AGREEMENT

dated as of [], 2001

between

ZIMMER HOLDINGS, INC.

and

MELLON INVESTOR SERVICES LLC

as Rights Agent

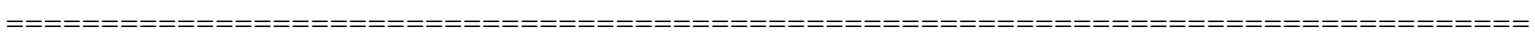


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EXHIBITS

- A Certificate of Designation
- B Form of Right Certificate

RIGHTS AGREEMENT dated as of [],
2001, between ZIMMER HOLDINGS, INC., a Delaware
corporation (the "Company"), and MELLON INVESTOR
SERVICES LLC, a New Jersey limited liability company,
as Rights Agent (the "Rights Agent").

The Board of Directors of the Company has authorized and declared a dividend of one Right (as hereinafter defined) for each share of Common Stock, par value \$0.01 per share, of the Company (the "Common Stock") outstanding at the Close of Business (as hereinafter defined) on the date hereof (the "Record Date"), and has authorized the issuance of one Right (as such number may hereinafter be adjusted pursuant to the provisions of this Rights Agreement) with respect to each share of Common Stock that shall become outstanding between the Record Date and the earliest of the Distribution Date, the Redemption Date, the Exchange Date, to the extent applicable, or the Expiration Date (as such terms are hereinafter defined); PROVIDED, HOWEVER, that Rights may be issued with respect to shares of Common Stock that shall become outstanding after the Distribution Date and prior to the earliest of the Redemption Date, the Exchange Date, to the extent applicable, or the Expiration Date in accordance with the provisions of Section 23. Each Right shall initially represent the right to purchase one one-thousandth (1/1,000th) of a share of Series A Participating Cumulative Preferred Stock, par value \$0.01 per share, of the Company (the "Preferred Shares"), having the powers, rights and preferences set forth in the Certificate of Designation attached as Exhibit A.

Accordingly, in consideration of the premises and the mutual agreements herein set forth, the parties hereby agree as follows:

SECTION 1. CERTAIN DEFINITIONS. For purposes of this Rights Agreement, the following terms have the meanings indicated:

"ACQUIRING PERSON" shall mean any Person who or which, alone or together with all Affiliates and Associates of such Person, shall be the Beneficial Owner of more than 15% of the Common Shares then outstanding, but shall not include (a) (i) the Company, any Subsidiary of the Company, any employee benefit or compensation plan of the Company or of any of its Subsidiaries or any Person holding Common Shares for or pursuant to the terms of any such employee benefit or compensation plan or for the purpose of funding other employee benefits for employees of the Company or of any Subsidiary of the Company and (ii) until immediately after the distribution of the Common Shares of the Company by the sole stockholder of the Company, Bristol-Myers Squibb Company ("Bristol-Myers Squibb"), to the stockholders of Bristol-Myers Squibb, Bristol-Myers Squibb or any Affiliate or Associate thereof, (each Person covered by clauses (a) (i) and (a) (ii), an "Exempt

Person") or (b) any such Person that the Board of Directors of the Company determines has become the Beneficial Owner of more than 15% of the Common

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Shares at the time outstanding solely as the result of (i) a change in the aggregate number of Common Shares outstanding since the last date on which such Person acquired Beneficial Ownership of any Common Shares (provided, however, that if a Person becomes the Beneficial Owner of more than 15% of the Common Shares then outstanding by reason of such change in the aggregate number of Common Shares outstanding and thereafter becomes the Beneficial Owner of any additional Common Shares (other than pursuant to a dividend or distribution paid or made by the Company on the outstanding Common Shares or pursuant to a split or subdivision of the outstanding Common Shares), then such Person shall be deemed to be an "Acquiring Person" unless upon becoming the Beneficial Owner of such additional Common Shares such Person does not beneficially own more than 15% of the shares of Common Shares then outstanding), (ii) the acquisition by such Person or one or more of its Affiliates or Associates of Beneficial Ownership of additional Common Shares if such acquisition was made in the good faith belief that such acquisition would not (A) cause the Beneficial Ownership by such Person, together with its Affiliates and Associates, to exceed 15% of the Common Shares outstanding at the time of such acquisition and such good faith belief was based on the good faith reliance on information contained in publicly filed reports or documents of the Company that are inaccurate or out-of-date or (B) otherwise cause a Distribution Date or the adjustment provided for in Section 11(a) to occur, or (iii) the acquisition by such Person or one or more of its Affiliates or Associates of Beneficial Ownership of additional Common Shares if the Board of Directors of the Company determines that such acquisition was made in good faith without the knowledge by such Person or one or more of its Affiliates or Associates that such Person would thereby become an Acquiring Person and without the intention of changing or influencing control of the Company (including, without limitation, because (A) such Person was unaware that it beneficially owned a percentage of Common Shares that would otherwise cause such Person to be an Acquiring Person or (B) such Person was aware of the extent of its Beneficial Ownership of Common Shares but had no actual knowledge of the consequences of such Beneficial Ownership under this Agreement), which determination of the Board of Directors of the Company shall be conclusive and binding on such Person, the Rights Agent, the holders of the Rights and all other Persons. Notwithstanding clause (b)(ii) or (b)(iii) of the prior sentence, if any Person that is not an Acquiring Person due to such clause (b)(ii) or (b)(iii) does not reduce its percentage of Beneficial Ownership of Common Shares to 15% or less by the Close of Business on the tenth calendar day, or such other calendar day as determined, in good faith, by the Board of Directors of the Company, after notice from the Company (the date of notice being the first day) that such Person's Beneficial Ownership of Common Shares would make it an Acquiring Person, such Person shall, at the end of such ten calendar day period, become an Acquiring

Person (and such clause (b) (ii) or (b) (iii) shall no longer apply to such Person). For purposes of this definition, the determination whether any Person acted in "good faith" shall be conclusively determined by the Board of Directors of the Company.

"AFFILIATE" and "ASSOCIATE", when used with reference to any Person, shall have the respective meanings ascribed to such terms in Rule 12b-2 of the General Rules and Regulations under the Exchange Act, as in effect on the date of this Rights Agreement.

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A Person shall be deemed the "BENEFICIAL OWNER" of, and shall be deemed to "BENEFICIALLY OWN", and shall be deemed to have "BENEFICIAL OWNERSHIP" of, any securities:

(a) which such Person or any of such Person's Affiliates or Associates is deemed to "beneficially own" within the meaning of Rule 13d-3 of the General Rules and Regulations under the Exchange Act, as in effect on the date of this Rights Agreement;

(b) which such Person or any of such Person's Affiliates or Associates has, directly or indirectly: (i) the right to acquire (whether such right is exercisable immediately or only after the passage of time) pursuant to any agreement, arrangement or understanding (written or oral), or upon the exercise of conversion rights, exchange rights, rights (other than the Rights), warrants or options, or otherwise; PROVIDED, HOWEVER, that a Person shall not be deemed under this clause (i) to be the Beneficial Owner of, or to beneficially own, or to have Beneficial Ownership of, any securities tendered pursuant to a tender or exchange offer made by or on behalf of such Person or any of such Person's Affiliates or Associates until such tendered securities are accepted for purchase or exchange thereunder or cease to be subject to withdrawal by the tendering security holder; or (ii) the right to vote pursuant to any agreement, arrangement or understanding (written or oral); PROVIDED, HOWEVER, that a Person shall not be deemed under this clause (ii) to be the Beneficial Owner of, or to beneficially own, any security if (A) the agreement, arrangement or understanding (written or oral) to vote such security arises solely from a revocable proxy or consent given to such Person in response to a public proxy or consent solicitation made generally to all holders of Common Shares pursuant to, and in accordance with, the applicable rules and regulations under the Exchange Act and (B) the beneficial ownership of such security is not also then reportable on Schedule 13D or 13G under the Exchange Act (or any comparable or successor report); or

(c) which are beneficially owned, directly or indirectly, by any other Person with which such Person or any of such Person's

Affiliates or Associates has any agreement, arrangement or understanding (written or oral) for the purpose of acquiring, holding, voting (except pursuant to a revocable proxy as described in the proviso to clause (b)(ii) of this definition) or disposing of any securities of the Company; provided, however, that no Person who is an officer, director or employee of an Exempt Person shall be deemed, solely by reason of such Person's status or authority as such, to be the "Beneficial Owner" of, to have "Beneficial Ownership" of or to "beneficially own" any securities that are "beneficially owned" (as defined herein), including, without limitation, in a fiduciary capacity, by an Exempt Person or by any other such officer, director or employee of an Exempt Person.

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Notwithstanding the foregoing, nothing contained in this definition shall cause a Person ordinarily engaged in business as an underwriter of securities to be deemed the "Beneficial Owner" of, or to "beneficially own", or to have "Beneficial Ownership" of, any securities acquired in a bona fide firm commitment underwriting pursuant to an underwriting agreement with the Company.

"BOOK VALUE", when used with reference to Common Shares issued by any Person, shall mean the amount of equity of such Person applicable to each Common Share, determined (a) in accordance with United States generally accepted accounting principles in effect on the date as of which such Book Value is to be determined, (b) using all the consolidated assets and all the consolidated liabilities of such Person on the date as of which such Book Value is to be determined, except that no value shall be included in such assets for goodwill arising from consummation of a Business Combination, and (c) after giving effect to (i) the exercise of all rights, options and warrants to purchase such Common Shares (other than the Rights), and the conversion of all securities convertible into such Common Shares, at an exercise or conversion price, per Common Share, which is less than such Book Value before giving effect to such exercise or conversion (whether or not exercisability or convertibility is conditioned upon occurrence of a future event), (ii) all dividends and other distributions on the capital stock of such Person declared prior to the date as of which such Book Value is to be determined and to be paid or made after such date, and (iii) any other agreement, arrangement or understanding (written or oral), or transaction or other action contemplated prior to the date as of which such Book Value is to be determined that would have the effect of thereafter reducing such Book Value.

"BUSINESS COMBINATION" shall have the meaning set forth in Section 11(c)(i).

"BUSINESS DAY" shall mean each Monday, Tuesday, Wednesday, Thursday and Friday that is not a day on which banking institutions in the

Borough of Manhattan, the City of New York, are authorized or obligated by law or executive order to close.

"CERTIFICATE OF DESIGNATION" shall mean the Certificate of Designation of Series A Participating Cumulative Preferred Stock setting forth the powers, preferences, rights, qualifications, limitations and restrictions of such series of Preferred Stock of the Company, a copy of which is attached as Exhibit A.

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"CLOSE OF BUSINESS" on any given date shall mean 5:00 p.m., Eastern time, on such date; PROVIDED, HOWEVER, that, if such date is not a Business Day, "Close of Business" shall mean 5:00 p.m., Eastern time, on the next succeeding Business Day.

"COMMON SHARES", when used with reference to the Company prior to a Business Combination, shall mean the shares of Common Stock of the Company or any other shares of capital stock of the Company into which the Common Stock shall be reclassified or changed. "Common Shares", when used with reference to any Person (other than the Company prior to a Business Combination), shall mean shares of capital stock of such Person (if such Person is a corporation) of any class or series, or units of equity interests in such Person (if such Person is not a corporation) of any class or series, the terms of which do not limit (as a maximum amount and not merely in proportional terms) the amount of dividends or income payable or distributable on such class or series or the amount of assets distributable on such class or series upon any voluntary or involuntary liquidation, dissolution or winding up of such Person and do not provide that such class or series is subject to redemption at the option of such Person, or any shares of capital stock or units of equity interests into which the foregoing shall be reclassified or changed.

"COMMON STOCK" shall have the meaning set forth in the introductory paragraph of this Rights Agreement.

"COMPANY" shall have the meaning set forth in the heading of this Rights Agreement; PROVIDED, HOWEVER, that if there is a Business Combination, "Company" shall have the meaning set forth in Section 11(c) (iii).

The term "CONTROL" with respect to any Person shall mean the power to direct the management and policies of such Person, directly or indirectly, by or through stock ownership, agency or otherwise, or pursuant to or in connection with an agreement, arrangement or understanding (written or oral) with one or more other Persons by or through stock ownership, agency or otherwise; and the terms "controlling" and "controlled" shall have meanings correlative to the foregoing.

"DISTRIBUTION DATE" shall have the meaning set forth in Section 3(b).

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"EXCHANGE ACT" shall mean the Securities Exchange Act of 1934, as in effect on the date in question, unless otherwise specifically provided.

"EXCHANGE CONSIDERATION" shall have the meaning set forth in Section 11(b)(i).

"EXPIRATION DATE" shall have the meaning set forth in Section 7(a).

"MAJOR PART", when used with reference to the assets of the Company and its Subsidiaries as of any date, shall mean assets (a) having a fair market value aggregating 50% or more of the total fair market value of all the assets of the Company and its Subsidiaries (taken as a whole) as of the date in question, (b) accounting for 50% or more of the total value (net of depreciation and amortization) of all the assets of the Company and its Subsidiaries (taken as a whole) as would be shown on a consolidated or combined balance sheet of the Company and its Subsidiaries as of the date in question, prepared in accordance with United States generally accepted accounting principles then in effect, or (c) accounting for 50% or more of the total amount of earnings before interest, taxes, depreciation and amortization or of the revenues of the Company and its Subsidiaries (taken as a whole) as would be shown on, or derived from, a consolidated or combined statement of income or net earnings of the Company and its Subsidiaries for the period of 12 months ending on the last day of the Company's monthly accounting period next preceding the date in question, prepared in accordance with United States generally accepted accounting principles then in effect.

"MARKET VALUE", when used with reference to Common Shares or Preferred Shares on any date, shall mean the average of the daily closing prices, per share, of such Common Shares or Preferred Shares, as applicable, for the period which is the shorter of (a) 30 consecutive Trading Days ending on the Trading Day immediately prior to the date in question or (b) the number of consecutive Trading Days beginning on the Trading Day immediately after the date of the first public announcement of the event requiring a determination of the Market Value of Common Shares or Preferred Shares, as applicable, and ending on the Trading Day immediately prior to the record date of such event; PROVIDED, HOWEVER, that, in the event that the Market Value of such Common Shares or Preferred Shares, as applicable, is to be determined in whole or in part during a period following the announcement by the issuer of such Common Shares or Preferred Shares, as applicable, of any action of the type described in Section 12(a) that would require an

adjustment thereunder, then, and in each such case, the Market Value of such Common Shares or Preferred Shares, as applicable, shall be appropriately adjusted to reflect the effect of such action on the market price of such Common Shares or Preferred Shares, as applicable. The closing price for each Trading Day shall be the closing price quoted on the composite tape for securities listed on the New York Stock Exchange, or, if such securities are not quoted on such composite tape or if such securities are not listed on such exchange, on the principal United States securities exchange registered under the Exchange Act (or any recognized foreign stock exchange) on which such securities are listed, or, if such securities are not listed on any such exchange, the closing price quoted on The Nasdaq Stock Market or, if such securities are not so quoted, the average of the closing bid and asked quotations with respect to a share of such securities on any National Association of Securities Dealers, Inc. quotations system or such other system then in use, or if no such quotations are available, the average of the closing bid and asked prices as furnished by a professional market maker making a market in such securities selected by the Board of Directors of the Company, or if on any such Trading Day no market maker is making a market in such securities, the closing price of such securities on such Trading Day shall be deemed to be the fair value of such securities as determined in good faith by the Board of Directors of the Company (whose determination shall be described in a statement filed with the Rights Agent and shall be binding on the Rights Agent, the holders of Rights and all other Persons); PROVIDED, HOWEVER, that for the purpose of determining the closing price of the Preferred Shares for any Trading Day on which there is no such market maker for the Preferred Shares the closing price on such Trading Day shall be deemed to be the Formula Number (as defined in the Certificate of Designation) multiplied by the closing price of the Common Shares of the Company on such Trading Day.

"PERSON" shall mean an individual, corporation, partnership, limited liability company, joint venture, association, trust, unincorporated organization or other entity.

"PREFERRED SHARES" shall have the meaning set forth in the introductory paragraph of this Rights Agreement. Any reference in this Rights Agreement to Preferred Shares shall be deemed to include any authorized fraction of a Preferred Share, unless the context otherwise requires.

"PRINCIPAL PARTY" shall mean the Surviving Person in a Business Combination; PROVIDED, HOWEVER, that, (i) if such Surviving Person is a direct or indirect Subsidiary of any other Person, "Principal Party" shall mean the Person which is the ultimate parent of such Surviving Person and which is

not itself a Subsidiary of another Person, and (ii) in the event ultimate control of such Surviving Person is shared by two or more Persons, "Principal Party" shall mean that Person that is immediately controlled by such two or more Persons.

"PURCHASE PRICE" with respect to each Right shall mean \$[], as such amount may from time to time be adjusted as provided herein, and shall be payable in lawful money of the United States of America. All references herein to the Purchase Price shall mean the Purchase Price as in effect at the time in question.

"RECORD DATE" shall have the meaning set forth in the introductory paragraph of this Rights Agreement.

"REDEMPTION DATE" shall have the meaning set forth in Section 24(a).

"REDEMPTION PRICE" with respect to each Right shall mean \$0.01, as such amount may from time to time be adjusted in accordance with Section 12. All references herein to the Redemption Price shall mean the Redemption Price as in effect at the time in question.

"REGISTERED COMMON SHARES" shall mean Common Shares that are, as of the date of consummation of a Business Combination, and have continuously been for the 12 months immediately preceding such date, registered under Section 12 of the Exchange Act.

"RIGHT CERTIFICATE" shall mean a certificate evidencing a Right in substantially the form attached as Exhibit B.

"RIGHTS" shall mean the rights to purchase Preferred Shares (or other securities) as provided in this Rights Agreement.

"SECURITIES ACT" shall mean the Securities Act of 1933, as in effect on the date in question, unless otherwise specifically provided.

"SUBSIDIARY" shall mean a Person, at least a majority of the total outstanding voting power (being the power under ordinary circumstances (and not merely upon the

happening of a contingency) to vote in the election of directors of such Person (if such Person is a corporation) or to participate in the management and control of such Person (if such Person is not a corporation)) of which is owned, directly or indirectly, by another Person or by one or more other Subsidiaries of such other Person or by such other Person and one or more other Subsidiaries of such other Person.

"SURVIVING PERSON" shall mean (a) the Person which is the continuing or surviving Person in a consolidation or merger specified in Section 11(c)(i)(A) or 11(c)(i)(B) or (b) the Person to which the Major Part of the assets of the Company and its Subsidiaries is sold, leased, exchanged or otherwise transferred or disposed of in a transaction specified in Section 11(c)(i)(C); PROVIDED, HOWEVER, that, if the Major Part of the assets of the Company and its Subsidiaries is sold, leased, exchanged or otherwise transferred or disposed of in one or more related transactions specified in Section 11(c)(i)(C) to more than one Person, the "Surviving Person" in such case shall mean the Person that acquired assets of the Company and/or its Subsidiaries with the greatest fair market value in such transaction or transactions.

"TRADING DAY" shall mean a day on which the principal national securities exchange (or principal recognized foreign stock exchange, as the case may be) on which any securities or Rights, as the case may be, are listed or admitted to trading is open for the transaction of business or, if the securities or Rights in question are not listed or admitted to trading on any national securities exchange (or recognized foreign stock exchange, as the case may be), a Business Day.

SECTION 2. APPOINTMENT OF RIGHTS AGENT. The Company hereby appoints the Rights Agent to act as agent for the Company and the holders of the Rights (who, in accordance with Section 3, shall prior to the Distribution Date also be the holders of the Common Shares) in accordance with the terms and conditions hereof, and the Rights Agent hereby accepts such appointment. The Company may from time to time appoint one or more co-Rights Agents as it may deem necessary or desirable (the term "Rights Agent" being used herein to refer, collectively, to the Rights Agent together with any such co-Rights Agents). In the event the Company appoints one or more co-Rights Agents, the respective duties of the Rights Agent and any co-Rights Agents shall be as the Company shall determine.

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SECTION 3. ISSUE OF RIGHTS AND RIGHT CERTIFICATES. (a) One Right shall be associated with each Common Share outstanding on the Record Date, each additional Common Share that shall become outstanding between the Record Date and the earliest of the Distribution Date, the Redemption Date, the Exchange Date, to the extent applicable, or the Expiration Date and each additional Common Share with which Rights are issued after the Distribution Date but prior to the earliest of the Redemption Date, the Exchange Date, to the extent applicable, or the Expiration Date as provided in Section 23; PROVIDED, HOWEVER, that, if the number of outstanding Rights are combined into a smaller or larger number of outstanding Rights pursuant to the terms hereof, the appropriate number of Rights (or fraction thereof) determined pursuant to such Section shall thereafter be associated with each such Common Share.

(b) Until the earlier of (i) such time as the Company learns that a Person has become an Acquiring Person and (ii) the Close of Business on such date, if any, as may be designated by the Board of Directors of the Company following the commencement of, or first public disclosure of an intent to commence, a tender or exchange offer by any Person (other than an Exempt Person) for outstanding Common Shares, if upon consummation of such tender or exchange offer such Person could be the Beneficial Owner of more than 15% of the outstanding Common Shares (the Close of Business on the earlier of such dates being the "Distribution Date"), (x) the Rights shall, except as otherwise provided in Section 3(c), be evidenced by the certificates for Common Shares registered in the names of the holders thereof and not by separate Right Certificates, and (y) the Rights, including the right to receive Right Certificates, will be transferable only in connection with the transfer of Common Shares. The Company shall notify the Rights Agent as promptly as practicable that the Distribution Date has occurred. As soon as practicable after the Distribution Date, the Rights Agent shall send, by first-class, postage-prepaid mail, to each record holder of Common Shares as of the Distribution Date, at the address of such holder shown on the records of the Company, a Right Certificate evidencing one whole Right for each Common Share (or for the number of Common Shares with which one whole Right is then associated if the number of Rights per Common Share held by such record holder has been adjusted in accordance with the proviso in Section 3(a)). If the number of Rights associated with each Common Share has been adjusted in accordance with the proviso in Section 3(a), at the time of distribution of the Right Certificates the

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Company may make any necessary and appropriate rounding adjustments so that Right Certificates representing only whole numbers of Rights are distributed and cash is paid in lieu of any fractional Right in accordance with Section 15(a). The Company shall notify the Rights Agent as promptly as practicable of any such adjustments. As of and after the Distribution Date, the Rights shall be evidenced solely by such Right Certificates.

(c) As soon as practicable, and in any event no later than 30 days, after the Record Date, the Company will send a copy of a Summary of Rights to Purchase Preferred Shares, in substantially the form attached hereto as Exhibit C (the "Summary of Rights"), by first-class, postage prepaid mail, to each record holder of Common Shares as of the Close of Business on the Record Date at the address of such holder shown on the records of the Company. With respect to any certificate for Common Shares outstanding as of the Record Date, until the earliest of the Distribution Date, the Redemption Date, the Exchange Date, to the extent applicable, or the Expiration Date, (i) the Rights associated with the Common Shares represented by any such certificate shall be evidenced by such certificates for the Common Shares with a copy of the Summary of Rights attached thereto

and the registered holders of the Common Shares shall also be the registered holders of the associated Rights and (ii) the surrender for transfer of any such certificate, even without a copy of the Summary of Rights attached thereto, shall also constitute the transfer of the Rights associated with the Common Shares represented thereby.

(d) Certificates issued for Common Shares after the Record Date (including upon transfer or exchange of outstanding Common Shares), but prior to the earliest of the Distribution Date, the Redemption Date, the Exchange Date, to the extent applicable, or the Expiration Date, shall have printed on, written on or otherwise affixed to them the following legend:

This certificate also evidences and entitles the holder hereof to certain Rights as set forth in a Rights Agreement dated as of [], 2001 (as it may be amended from time to time (the "Rights Agreement")), between Zimmer Holdings, Inc. (the "Corporation") and Mellon Investor Services LLC, as Rights Agent (the "Rights Agent"), the terms of which (including restrictions on the transfer of such Rights) are hereby incorporated herein by reference and a copy of which is on file at the principal executive offices of the Corporation. Under certain circumstances, as set forth in the Rights Agreement, such Rights shall be evidenced by separate certificates and shall no longer be evidenced

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by this certificate. The Corporation shall mail to the holder of this certificate a copy of the Rights Agreement without charge after receipt of a written request therefor. RIGHTS BENEFICIALLY OWNED BY ACQUIRING PERSONS (AS SUCH TERM IS DEFINED IN THE RIGHTS AGREEMENT) AND CERTAIN TRANSFEREES THEREOF ARE NULL AND VOID AND ARE NO LONGER TRANSFERABLE.

Notwithstanding this Section 3(d), neither the omission of a legend nor the inclusion of a legend that makes reference to a rights agreement other than the Rights Agreement shall affect the enforceability of any part of this Rights Agreement or the rights of any holder of Rights. In the event that the Company purchases or otherwise acquires any Common Shares after the Record Date but prior to the Distribution Date, any Rights associated with such Common Shares shall be deemed canceled and retired so that the Company shall not be entitled to exercise any Rights associated with the Common Shares which are no longer outstanding.

SECTION 4. FORM OF RIGHT CERTIFICATES. The Right Certificates (and the form of election to purchase and form of assignment to be printed on the reverse side thereof) shall be in substantially the form set forth as Exhibit B and may have such marks of identification or designation and such legends, summaries or endorsements printed thereon as the Company may deem

appropriate and as are not inconsistent with the provisions of this Rights Agreement, or as may be required to comply with any applicable law or with any rule or regulation made pursuant thereto or with any rule or regulation of any stock exchange on which the Rights may from time to time be listed, or to conform to usage. Subject to the provisions of Sections 7, 11 and 23, the Right Certificates, whenever issued, shall be dated as of the Distribution Date, and on their face shall entitle the holders thereof to purchase such number of Preferred Shares as shall be set forth therein for the Purchase Price set forth therein, subject to adjustment from time to time as herein provided.

SECTION 5. EXECUTION, COUNTERSIGNATURE AND REGISTRATION. (a)

The Right Certificates shall be executed on behalf of the Company by the Chairman of the Board, any Vice Chairman of the Board, the Chief Executive Officer, the President, the Chief Operating Officer, the Treasurer or any Vice President (whether preceded by any additional title) of the Company, either manually or by facsimile signature, and have affixed thereto the Company's seal or a facsimile thereof, which shall be attested by the Secretary, an Assistant Secretary or a Vice President (whether preceded by any additional title, provided that such Vice President shall not have also executed the Right Certificates) of the Company, either manually or by facsimile signature. The Right Certificates shall be manually countersigned by the Rights Agent and shall not be valid or obligatory for any purpose unless so countersigned. In case any officer of the

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Company who shall have signed any of the Right Certificates shall cease to be such an officer of the Company before countersignature by the Rights Agent and issuance and delivery by the Company, such Right Certificates may nevertheless be countersigned by the Rights Agent and issued and delivered by the Company with the same force and effect as though the person who signed such Right Certificates had not ceased to be such an officer of the Company; and any Right Certificate may be signed on behalf of the Company by any person who, at the actual date of execution of such Right Certificate, shall be a proper officer of the Company to sign such Right Certificate, although at the date of execution of this Rights Agreement any such person was not such an officer of the Company.

(b) Following the Distribution Date, the Rights Agent shall keep or cause to be kept, at its principal office in New York, New York, books for registration and transfer of the Right Certificates issued hereunder. Such books shall show the names and addresses of the respective holders of the Right Certificates, the number of Rights evidenced by each of the Right Certificates, the certificate number of each of the Right Certificates and the date of each of the Right Certificates.

SECTION 6. TRANSFER, SPLIT-UP, COMBINATION AND EXCHANGE OF RIGHT CERTIFICATES; MUTILATED, DESTROYED, LOST OR STOLEN RIGHT CERTIFICATES; UNCERTIFICATED RIGHTS. (a) Subject to Sections 7(e) and 15, at any time after

the Distribution Date, and at or prior to the Close of Business on the earliest of the Redemption Date, the Exchange Date, to the extent applicable, or the Expiration Date, any Right Certificate or Right Certificates (other than those that have become void) may be transferred, split-up, combined or exchanged for another Right Certificate or Right Certificates representing, in the aggregate, the same number of Rights as the Right Certificate or Right Certificates surrendered then represented. Any registered holder desiring to transfer, split-up, combine or exchange any Right Certificate shall make such request in writing delivered to the Rights Agent and shall surrender the Right Certificate or Right Certificates to be transferred, split-up, combined or exchanged at the principal office of the Rights Agent; PROVIDED, HOWEVER, that neither the Rights Agent nor the Company shall be obligated to take any action whatsoever with respect to the transfer of any Right Certificate surrendered for transfer until the registered holder shall have completed and signed the certification contained in the form of assignment on the reverse side of such Right Certificate and shall have provided such additional evidence of the identity of the Beneficial Owner (or former Beneficial Owner) or Affiliates or Associates

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thereof as the Company or the Rights Agent shall reasonably request. Thereupon the Rights Agent shall, subject to Sections 7(e) and 15, countersign and deliver to the Person entitled thereto a Right Certificate or Right Certificates, as the case may be, as so requested. The Company may require payment of a sum sufficient to cover any tax or governmental charge that may be imposed in connection with any transfer, split-up, combination or exchange of Right Certificates.

(b) Subject to Sections 7(e) and 15, at any time after the Distribution Date, and at or prior to the Close of Business on the earliest of the Redemption Date, the Exchange Date, to the extent applicable, or the Expiration Date, upon receipt by the Company and the Rights Agent of evidence reasonably satisfactory to them of the loss, theft, destruction or mutilation of a valid Right Certificate, and, in case of loss, theft or destruction, of indemnity or security reasonably satisfactory to them, and, at the Company's request, reimbursement to the Company and the Rights Agent of all reasonable expenses incidental thereto, and upon surrender to the Rights Agent and cancelation of the Right Certificate if mutilated, the Company shall make a new Right Certificate of like tenor and deliver such new Right Certificate to the Rights Agent for delivery to the registered owner in lieu of the Right Certificate so lost, stolen, destroyed or mutilated.

(c) Notwithstanding any other provision hereof, the Company and the Rights Agent may amend this Rights Agreement to provide for uncertificated Rights in addition to or in place of Rights evidenced by Right Certificates.

SECTION 7. EXERCISE OF RIGHTS; EXPIRATION DATE OF RIGHTS.

(a) Subject to Section 7(e) and except as otherwise provided herein (including Section 11), each Right shall entitle the registered holder thereof, upon exercise thereof as provided herein, to purchase for the Purchase Price, at any time after the Distribution Date and at or prior to the earliest of (i) the Close of Business on the 10th anniversary of the date of this Rights Agreement (the Close of Business on such date being the "Expiration Date"), (ii) the Redemption Date or (iii) the time at which such Right is exchanged as provided in Section 11(b) hereof (the Close of Business on such date as to such Right being the "Exchange Date"), one one-thousandth (1/1,000th) of a Preferred Share, subject to adjustment from time to time as provided in Sections 11 and 12.

(b) The registered holder of any Right Certificate may exercise the Rights evidenced thereby (except as otherwise provided herein) in whole or in part at any time after the Distribution Date, upon surrender of the Right Certificate, with the form of election to purchase on the reverse side thereof duly executed, to the Rights Agent at the principal office of the Rights Agent in New York, New York, together with payment of the Purchase Price for each one one-thousandth (1/1,000th) of a Preferred Share as to

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which the Rights are exercised, at or prior to the earliest of (i) the Expiration Date, (ii) the Exchange Date, to the extent applicable, and (iii) the Redemption Date.

(c) Except as otherwise provided herein, upon receipt of a Right Certificate representing exercisable Rights, with the form of election to purchase duly executed, accompanied by payment of the Purchase Price for the Preferred Shares to be purchased together with an amount equal to any applicable transfer tax, in lawful money of the United States of America, in cash or by certified check or money order payable to the order of the Company, the Rights Agent shall thereupon (i) either (A) promptly requisition from any transfer agent of the Preferred Shares (or make available, if the Rights Agent is the transfer agent) certificates for the number of Preferred Shares to be purchased and the Company hereby irrevocably authorizes its transfer agent to comply with all such requests or (B) if the Company shall have elected to deposit the Preferred Shares with a depositary agent under a depositary arrangement, promptly requisition from the depositary agent depositary receipts representing the number of one one-thousandths (1/1,000ths) of a Preferred Share to be purchased (in which case certificates for the Preferred Shares to be represented by such receipts shall be deposited by the transfer agent with the depositary agent) and the Company shall direct the depositary agent to comply with all such requests, (ii) when appropriate, promptly requisition from the Company the amount of cash to be paid in lieu of issuance of fractional shares in accordance with Section 15, (iii) promptly after receipt of such certificates or depositary receipts,

cause the same to be delivered to or upon the order of the registered holder of such Right Certificate, registered in such name or names as may be designated by such holder and (iv) when appropriate, after receipt promptly deliver such cash to or upon the order of the registered holder of such Right Certificate.

(d) Except as otherwise provided herein, in case the registered holder of any Right Certificate shall exercise fewer than all the Rights evidenced thereby, a new Right Certificate evidencing Rights equivalent to the Rights remaining unexercised shall be issued by the Rights Agent and delivered to the registered holder of such Right Certificate or to such holder's duly authorized assigns, subject to the provisions of Section 15.

(e) Notwithstanding anything in this Rights Agreement to the contrary, any Rights that are at any time beneficially owned by (i) an Acquiring Person or an Affiliate or Associate of an Acquiring Person, (ii) a transferee of an Acquiring Person (or of any such Associate or Affiliate) who becomes a transferee after the Acquiring Person becomes such, or (iii) a transferee of an Acquiring

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Person (or of any such Associate or Affiliate) who becomes a transferee prior to or concurrently with the Acquiring Person becoming such and receives such Rights pursuant to either (A) a transfer (whether or not for consideration) from the Acquiring Person to holders of equity interests in such Acquiring Person or to any Person with whom the Acquiring Person has any continuing agreement, arrangement or understanding regarding the transferred Rights or (B) a transfer which the Board of Directors of the Company has determined is part of a plan, arrangement or understanding which has as a primary purpose or effect the avoidance of this Section 7(e), and subsequent transferees of such Persons, shall be null and void without any further action and no holder of such Rights shall have any rights whatsoever with respect to such Rights, whether under any provision of this Rights Agreement or otherwise. The Company shall use all reasonable efforts to ensure that the provisions of this Section 7(e) are complied with, but shall have no liability to any holder of any Right Certificate or any other Person as a result of its failure to make any determinations with respect to an Acquiring Person or its Affiliate or Associate, or any transferee thereof, hereunder. From and after the time a Person becomes an Acquiring Person, no Right Certificate shall be issued pursuant to Section 3 or Section 6 hereof that represents Rights that are or have become void pursuant to the provisions hereof, and any Right Certificate delivered to the Rights Agent that represents Rights that are or have become void pursuant to the provisions of this paragraph shall be canceled.

(f) Notwithstanding anything in this Rights Agreement to the

contrary, neither the Rights Agent nor the Company shall be obligated to undertake any action with respect to a registered holder of any Right Certificates upon the occurrence of any purported exercise as set forth in this Section 7 unless such registered holder shall have (i) completed and signed the certificate contained in the form of election to purchase set forth on the reverse side of the Right Certificate surrendered for such exercise and (ii) provided such additional evidence of the identity of the Beneficial Owner (or former Beneficial Owner) or Affiliates or Associates thereof as the Company shall reasonably request.

(g) The Company may temporarily suspend, for a period of time not to exceed 90 calendar days after the Distribution Date, the exercisability of the Rights in order to prepare and file a registration statement under the Securities Act, on an appropriate form, with respect to the Preferred Shares purchasable upon exercise of the Rights and permit such registration statement to become effective; PROVIDED, HOWEVER, that no such suspension shall remain effective after, and the Rights shall without any further action by the Company or any other Person become exercisable immediately upon, the effectiveness of such registration statement. Upon any such suspension, the Company shall issue a public announcement stating that the exercisability of the Rights has been temporarily suspended and shall issue

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a further public announcement at such time as the suspension is no longer in effect. Notwithstanding any provision herein to the contrary, the Rights shall not be exercisable in any jurisdiction if the requisite qualification under the blue sky or securities laws of such jurisdiction shall not have been obtained or the exercise of the Rights shall not be permitted under applicable law.

SECTION 8. CANCELATION AND DESTRUCTION OF RIGHT CERTIFICATES.

All Right Certificates surrendered or presented for the purpose of exercise, transfer, split-up, combination or exchange shall, and any Right Certificate representing Rights that have become null and void and nontransferable pursuant to Section 7(e) surrendered or presented for any purpose shall, if surrendered or presented to the Company or to any of its agents, be delivered to the Rights Agent for cancellation or in canceled form, or, if surrendered or presented to the Rights Agent, shall be canceled by it, and no Right Certificates shall be issued in lieu thereof except as expressly permitted by this Rights Agreement. The Company shall deliver to the Rights Agent for cancellation and retirement, and the Rights Agent shall so cancel and retire, any Right Certificate purchased or acquired by the Company. The Rights Agent shall deliver all canceled Right Certificates to the Company, or shall, at the written request of the Company, destroy such canceled Right Certificates, and in such case shall deliver a certificate of destruction thereof to the Company.

SECTION 9. RESERVATION AND AVAILABILITY OF PREFERRED SHARES.

(a) The Company shall cause to be reserved and kept available out of its

authorized and unissued Preferred Shares or any authorized and issued Preferred Shares held in its treasury, free from preemptive rights or any right of first refusal, a number of Preferred Shares sufficient to permit the exercise in full of all outstanding Rights.

(b) If there are not sufficient Preferred Shares issued but not outstanding or authorized but unissued to permit the exercise or exchange of Rights in accordance with Section 11, the Company shall take all such action as may be necessary to authorize additional Preferred Shares for issuance upon the exercise or exchange of Rights pursuant to Section 11; PROVIDED, HOWEVER, that if the Company is unable to cause the authorization of additional Preferred Shares, then the Company shall, or (if action by the Company's stockholders is necessary to cause such authorization) in lieu of seeking any such authorization, the Company may, to the extent necessary and permitted by applicable law and any agreements or instruments in effect prior to the

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Distribution Date to which it is a party, (i) upon surrender of a Right, pay cash equal to the Purchase Price in lieu of issuing Preferred Shares and requiring payment therefor, (ii) upon due exercise of a Right and payment of the Purchase Price for each Preferred Share as to which such Right is exercised, issue common stock or other equity securities having a value equal to the value of the Preferred Shares that otherwise would have been issuable pursuant to Section 11, which value shall be determined by a nationally recognized investment banking firm selected by the Board of Directors of the Company, or (iii) upon due exercise of a Right and payment of the Purchase Price for each Preferred Share as to which such Right is exercised, distribute a combination of Preferred Shares, cash and/or other equity and/or debt securities having an aggregate value equal to the value of the Preferred Shares that otherwise would have been issuable pursuant to Section 11, which value shall be determined by a nationally recognized investment banking firm selected by the Board of Directors of the Company. To the extent that any legal or contractual restrictions (pursuant to agreements or instruments in effect prior to the Distribution Date to which it is party) prevent the Company from paying the full amount payable in accordance with the foregoing sentence, the Company shall pay to holders of the Rights as to which such payments are being made all amounts that are not then restricted on a pro rata basis as such payments become permissible under such legal or contractual restrictions until such payments have been paid in full.

(c) The Company shall take all such action as may be necessary to ensure that all Preferred Shares delivered upon exercise or exchange of Rights shall, at the time of delivery of the certificates for such Preferred Shares (subject to payment of the Purchase Price), be duly and validly authorized and issued and fully paid and nonassessable shares.

(d) So long as the Preferred Shares issuable upon the exercise or exchange of Rights may be listed on any national securities

exchange, the Company shall use its best efforts to cause, from and after such time as the Rights become exercisable or exchangeable, all Preferred Shares reserved for such issuance to be listed on such securities exchange upon official notice of issuance upon such exercise or exchange.

(e) The Company shall pay when due and payable any and all Federal and state transfer taxes and charges which may be payable in respect of the issuance or delivery of Right Certificates or of any Preferred Shares or Common

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Shares or other securities upon the exercise or exchange of the Rights. The Company shall not, however, be required to pay any transfer tax which may be payable in respect of any transfer or delivery of Right Certificates to a Person other than, or in respect of the issuance or delivery of certificates for the Preferred Shares or Common Shares or other securities, as the case may be, in a name other than that of, the registered holder of the Right Certificate evidencing Rights surrendered for exercise or exchange or to issue or deliver any certificates for Preferred Shares or Common Shares or other securities, as the case may be, upon the exercise or exchange of any Rights until any such tax shall have been paid (any such tax being payable by the holder of such Right Certificate at the time of surrender) or until it has been established to the Company's satisfaction that no such tax is due.

SECTION 10. PREFERRED SHARES RECORD DATE. Each Person in whose name any certificate for Preferred Shares or Common Shares or other securities is issued upon the exercise or exchange of Rights shall for all purposes be deemed to have become the holder of record of the Preferred Shares or Common Shares or other securities, as the case may be, represented thereby on, and such certificate shall be dated, the date on which the Right Certificate evidencing such Rights was duly surrendered and payment of any Purchase Price (and any applicable transfer taxes) was made; PROVIDED, HOWEVER, that, if the date of such surrender and payment is a date upon which the transfer books of the Company for the Preferred Shares or Common Shares or other securities, as the case may be, are closed, such Person shall be deemed to have become the record holder of such Preferred Shares or Common Shares or other securities, as the case may be, on, and such certificate shall be dated, the next succeeding Business Day on which the transfer books of the Company for the Preferred Shares or Common Shares or other securities, as the case may be, are open.

SECTION 11. ADJUSTMENTS IN RIGHTS AFTER THERE IS AN ACQUIRING PERSON; EXCHANGE OF RIGHTS FOR SHARES; BUSINESS COMBINATIONS. (a) Upon a Person becoming an Acquiring Person, each holder of a Right, except as provided in Section 7(e), shall thereafter have a right to receive, upon exercise thereof for the Purchase Price in accordance with the terms of this Rights Agreement, such number of one one-thousandths (1/1,000ths) of a Preferred Share as shall equal the result obtained by multiplying the

Purchase Price by a fraction, the numerator of which is the number of one one-thousandths (1/1,000ths) of a Preferred Share for which such Right is then exercisable and the denominator of which is 50% of the Market Value of the Common Shares on the date on

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which such Person became an Acquiring Person. As soon as practicable after a Person becomes an Acquiring Person (provided the Company shall not have elected to make the exchange permitted by Section 11(b)(i) for all outstanding Rights), the Company shall use its best efforts to:

(i) prepare and file a registration statement under the Securities Act, on an appropriate form, with respect to the Preferred Shares purchasable upon exercise of the Rights;

(ii) cause such registration statement to become effective as soon as practicable after such filing;

(iii) cause such registration statement to remain effective (with a prospectus at all times meeting the requirements of the Securities Act) until the Expiration Date; and

(iv) qualify or register the Preferred Shares purchasable upon exercise of the Rights under the blue sky or securities laws of such jurisdictions as may be necessary or appropriate.

(b)(i) The Board of Directors of the Company may, at its option, at any time after a Person becomes an Acquiring Person, mandatorily exchange all or part of the then outstanding and exercisable Rights (which shall not include Rights that shall have become null and void and nontransferable pursuant to Section 7(e)) for consideration per Right consisting of either (A) one-half of the securities that would be issuable at such time upon the exercise of one Right in accordance with Section 11(a) or, if applicable, Section 9(b)(ii) or 9(b)(iii) or (B) if applicable, the cash consideration specified in Section 9(b)(i) (the consideration issuable per Right pursuant to this Section 11(b)(i) being the "Exchange Consideration"). The Board of Directors of the Company may, at its option, issue a number of Common Shares in lieu of each Preferred Share equal to the Formula Number (as defined in the Certificate of Designation) if there are sufficient Common Shares issued but not outstanding or authorized but unissued. If the Board of Directors of the Company elects to exchange all the Rights for Exchange Consideration pursuant to this Section 11(b)(i) prior to the physical distribution of the Right Certificates, the Company may distribute the Exchange Consideration in lieu of distributing Right Certificates, in which case for purposes of this Rights Agreement holders of Rights shall be deemed to have simultaneously received and surrendered for exchange Right Certificates on the date of such distribution.

Notwithstanding the foregoing, the Board of Directors of the Company may not effect such exchange at any time after any Person (other than the Company, any Subsidiary of the Company or any employee benefit plan of the Company or any of its Subsidiaries or any Person holding Common Shares for or pursuant to the terms of any such employee benefit or compensation plan), together with all Affiliates and Associates of such Person, becomes the Beneficial Owner of more than 50% of the Common Shares then outstanding. From and after the time a Person becomes an Acquiring Person and, subsequent thereto, a Business Combination occurs, any Rights that theretofore have not been exchanged pursuant to this Section 11(b) shall thereafter be exercisable only in accordance with Section 11(c) and may not be exchanged pursuant to this Section 11(b). The exchange of the Rights by the Board of Directors may be made effective at such time, on such basis and with such conditions as the Board of Directors in its sole discretion may establish.

(ii) Any action of the Board of Directors of the Company ordering the exchange of any Rights pursuant to Section 11(b) (i) shall be irrevocable and, immediately upon the effectiveness of such action and without any further action and without any notice, the right to exercise any such Right so exchanged pursuant to Section 11(a) shall terminate and the only right thereafter of a holder of such Right shall be to receive the Exchange Consideration in exchange for each such Right held by such holder or, if the Exchange Consideration shall not have been paid or issued, to exercise any such Right pursuant to Section 11(c) (i). The Company shall promptly give public notice of any such exchange; PROVIDED, HOWEVER, that the failure to give, or any defect in, such notice shall not affect the validity of such exchange. The Company promptly shall mail a notice of any such exchange to all holders of the Rights to be exchanged at their last addresses as they appear upon the registry books of the Rights Agent. Any notice which is mailed in the manner herein provided shall be deemed given, whether or not the holder receives the notice. Each such notice of exchange shall state the method by which the exchange of the Rights for the Exchange Consideration will be effected and, in the event of any partial exchange, the number of Rights which will be exchanged. Any partial exchange shall be effected pro rata based on the number of Rights (other than Rights which shall have become null and void and nontransferable pursuant to the provisions of Section 7(e)) held by each holder of Rights.

(c) (i) In the event that following the time a Person becomes an Acquiring Person, directly or indirectly, any transactions specified in the following clause (A), (B) or (C) of this Section 11(c) (i) (each such transaction being a "Business Combination") shall be consummated:

(A) the Company shall consolidate with, or merge with and into, any Person;

(B) any Person shall merge with and into the Company and, in

all or part of the outstanding Common Shares shall be changed into or exchanged for capital stock or other securities of the Company or of any other Person or cash or any other property; or

(C) the Company shall sell, lease, exchange or otherwise transfer or dispose of (or one or more of its Subsidiaries shall sell, lease, exchange or otherwise transfer or dispose of), in one or more transactions, the Major Part of the assets of the Company and its Subsidiaries (taken as a whole) to any Person,

then, in each such case, proper provision shall be made so that each holder of a Right, except as provided in Section 7(e), shall thereafter have the right to receive, upon the exercise thereof for the Purchase Price in accordance with the terms of this Rights Agreement, the securities specified below (or, at such holder's option, the securities specified in Section 11(a) if the Company is the surviving corporation in such Business Combination):

(1) if the Principal Party in such Business Combination has Registered Common Shares outstanding, each Right shall thereafter represent the right to receive, upon the exercise thereof for the Purchase Price in accordance with the terms of this Rights Agreement, such number of Registered Common Shares of such Principal Party, free and clear of all liens, encumbrances or other adverse claims, as shall have an aggregate Market Value as of the time of exercise thereof equal to the result obtained by multiplying the Purchase Price by two;

(2) if the Principal Party involved in such Business Combination does not have Registered Common Shares outstanding, each Right shall thereafter represent the right to receive, upon the exercise thereof for the Purchase Price in accordance with the terms of this Rights Agreement, at the election of the holder of such Right at the time of the exercise thereof, any of:

(x) such number of Common Shares of the Surviving Person in such Business Combination as shall have an aggregate Book Value immediately after giving effect to such Business Combination equal to the result obtained by multiplying the Purchase Price by two;

(y) such number of Common Shares of the Principal

Party in such Business Combination (if the Principal Party is not also the Surviving Person in such Business Combination) as shall have an aggregate Book Value immediately after giving effect to such Business Combination equal to the result obtained by multiplying the Purchase Price by two; or

(z) if the Principal Party in such Business Combination is an Affiliate of one or more Persons that has Registered Common Shares outstanding, such number of Registered Common Shares of whichever of such Affiliates of the Principal Party has Registered Common Shares with the greatest aggregate Market Value on the date of consummation of such Business Combination as shall have an aggregate Market Value on the date of such Business Combination equal to the result obtained by multiplying the Purchase Price by two.

(ii) The Company shall not consummate any Business Combination unless each issuer of Common Shares for which Rights may be exercised, as set forth in this Section 11(c), shall have sufficient authorized Common Shares that have not been issued or reserved for issuance (and which shall, when issued upon exercise thereof in accordance with this Rights Agreement, be validly issued, fully paid and nonassessable and free of preemptive rights, rights of first refusal or any other restrictions or limitations on the transfer or ownership thereof) to permit the exercise in full of the Rights in accordance with this Section 11(c) and unless prior thereto:

(A) a registration statement under the Securities Act on an appropriate form, with respect to the Rights and the Common Shares of such issuer purchasable upon exercise of the Rights, shall be effective under the Securities Act; and

(B) the Company and each such issuer shall have:

(1) executed and delivered to the Rights Agent a supplemental agreement providing for the assumption by such issuer of the obligations set forth in this Section 11(c) (including the obligation of such issuer to issue Common Shares upon the exercise of Rights in accordance with the terms set forth in Sections 11(c) (i) and

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11(c) (iii)) and further providing that such issuer, at its own expense, shall use its best efforts to:

(x) cause a registration statement under the Securities Act on an appropriate form, with respect to the Rights and the Common Shares of such issuer

purchasable upon exercise of the Rights, to remain effective (with a prospectus at all times meeting the requirements of the Securities Act) until the Expiration Date;

(y) qualify or register the Rights and the Common Shares of such issuer purchasable upon exercise of the Rights under the blue sky or securities laws of such jurisdictions as may be necessary or appropriate; and

(z) list the Rights and the Common Shares of such issuer purchasable upon exercise of the Rights on each national securities exchange on which the Common Shares were listed prior to the consummation of the Business Combination or, if the Common Shares were not listed on a national securities exchange prior to the consummation of the Business Combination, on a national securities exchange;

(2) furnished to the Rights Agent a written opinion of independent counsel stating that such supplemental agreement is a valid, binding and enforceable agreement of such issuer; and

(3) filed with the Rights Agent a certificate of a nationally recognized firm of independent accountants setting forth the number of Common Shares of such issuer that may be purchased upon the exercise of each Right after the consummation of such Business Combination.

(iii) After consummation of any Business Combination and subject to the provisions of Section 11(c)(ii), (A) each issuer of Common Shares for which Rights may be exercised as set forth in this Section 11(c) shall be liable for, and shall assume, by virtue of such Business Combination, all the obligations and duties of the Company pursuant to this Rights Agreement, (B) the term "Company" shall thereafter be deemed to refer to such issuer, (C) each such issuer shall take such steps

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in connection with such consummation as may be necessary to assure that the provisions hereof (including the provisions of Sections 11(a) and 11(c)) shall thereafter be applicable, as nearly as reasonably may be, in relation to its Common Shares thereafter deliverable upon the exercise of the Rights, and (D) the number of Common Shares of each such issuer thereafter receivable upon exercise of any Right shall be subject to adjustment from time to time in a manner and on terms as nearly equivalent as practicable to the provisions of

Sections 11 and 12 and the provisions of Sections 7, 9 and 10 with respect to the Preferred Shares shall apply, as nearly as reasonably may be, on like terms to any such Common Shares.

(iv) In case the issuer of Common Shares for which Rights may be exercised, as set forth in this Section 11(c), has a provision in any of its authorized securities or in its certificate of incorporation or by-laws or other instrument governing its affairs, which provision would have the effect of (i) causing such issuer to issue (other than to holders of Rights pursuant to this Section 11(c)), in connection with, or as a consequence of, the consummation of a transaction referred to in this Section 11(c), Common Shares of such issuer at less than the then Market Value per share thereof or securities exercisable for, or convertible into, Common Shares of such issuer at less than such then Market Value, or (ii) providing for any special payment, tax or similar provision in connection with the issuance of the Common Shares of such issuer pursuant to the provisions of Section 11(c), then, in such event, the Company hereby agrees with each holder of Rights that it shall not consummate any such transaction unless prior thereto the Company and such issuer shall have executed and delivered to the Rights Agent a supplemental agreement providing that the provision in question of such issuer shall have been canceled, waived or amended, or that the authorized securities shall be redeemed, so that the applicable provision will have no effect in connection with, or as a consequence of, the consummation of the proposed transaction.

SECTION 12. CERTAIN ADJUSTMENTS. (a) To preserve the actual or potential economic value of the Rights, if at any time after the date of this Rights Agreement there shall be any change in the Common Shares or the Preferred Shares, whether by reason of stock dividends, stock splits, reclassifications, recapitalizations, mergers, consolidations, combinations or exchanges of securities, split-ups, split-offs, spin-offs, liquidations, other similar changes in capitalization, any distribution or issuance of cash, assets, evidences of indebtedness or subscription rights, options or warrants to holders of Common Shares or Preferred Shares, as the case may be (other than distribution of the Rights or regular quarterly cash dividends), or otherwise, then, in each such event the Board of Directors of the Company shall make such appropriate adjustments in the number of Preferred Shares (or the number and kind of other securities) issuable upon exercise of each Right, the Purchase Price and Redemption Price in effect at such time and the number of Rights outstanding at such time (including the number of Rights or fractional Rights associated with each Common Share) such that following such adjustment such event shall not have had the effect of reducing or limiting the benefits the holders of the Rights would have had absent such event.

(b) If, as a result of an adjustment made pursuant to Section 12(a), the holder of any Right thereafter exercised shall become entitled to receive any securities other than Preferred Shares, thereafter the number of such securities so receivable upon exercise of any Right shall be subject to adjustment from time to time in a manner and on terms as nearly equivalent as practicable to the provisions of Sections 11 and 12 and the provisions of Sections 7, 9 and 10 with respect to the Preferred Shares shall apply, as nearly

(c) All Rights originally issued by the Company subsequent to any adjustment made to the amount of Preferred Shares or other securities relating to a Right shall evidence the right to purchase, for the Purchase Price, the adjusted number and kind of securities purchasable from time to time hereunder upon exercise of the Rights, all subject to further adjustment as provided herein.

(d) Irrespective of any adjustment or change in the Purchase Price or the number of Preferred Shares or number or kind of other securities issuable upon the exercise of the Rights, the Right Certificates theretofore and thereafter issued may continue to express the terms that were expressed in the initial Right Certificates issued hereunder.

(e) In any case in which action taken pursuant to Section 12(a) requires that an adjustment be made effective as of a record date for a specified event, the Company may elect to defer until the occurrence of such event the issuing to the holder of any Right exercised after such record date the Preferred Shares and/or other securities, if any, issuable upon such exercise over and above the Preferred Shares and/or other securities, if any, issuable before giving effect to such adjustment; PROVIDED, HOWEVER, that the Company shall deliver to such holder a due bill or other appropriate instrument evidencing such holder's right to receive such additional securities upon the occurrence of the event requiring such adjustment.

SECTION 13. CERTIFICATE OF ADJUSTMENT. Whenever an adjustment is made as provided in Section 11 or 12, the Company shall (a) promptly prepare a certificate setting forth such adjustment and a brief statement of the facts accounting for such adjustment, (b) promptly file with the Rights Agent and with each transfer agent for the Preferred Shares a copy of such certificate and (c) mail a brief summary thereof to each holder of a Right Certificate in accordance with Section 25 (if so required in Section 25 hereof), provided that the failure to prepare, file or mail such certificate or summary shall not affect the validity of such adjustment. The Rights Agent shall be fully protected in relying on any such certificate and on any adjustment therein contained.

SECTION 14. ADDITIONAL COVENANTS. (a) Notwithstanding any other provision of this Rights Agreement, no adjustment to the number of Preferred Shares (or fractions of a share) or other securities for which a Right is exercisable or the number of Rights outstanding or associated with each Common Share or any similar or other adjustment

shall be made or be effective if such adjustment would have the effect of reducing or limiting the benefits the holders of the Rights would have had absent such adjustment, including the benefits under Sections 11 and 12, unless the terms of this Rights Agreement are amended so as to preserve such benefits.

(b) The Company covenants and agrees that, after the Distribution Date, except as permitted by Section 26, it shall not take (or permit any Subsidiary of the Company to take) any action if at the time such action is taken it is intended or reasonably foreseeable that such action will reduce or otherwise limit the benefits the holders of the Rights would have had absent such action, including the benefits under Sections 11 and 12. Any action taken by the Company during any period after any Person becomes an Acquiring Person but prior to the Distribution Date shall be null and void unless such action could be taken under this Section 14(b) from and after the Distribution Date. The Company shall not consummate any Business Combination if (i) any issuer of Common Shares for which Rights may be exercised after such Business Combination in accordance with Section 11(c) shall have taken any action that reduces or otherwise limits the benefits the holders of the Rights would have had absent such action, including the benefits under Sections 11 and 12, (ii) at the time of or immediately after such consolidation, merger, sale, transfer or other transaction there are any rights, warrants or other instruments or securities outstanding or agreements in effect which would substantially diminish or otherwise eliminate the benefits intended to be afforded by the Rights, (iii) prior to, simultaneously with or immediately after such consolidation, merger, sale, transfer or other transaction, the stockholders of the Person who constitutes, or would constitute, the issuer for purposes of Section 11(c) hereof shall have received a distribution of Rights previously owned by such Person or any of its Affiliates or Associates or (iv) the form or nature of organization of the issuer would preclude or limit the exercisability of the Rights.

SECTION 15. FRACTIONAL RIGHTS AND FRACTIONAL SHARES. (a) The Company may, but shall not be required to, issue fractions of Rights or distribute Right Certificates which evidence fractional Rights. In lieu of such fractional Rights, the Company may pay to the registered holders of the Right Certificates with regard to which such fractional Rights would otherwise be issuable an amount in cash equal to the same fraction of the current market value of a whole Right. For purposes of this Section 15(a), the current market value of a whole Right shall be the closing price of the Rights (as determined pursuant to the second sentence of the definition of Market Value contained in Section 1) for the Trading Day immediately prior to the date on which such fractional Rights would have been otherwise issuable.

(b) The Company may, but shall not be required to, issue fractions of Preferred Shares (other than one one-thousandths (1/1,000ths) of a Preferred Share or any integral multiple thereof) upon exercise of the Rights or distribute certificates that evidence fractional Preferred Shares (other than one one-thousandths (1/1,000ths) of a Preferred Share or any integral

multiple thereof). In lieu of fractional Preferred Shares, the Company may elect to (i) utilize a depository arrangement as provided by the terms of the Preferred Shares or (ii) in the case of a fraction of a Preferred Share (other than one one-thousandths (1/1,000ths) of a Preferred

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Share or any integral multiple thereof), pay to the registered holders of Right Certificates at the time such Rights are exercised as herein provided an amount in cash equal to the same fraction of the current market value of one Preferred Share, if any are outstanding and publicly traded (or the same fraction of the current market value of one Common Share times the Formula Number if the Preferred Shares are not outstanding and publicly traded). For purposes of this Section 15(b), the current market value of a Preferred Share (or Common Share) shall be the closing price of a Preferred Share (or Common Share) (as determined pursuant to the second sentence of the definition of Market Value contained in Section 1) for the Trading Day immediately prior to the date of such exercise. If, as a result of an adjustment made pursuant to Section 12(a), the holder of any Right thereafter exercised shall become entitled to receive any securities other than Preferred Shares, the provisions of this Section 15(b) shall apply, as nearly as reasonably may be, on like terms to such other securities.

(c) The Company may, but shall not be required to, issue fractions of Common Shares upon exercise or exchange of Rights, or to distribute certificates that evidence fractional Common Shares. In lieu of such fractional Common Shares, the Company may pay to the registered holders of the Right Certificates with regard to which such fractional Common Shares would otherwise be issuable an amount in cash equal to the same fraction of the current Market Value of one Common Share as of the date on which a Person became an Acquiring Person.

(d) Each holder of Rights by the acceptance of such Rights expressly waives such holder's right to receive any fractional Rights or any fractional shares upon exercise or exchange of a Right except as provided in this Section 15.

SECTION 16. RIGHTS OF ACTION. (a) All rights of action in respect of this Rights Agreement are vested in the respective registered holders of the Right Certificates (and, prior to the Distribution Date, the registered holders of the Common Shares); and any registered holder of any Right Certificate (or, prior to the Distribution Date, of the Common Shares), without the consent of the Rights Agent or of the holder of any other Right Certificate (or, prior to the Distribution Date, of the Common Shares) may, in such holder's own behalf and for such holder's own benefit, enforce, and may institute and maintain any suit, action or proceeding against the Company to enforce, or otherwise act in respect of, such holder's right to exercise the Rights evidenced by such Right Certificate in the manner provided

in such Right Certificate and in this Rights Agreement. Without limiting the foregoing or any remedies available to the holders of Rights, it is specifically acknowledged that the holders of Rights would not have an adequate remedy at law for any breach of this Rights Agreement and shall be entitled to specific performance of the obligations of any Person under, and injunctive relief against actual or threatened violations of the obligations of any Person subject to, this Rights Agreement.

(b) Any holder of Rights who prevails in an action to enforce the provisions of this Rights Agreement shall be entitled to recover the reasonable costs and expenses, including attorneys' fees, incurred in such action.

SECTION 17. TRANSFER AND OWNERSHIP OF RIGHTS AND RIGHT CERTIFICATES. (a) Prior to the Distribution Date, the Rights shall be transferable only in connection with the transfer of the Common Shares and the Right associated with each Common Share shall be automatically transferred upon the transfer of each Common Share.

(b) After the Distribution Date, the Right Certificates shall be transferable, subject to Section 7(e), only on the registry books of the Rights Agent if surrendered at the principal office of the Rights Agent, duly endorsed or accompanied by a proper instrument of transfer.

(c) The Company and the Rights Agent may deem and treat the Person in whose name a Right Certificate (or, prior to the Distribution Date, the associated Common Shares certificate) is registered as the absolute owner thereof and of the Rights evidenced thereby (notwithstanding any notations of ownership or writing on the Right Certificates or the associated certificate for Common Shares made by anyone other than the Company or the Rights Agent) for all purposes whatsoever, and neither the Company nor the Rights Agent shall be affected by any notice to the contrary.

SECTION 18. RIGHT CERTIFICATE HOLDER NOT DEEMED A STOCKHOLDER. No holder, as such, of any Right Certificate shall be entitled to vote or receive dividends or other distributions or be deemed, for any purpose, the holder of the Preferred Shares or of any other securities of the Company which may at any time be issuable on the exercise of the Rights represented thereby, nor shall anything contained herein or in any Right Certificate be construed to confer upon the holder of any Right Certificate, as such, any of the rights of a stockholder of the Company, including any right to vote for the election of directors or upon any

matter submitted to stockholders at any meeting thereof, or to give or withhold consent to any corporate action, or to receive notice of meetings or other actions affecting stockholders, or to receive dividends or other distributions or subscription rights, or otherwise, until the Right or Rights evidenced by such Right Certificate shall have been exercised in accordance with the provisions hereof.

SECTION 19. CONCERNING THE RIGHTS AGENT. (a) The Company agrees to pay to the Rights Agent reasonable compensation for all services rendered by it hereunder and from time to time, on demand of the Rights Agent, its reasonable expenses and counsel fees and other disbursements incurred in the administration and execution of this Rights Agreement and the exercise and performance of its duties hereunder, including any taxes or governmental charges imposed as a result of the action taken by it hereunder (other than any taxes on the fees payable to it).

(b) The Rights Agent shall be protected and shall incur no liability for or in respect of any action taken, suffered or omitted by it in connection with its administration of this Rights Agreement in reliance upon any Right Certificate or certificate for the Common Shares or for other securities of the Company, instrument of assignment or transfer, power of attorney, endorsement, affidavit, letter, notice, direction, consent, certificate, statement, or other paper or document believed by it to be genuine and to be signed, executed and, where necessary, verified or acknowledged, by the proper Person or Persons.

SECTION 20. MERGER OR CONSOLIDATION OR CHANGE OF RIGHTS AGENT.

(a) Any corporation into which the Rights Agent or any successor Rights Agent may be merged or with which it may be consolidated, or any corporation resulting from any merger or consolidation to which the Rights Agent or any successor Rights Agent shall be a party, or any corporation succeeding to the stock transfer or corporate trust business of the Rights Agent or any successor Rights Agent, shall be the successor to the Rights Agent under this Rights Agreement without the execution or filing of any paper or any further act on the part of any of the parties hereto; PROVIDED, HOWEVER, that such corporation would be eligible for appointment as a successor Rights Agent under the provisions of Section 22. In case, at the time such successor Rights Agent shall succeed to the agency created by this Rights Agreement, any of the Right Certificates shall have been countersigned but not delivered, any such successor Rights Agent may adopt the countersignature of the predecessor Rights Agent and deliver such Right Certificates so countersigned; and, in case at that time any of the Right

Certificates shall not have been countersigned, any successor Rights Agent may countersign such Right Certificates either in the name of the predecessor Rights Agent or in the name of the successor Rights Agent; and in all such cases such

Right Certificates shall have the full force provided in the Right Certificates and in this Rights Agreement.

(b) In case at any time the name of the Rights Agent shall be changed and at such time any of the Right Certificates shall have been countersigned but not delivered, the Rights Agent may adopt the countersignature under its prior name and deliver Right Certificates so countersigned; and, in case at that time any of the Right Certificates shall not have been countersigned, the Rights Agent may countersign such Right Certificates either in its prior name or in its changed name; and in all such cases such Right Certificates shall have the full force provided in the Right Certificates and in this Rights Agreement.

SECTION 21. DUTIES OF RIGHTS AGENT. The Rights Agent undertakes the duties and obligations imposed by this Rights Agreement upon the following terms and conditions, by all of which the Company and the holders of Right Certificates (or, prior to the Distribution Date, of the Common Shares), by their acceptance thereof, shall be bound:

(a) The Rights Agent may consult with legal counsel (who may be legal counsel for the Company), and the opinion of such counsel shall be full and complete authorization and protection to the Rights Agent as to any action taken, suffered or omitted by it in good faith and in accordance with such opinion.

(b) Whenever in the performance of its duties under this Rights Agreement the Rights Agent shall deem it necessary or desirable that any fact or matter (including the identity of any Acquiring Person) be proved or established by the Company prior to taking, refraining from taking or suffering any action hereunder, such fact or matter (unless other evidence in respect thereof be herein specifically prescribed) may be deemed to be conclusively proved and established by a certificate signed by any one of the Chairman of the Board, any Vice Chairman of the Board, the Chief Executive Officer, the President, the Chief Operating Officer, the Chief Financial Officer, a Vice President (whether preceded by any additional title), the Treasurer or the Secretary of the Company and delivered to the Rights Agent; and such certificate shall be full authorization to the Rights Agent for any action taken or suffered in good faith by it under the provisions of this Rights Agreement in reliance upon such certificate.

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(c) The Rights Agent shall be liable hereunder only for its own negligence, bad faith or willful misconduct.

(d) The Rights Agent shall not be liable for or by reason of any of the statements of fact or recitals contained in this Rights Agreement or in the Right Certificates (except as to its countersignature thereof) or be

required to verify the same, but all such statements and recitals are and shall be deemed to have been made by the Company only.

(e) The Rights Agent shall not be under any responsibility in respect of the validity of this Rights Agreement or the execution and delivery hereof (except the due execution hereof by the Rights Agent) or in respect of the validity or execution of any Right Certificate (except its countersignature thereof); nor shall it be responsible for any breach by the Company of any covenant or condition contained in this Rights Agreement or in any Right Certificate; nor shall it be responsible for any adjustment required under the provisions of Section 11 or 12 or responsible for the manner, method or amount of any such adjustment or the ascertaining of the existence of facts that would require any such adjustment (except with respect to the exercise of Rights evidenced by Right Certificates after actual notice of any such adjustment); nor shall it by any act hereunder be deemed to make any representation or warranty as to the authorization or reservation of any Preferred Shares or Common Shares to be issued pursuant to this Rights Agreement or any Right Certificate or as to whether any Preferred Shares or Common Shares will, when so issued, be validly authorized and issued, fully paid and nonassessable.

(f) The Company agrees that it shall perform, execute, acknowledge and deliver or cause to be performed, executed, acknowledged and delivered all such further and other acts, instruments and assurances as may reasonably be required by the Rights Agent for the carrying out or performing by the Rights Agent of the provisions of this Rights Agreement.

(g) The Rights Agent is hereby authorized and directed to accept instructions with respect to the performance of its duties hereunder from any one of the Chairman of the Board, any Vice Chairman of the Board, the Chief Executive Officer, the President, the Chief Operating Officer, a Vice President (whether preceded by any additional title), the Secretary or the Treasurer of the Company, in connection with its duties and it shall not be liable for any action taken or suffered to be taken by it in

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good faith in accordance with instructions of any such officer.

(h) The Rights Agent and any stockholder, director, officer or employee of the Rights Agent may buy, sell or deal in any of the Rights or other securities of the Company or become pecuniarily interested in any transaction in which the Company or its Subsidiaries may be interested, or contract with or lend money to the Company or its Subsidiaries or otherwise act as fully and freely as though it were not the Rights Agent under this Rights Agreement. Nothing herein shall preclude the Rights Agent from acting in any other capacity for the Company or for any other legal entity.

(i) The Rights Agent may execute and exercise any of the

rights or powers hereby vested in it or perform any duty hereunder either itself or by or through its attorneys or agents, and the Rights Agent shall not be answerable or accountable for any act, default, neglect or misconduct of any such attorneys or agents or for any loss to the Company resulting from any such act, default, neglect or misconduct provided reasonable care was exercised in the selection and continued employment thereof.

(j) The Company agrees to indemnify and to hold the Rights Agent harmless against any loss, liability, damage or expense (including reasonable fees and expenses of legal counsel) which the Rights Agent may incur resulting from its actions as Rights Agent pursuant to this Rights Agreement; PROVIDED, HOWEVER, that the Rights Agent shall not be indemnified or held harmless with respect to any such loss, liability, damage or expense incurred by the Rights Agent as a result of, or arising out of, its own negligence, bad faith or wilful misconduct. In no case shall the Company be liable with respect to any action, proceeding, suit or claim against the Rights Agent unless the Rights Agent shall have notified the Company, by letter or by facsimile confirmed by letter, of the assertion of any action, proceeding, suit or claim against the Rights Agent, promptly after the Rights Agent shall have notice of any such assertion of an action, proceeding, suit or claim or have been served with the summons or other first legal process giving information as to the nature and basis of the action, proceeding, suit or claim. The Company shall be entitled to participate at its own expense in the defense of any such action, proceeding, suit or claim, and, if the Company so elects, the Company shall assume the defense of any such action, proceeding, suit or claim. In the event that the Company assumes such defense, the Company shall not thereafter be liable for the fees and expenses of any

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additional counsel retained by the Rights Agent, so long as the Company shall retain counsel satisfactory to the Rights Agent, in the exercise of its reasonable judgment, to defend such action, proceeding, suit or claim. The Rights Agent agrees not to settle any litigation in connection with any action, proceeding, suit or claim with respect to which it may seek indemnification from the Company without the prior written consent of the Company.

SECTION 22. CHANGE OF RIGHTS AGENT. The Rights Agent or any successor Rights Agent may resign and be discharged from its duties under this Rights Agreement upon 30 days' notice in writing mailed to the Company and to each transfer agent of the Common Shares and the Preferred Shares by registered or certified mail, and, following the Distribution Date, to the holders of the Right Certificates by first-class mail. The Company may remove the Rights Agent or any successor Rights Agent upon 30 days' notice in writing, mailed to the Rights Agent or successor Rights Agent, as the case may be, and to each transfer agent of the Common Shares and the Preferred Shares by registered or certified mail and following the Distribution Date, to the holders of the Right Certificates by first-class mail. If the Rights

Agent shall resign or be removed or shall otherwise become incapable of acting, the Company shall appoint a successor to the Rights Agent. If the Company shall fail to make such appointment within a period of 30 days after giving notice of such removal or after it has been notified in writing of such resignation or incapacity by the resigning or incapacitated Rights Agent or by the holder of a Right Certificate (who shall, with such notice, submit such holder's Right Certificate), then the registered holder of any Right Certificate may apply to any court of competent jurisdiction for the appointment of a new Rights Agent. Any successor Rights Agent, whether appointed by the Company or by such a court, shall be a corporation organized and doing business under the laws of the United States or of the State of New York (or of any other state of the United States so long as such corporation is authorized to conduct a stock transfer or corporate trust business in the State of New York), in good standing, having a principal office in the State of New York, which is authorized under such laws to exercise stock transfer or corporate trust powers and is subject to supervision or examination by Federal or state authority and which has at the time of its appointment as Rights Agent a combined capital and surplus of at least

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\$50,000,000; PROVIDED, HOWEVER, that the principal transfer agent for the Common Shares shall in any event be qualified to be the Rights Agent. After appointment, the successor Rights Agent shall be vested with the same powers, rights, duties and responsibilities as if it had been originally named as Rights Agent without further act or deed; but the predecessor Rights Agent shall deliver and transfer to the successor Rights Agent any property at the time held by it hereunder, and execute and deliver any further assurance, conveyance, act or deed necessary for the purpose. Not later than the effective date of any such appointment, the Company shall file notice thereof in writing with the predecessor Rights Agent and each transfer agent of the Common Shares and the Preferred Shares, and mail a notice thereof in writing to the registered holders of the Right Certificates. Failure to give any notice provided for in this Section 22, however, or any defect therein shall not affect the legality or validity of the resignation or removal of the Rights Agent or the appointment of the successor Rights Agent, as the case may be.

SECTION 23. ISSUANCE OF ADDITIONAL RIGHTS AND RIGHT CERTIFICATES. Notwithstanding any of the provisions of this Rights Agreement or of the Rights to the contrary, the Company may, at its option, issue new Right Certificates evidencing Rights in such form as may be approved by its Board of Directors to reflect any adjustment or change made in accordance with the provisions of this Rights Agreement. In addition, in connection with the issuance or sale of Common Shares following the Distribution Date and prior to the earliest of the Redemption Date, the Exchange Date, to the extent applicable, and the Expiration Date, the Company (a) shall, with respect to Common Shares so issued or sold pursuant to the exercise of stock

options or under any employee plan or arrangement, or upon the exercise, conversion or exchange of securities, notes or debentures issued by the Company, and (b) may, in any other case, if deemed necessary or appropriate by the Board of Directors of the Company, issue Right Certificates representing the appropriate number of Rights in connection with such issuance or sale; PROVIDED, HOWEVER, that (i) no such Right Certificate shall be issued if, and to the extent that, the Company shall be advised by counsel that such issuance would create a significant risk of material adverse tax consequences to the Company or the Person to whom such Right Certificate would be issued, (ii) no such Right Certificate shall be issued if, and to the extent that, appropriate adjustment shall otherwise have been made in lieu of the issuance thereof and (iii) no such Right Certificate shall be issued to an Acquiring Person or an Affiliate or Associate of an Acquiring Person.

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SECTION 24. REDEMPTION AND TERMINATION. (a) The Board of Directors of the Company may, at its option, at any time prior to the earlier of (i) such time as a Person becomes an Acquiring Person and (ii) the Expiration Date, order the redemption of all, but not fewer than all, the then outstanding Rights at the Redemption Price (the date of such redemption being the "Redemption Date"), and the Company, at its option, may pay the Redemption Price either in cash or Common Shares or other securities of the Company deemed by the Board of Directors of the Company, in the exercise of its sole discretion, to be at least equivalent in value to the Redemption Price. The redemption of the Rights may be made effective at such time, on such basis and with such conditions as the Board of Directors in its sole discretion may establish.

(b) Immediately upon the action of the Board of Directors of the Company ordering the redemption of the Rights (or at such later time as the Board of Directors may establish for the effectiveness of such redemption), and without any further action and without any notice, the right to exercise the Rights will terminate and the only right thereafter of the holders of Rights shall be to receive the Redemption Price. Within 10 Business Days after the action of the Board of Directors of the Company ordering the redemption of the Rights, the Company shall give notice of such redemption to the Rights Agent and the holders of the then outstanding Rights by mailing such notice to all such holders at their last addresses as they appear upon the registry books of the Rights Agent or, prior to the Distribution Date, on the registry books of the transfer agent for the Common Shares. Each such notice of redemption shall state the method by which payment of the Redemption Price will be made. The notice, if mailed in the manner herein provided, shall be conclusively presumed to have been duly given, whether or not the holder of Rights receives such notice. In any case, failure to give such notice by mail, or any defect in the notice, to any particular holder of Rights shall not affect the sufficiency of the notice to

other holders of Rights. Neither the Company nor any of its Affiliates or Associates may redeem, acquire or purchase for value any Rights at any time in any manner except as specifically set forth in this Section or in Section 11(b) or in connection with the purchase of Common Shares prior to the Distribution Date.

SECTION 25. NOTICES. (a) In case any event described in Section 11(a) or Section 11(c) shall occur, then the Company shall, as soon as practicable thereafter, give to each holder of a Right Certificate (or if occurring prior to the Distribution Date, the holders of the Common Shares) in accordance with Section 25(b) hereof, a notice of the occurrence of such event, which notice shall describe such event and the consequences of such event to holders of Rights under Section 11(a) and Section 11(c) hereof.

(b) Notices or demands authorized by this Rights Agreement to be given or made by the Rights Agent or by the holder of a Right Certificate (or, prior to the Distribution Date, of the Common Shares) to or on the Company shall be sufficiently given or made if sent by first-class mail, postage prepaid, addressed (until

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another address is filed in writing with the Rights Agent) as follows:

ZIMMER HOLDINGS, INC.
345 East Main Street
Warsaw, IN 46580
Attention: General Counsel

Subject to the provisions of Section 22, any notice or demand authorized by this Rights Agreement to be given or made by the Company or by the holder of a Right Certificate (or, prior to the Distribution Date, of the Common Shares) to or on the Rights Agent shall be sufficiently given or made if sent by first-class mail, postage prepaid, addressed (until another address is filed in writing with the Company) as follows:

MELLON INVESTOR SERVICES LLC
c/o Dimac
550 South Research Place
Central Islip, NY 11722
Attention: Peter Navetta

Notices or demands authorized by this Rights Agreement to be given or made by the Company or the Rights Agent to any holder of a Right Certificate (or, prior to the Distribution Date, of the Common Shares) shall be sufficiently given or made if sent by first-class mail, postage prepaid, addressed to such holder at the address of such holder as shown on the registry books of the Rights Agent

or, prior to the Distribution Date, on the registry books of the transfer agent for the Common Shares.

SECTION 26. SUPPLEMENTS AND AMENDMENTS. At any time prior to the time any person becomes an Acquiring Person, and subject to the last sentence of this Section 26, the Company may, and the Rights Agent shall if the Company so directs, supplement or amend any provision of this Rights Agreement in any manner which the Company may deem necessary or desirable (including the date on which the Expiration Date or the Distribution Date shall occur, the amount of the Purchase Price, the definition of "Acquiring Person" or the time during which the Rights may be redeemed pursuant to Section 24) without the approval of any holder of the Rights. From and after the time any Person becomes an Acquiring Person, and subject to applicable law, the Company may, and the Rights Agent shall if the Company so directs, amend this Rights Agreement without the approval of any holders of Right Certificates (a) to cure any ambiguity or to correct or supplement any provision contained herein which may be defective or inconsistent with any other

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provision of this Rights Agreement or (b) to otherwise change or supplement any other provisions in this Agreement in any matter which the Company may deem necessary or desirable and which shall not adversely affect the interests of the holders of Right Certificates (other than an Acquiring Person or an Affiliate or Associate of an Acquiring Person). Any supplement or amendment to this Rights Agreement duly approved by the Company that does not amend Section 19, 20, 21 or 22 in a manner adverse to the Rights Agent shall become effective immediately upon execution by the Company, whether or not also executed by the Rights Agent. In addition, notwithstanding anything to the contrary contained in this Rights Agreement, no supplement or amendment to this Rights Agreement shall be made which reduces the Redemption Price (except as required by Section 12(a)).

SECTION 27. SUCCESSORS. All the covenants and provisions of this Rights Agreement by or for the benefit of the Company or the Rights Agent shall bind and inure to the benefit of their respective successors and assigns hereunder.

SECTION 28. BENEFITS OF RIGHTS AGREEMENT; DETERMINATIONS AND ACTIONS BY THE BOARD OF DIRECTORS, ETC. (a) Nothing in this Rights Agreement shall be construed to give to any Person other than the Company, the Rights Agent and the registered holders of the Right Certificates (and, prior to the Distribution Date, of the Common Shares) any legal or equitable right, remedy or claim under this Rights Agreement; but this Rights Agreement shall be for the sole and exclusive benefit of the Company, the Rights Agent and the registered holders of the Right Certificates (and, prior to the Distribution Date, of the Common Shares).

(b) Except as explicitly otherwise provided in this Rights Agreement, the Board of Directors of the Company shall have the exclusive power and authority to administer this Rights Agreement and to exercise all rights and powers specifically granted to the Board of Directors of the Company or to the Company, or as may be necessary or advisable in the administration of this Rights Agreement, including the right and power to (i) interpret the provisions of this Rights Agreement and (ii) make all determinations deemed necessary or advisable for the administration of this Rights Agreement (including a

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determination to redeem or not redeem the Rights or to amend this Rights Agreement and a determination of whether there is an Acquiring Person). All such actions, calculations, interpretations and determinations that are done or made by the Board of Directors of the Company in good faith shall be final, conclusive and binding on the Company, the Rights Agent, the holders of the Rights, as such, and all other parties.

(c) Nothing contained in this Rights Agreement shall be deemed to be in derogation of the obligation of the Board of Directors of the Company to exercise its fiduciary duty. Without limiting the foregoing, nothing contained herein shall be construed to suggest or imply that the Board of Directors shall not be entitled to reject any tender offer or other acquisition proposal, or to recommend that holders of Common Shares reject any tender offer, or to take any other action (including the commencement, prosecution, defense or settlement of any litigation and the submission of additional or alternative offers or other proposals) with respect to any tender offer or other acquisition proposal that the Board of Directors believes is necessary or appropriate in the exercise of such fiduciary duty.

SECTION 29. SEVERABILITY. If any term, provision, covenant or restriction of this Rights Agreement is held by a court of competent jurisdiction or other authority to be invalid, void or unenforceable, the remainder of the terms, provisions, covenants and restrictions of this Rights Agreement shall remain in full force and effect and shall in no way be affected, impaired or invalidated.

SECTION 30. GOVERNING LAW. This Rights Agreement and each Right Certificate issued hereunder shall be deemed to be a contract made under the law of the State of Delaware and for all purposes shall be governed by and construed in accordance with the law of such State applicable to contracts to be made and performed entirely within such State.

SECTION 31. COUNTERPARTS; EFFECTIVENESS. This Rights Agreement may be executed in any number of counterparts and each of such counterparts shall for all purposes be deemed to be an original, and all such counterparts shall together constitute but one and the same instrument. This Rights Agreement

shall be effective as of the Close of Business on the date hereof.

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SECTION 32. DESCRIPTIVE HEADINGS. Descriptive headings of the several Sections of this Rights Agreement are inserted for convenience only and shall not control or affect the meaning or construction of any of the provisions of this Rights Agreement.

IN WITNESS WHEREOF, the parties hereto have caused this Rights Agreement to be duly executed as of the day and year first above written.

ZIMMER HOLDINGS, INC.

by

Name:
Title:

MELLON INVESTOR SERVICES LLC,

by

Name:
Title:

EXHIBIT A

CERTIFICATE OF THE VOTING POWERS,
DESIGNATIONS, PREFERENCES AND RELATIVE
PARTICIPATING, OPTIONAL AND OTHER SPECIAL
RIGHTS AND QUALIFICATIONS, LIMITATIONS
OR RESTRICTIONS OF SERIES A
PARTICIPATING CUMULATIVE
PREFERRED STOCK OF
ZIMMER HOLDINGS, INC.

Pursuant to Section 151 of the General Corporation Law of the State of Delaware, ZIMMER HOLDINGS, INC. (the "Company"), a corporation organized and existing under the General Corporation Law of the State of

Delaware, in accordance with the provisions of Section 103 thereof, DOES HEREBY CERTIFY:

That, pursuant to the authority conferred upon the Board of Directors of the Company by Article 4.02 of the Restated Certificate of Incorporation of the Company (the "Charter"), the Board of Directors of the Company on [], 2001, adopted the following resolution designating a new series of preferred stock as Series A Participating Cumulative Preferred Stock:

RESOLVED, that, pursuant to the authority vested in the Board of Directors of the Company in accordance with the provisions of the Restated Certificate of Incorporation, as amended, of the Company and the provisions of Section 151(g) of the General Corporation Law of the State of Delaware, a series of preferred stock of the Company is hereby authorized, and the designation and number of shares thereof, and the voting powers, preferences and relative, participating, optional and other special rights, and the qualifications, limitations or restrictions thereof, shall be as follows:

SECTION 1. DESIGNATION AND NUMBER OF SHARES. The shares of such series shall be designated as "Series A Participating Cumulative Preferred Stock" (the "Series A Preferred Stock"). The number of shares initially constituting the Series A Preferred Stock shall be []; PROVIDED, HOWEVER, that, if more than a total of [Same number as previous bracket] shares of Series A Preferred Stock shall be issuable upon the exercise of Rights (the "Rights") issued pursuant to the Rights Agreement dated as of [], 2001, between the Company and Mellon Investor Services LLC, a New Jersey limited liability company, as Rights Agent, as such may be amended from time to time (the "Rights Agreement"), the Board of Directors of the Company, pursuant to Section 151(g) of the General Corporation Law of the State of Delaware, shall direct by resolution or resolutions that a certificate be properly executed, acknowledged, filed and

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recorded, in accordance with the provisions of Section 103 thereof, providing for the total number of shares of Series A Preferred Stock authorized to be issued to be increased (to the extent that the Charter then permits) to the largest number of whole shares (rounded up to the nearest whole number) issuable upon exercise of such Rights.

SECTION 2. DIVIDENDS OR DISTRIBUTIONS. (a) Subject to the superior rights of the holders of shares of any other series of Preferred Stock or other class of capital stock of the Company ranking superior to the shares of Series A Preferred Stock with respect to dividends, the holders of shares of the Series A Preferred Stock shall be entitled to receive, when, as and if declared by the Board of Directors, out of the assets of the Company

legally available therefor, (1) quarterly dividends payable in cash on the last day of each fiscal quarter in each year, or such other dates as the Board of Directors of the Company shall approve (each such date being referred to herein as a "Quarterly Dividend Payment Date"), commencing on the first Quarterly Dividend Payment Date after the first issuance of a share or a fraction of a share of Series A Preferred Stock, in the amount of \$0.05 per whole share (rounded to the nearest cent) less the amount of all cash dividends declared on the Series A Preferred Stock pursuant to the following clause (2) since the immediately preceding Quarterly Dividend Payment Date or, with respect to the first Quarterly Dividend Payment Date, since the first issuance of any share or fraction of a share of Series A Preferred Stock (the total of which shall not, in any event, be less than zero) and (2) dividends payable in cash on the payment date for each cash dividend declared on the Common Stock in an amount per whole share (rounded to the nearest cent) equal to the Formula Number (as hereinafter defined) then in effect times the cash dividends then to be paid on each share of Common Stock. In addition, if the Company shall pay any dividend or make any distribution on the Common Stock payable in assets, securities or other forms of noncash consideration (other than dividends or distributions solely in shares of Common Stock), then, in each such case, the Company shall simultaneously pay or make on each outstanding whole share of Series A Preferred Stock a dividend or distribution in like kind equal to the Formula Number then in effect times such dividend or distribution on each share of the Common Stock. As used herein, the "Formula Number" shall be 1,000; PROVIDED, HOWEVER, that, if at any time after [Date of Rights Agreement], 2001, the Company shall (i) declare or pay any dividend on the Common Stock payable in shares of Common Stock or make any distribution on the Common Stock in shares of Common Stock, (ii) subdivide (by a stock split or otherwise) the outstanding shares of Common Stock into a larger number of shares of Common Stock or (iii) combine (by a

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reverse stock split or otherwise) the outstanding shares of Common Stock into a smaller number of shares of Common Stock, then in each such event the Formula Number shall be adjusted to a number determined by multiplying the Formula Number in effect immediately prior to such event by a fraction, the numerator of which is the number of shares of Common Stock that are outstanding immediately after such event and the denominator of which is the number of shares of Common Stock that are outstanding immediately prior to such event (and rounding the result to the nearest whole number); and PROVIDED FURTHER that, if at any time after [Date of Rights Agreement], 2001, the Company shall issue any shares of its capital stock in a merger, reclassification, or change of the outstanding shares of Common Stock, then in each such event the Formula Number shall be appropriately adjusted to reflect such merger, reclassification or change so that each share of Preferred Stock continues to be the economic equivalent of a Formula Number of shares of Common Stock prior to such merger, reclassification or change.

(b) The Company shall declare a dividend or distribution on the Series A Preferred Stock as provided in Section 2(a) immediately prior to or at the same time it declares a dividend or distribution on the Common Stock (other than a dividend or distribution solely in shares of Common Stock); PROVIDED, HOWEVER, that, in the event no dividend or distribution (other than a dividend or distribution in shares of Common Stock) shall have been declared on the Common Stock during the period between any Quarterly Dividend Payment Date and the next subsequent Quarterly Dividend Payment Date, a dividend of \$0.05 per share on the Series A Preferred Stock shall nevertheless be payable on such subsequent Quarterly Dividend Payment Date. The Board of Directors may fix a record date for the determination of holders of shares of Series A Preferred Stock entitled to receive a dividend or distribution declared thereon, which record date shall be the same as the record date for any corresponding dividend or distribution on the Common Stock.

(c) Dividends shall begin to accrue and be cumulative on outstanding shares of Series A Preferred Stock from and after the Quarterly Dividend Payment Date next preceding the date of original issue of such shares of Series A Preferred Stock; PROVIDED, HOWEVER, that dividends on such shares which are originally issued after the record date for the determination of holders of shares of Series A Preferred Stock entitled to receive a quarterly dividend and on or prior to the next succeeding Quarterly Dividend Payment Date shall begin to accrue and be cumulative from and after such Quarterly Dividend Payment Date. Notwithstanding the foregoing, dividends on shares of Series A Preferred Stock

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which are originally issued prior to the record date for the determination of holders of shares of Series A Preferred Stock entitled to receive a quarterly dividend on the first Quarterly Dividend Payment Date shall be calculated as if cumulative from and after the last day of the fiscal quarter next preceding the date of original issuance of such shares. Accrued but unpaid dividends shall not bear interest. Dividends paid on the shares of Series A Preferred Stock in an amount less than the total amount of such dividends at the time accrued and payable on such shares shall be allocated pro rata on a share-by-share basis among all such shares at the time outstanding.

(d) So long as any shares of the Series A Preferred Stock are outstanding, no dividends or other distributions shall be declared, paid or distributed, or set aside for payment or distribution, on the Common Stock unless, in each case, the dividend required by this Section 2 to be declared on the Series A Preferred Stock shall have been declared.

(e) The holders of the shares of Series A Preferred Stock shall not be entitled to receive any dividends or other distributions except as provided herein.

SECTION 3. VOTING RIGHTS. The holders of shares of Series A Preferred Stock shall have the following voting rights:

(a) Each holder of Series A Preferred Stock shall be entitled to a number of votes equal to the Formula Number then in effect, for each share of Series A Preferred Stock held of record on each matter on which holders of the Common Stock or stockholders generally are entitled to vote, multiplied by the maximum number of votes per share which any holder of the Common Stock or stockholders generally then have with respect to such matter (assuming any holding period or other requirement to vote a greater number of shares is satisfied).

(b) Except as otherwise provided herein or by applicable law, the holders of shares of Series A Preferred Stock and the holders of shares of Common Stock shall vote together as one class for the election of directors of the Company and on all other matters submitted to a vote of stockholders of the Company.

(c) If, at the time of any annual meeting of stockholders for the election of directors, the equivalent of six quarterly dividends (whether or not consecutive) payable on any share or shares of Series A Preferred Stock are in default, the number of directors constituting the Board of

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Directors of the Company shall be increased by two. In addition to voting together with the holders of Common Stock for the election of other directors of the Company, the holders of record of the Series A Preferred Stock, voting separately as a class to the exclusion of the holders of Common Stock, shall be entitled at said meeting of stockholders (and at each subsequent annual meeting of stockholders), unless all dividends in arrears have been paid or declared and set apart for payment prior thereto, to vote for the election of two directors of the Company, the holders of any Series A Preferred Stock being entitled to cast a number of votes per share of Series A Preferred Stock equal to the Formula Number. Each such additional director shall not be classified, but shall serve until the next annual meeting of stockholders for the election of directors, or until his successor shall be elected and shall qualify, or until his right to hold such office terminates pursuant to the provisions of this Section 3(c). Until the default in payments of all dividends which permitted the election of said directors shall cease to exist, any director who shall have been so elected pursuant to the next preceding sentence may be removed at any time, without cause, only by the affirmative vote of the holders of the shares of Series A Preferred Stock at the time entitled to cast a majority of the votes entitled to be cast for the election of any such director at a special meeting of such holders called for that purpose, and any vacancy thereby created may be filled by the vote of such holders. If and when such default shall cease to exist, the holders of

the Series A Preferred Stock shall be divested of the foregoing special voting rights, subject to revesting in the event of each and every subsequent like default in payments of dividends. Upon the termination of the foregoing special voting rights, the terms of office of all persons who may have been elected directors pursuant to said special voting rights shall forthwith terminate, and the number of directors constituting the Board of Directors shall be reduced by two. The voting rights granted by this Section 3(c) shall be in addition to any other voting rights granted to the holders of the Series A Preferred Stock in this Section 3.

(d) Except as provided herein, in Section 11 or by applicable law, holders of Series A Preferred Stock shall have no special voting rights and their consent shall not be required (except to the extent they are entitled to vote with holders of Common Stock as set forth herein) for authorizing or taking any corporate action.

SECTION 4. CERTAIN RESTRICTIONS. (a) Whenever quarterly dividends or other dividends or distributions payable on the Series A Preferred Stock as provided in Section 2 are in arrears, thereafter and until all accrued and unpaid dividends and distributions, whether or not declared, on shares of Series A Preferred Stock outstanding shall have been paid in full, the Company shall not

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(i) declare or pay dividends on, make any other distributions on, or redeem or purchase or otherwise acquire for consideration any shares of stock ranking junior (either as to dividends or upon liquidation, dissolution or winding up) to the Series A Preferred Stock;

(ii) declare or pay dividends on or make any other distributions on any shares of stock ranking on a parity (either as to dividends or upon liquidation, dissolution or winding up) with the Series A Preferred Stock, except dividends paid ratably on the Series A Preferred Stock and all such parity stock on which dividends are payable or in arrears in proportion to the total amounts to which the holders of all such shares are then entitled;

(iii) redeem or purchase or otherwise acquire for consideration shares of any stock ranking on a parity (either as to dividends or upon liquidation, dissolution or winding up) with the Series A Preferred Stock; PROVIDED, HOWEVER, that the Company may at any time redeem, purchase or otherwise acquire shares of any such parity stock in exchange for shares of any stock of the Company ranking junior (either as to dividends or upon dissolution, liquidation or winding up) to the Series A Preferred Stock; or

(iv) purchase or otherwise acquire for consideration any shares of Series A Preferred Stock, or any shares of stock ranking on a parity with the Series A Preferred Stock, except in accordance with a purchase offer made in writing or by publication (as determined by the Board of Directors) to all holders of such shares upon such terms as the Board of Directors, after consideration of the respective annual dividend rates and other relative rights and preferences of the respective series and classes, shall determine in good faith will result in fair and equitable treatment among the respective series or classes.

(b) The Company shall not permit any subsidiary of the Company to purchase or otherwise acquire for consideration any shares of stock of the Company unless the Company could, under Section 4(a), purchase or otherwise acquire such shares at such time and in such manner.

SECTION 5. LIQUIDATION RIGHTS. Upon the liquidation, dissolution or winding up of the Company, whether voluntary or involuntary, no distribution shall be made (1) to the holders of shares of stock ranking junior (either as to dividends or upon liquidation, dissolution or winding up) to

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the Series A Preferred Stock unless, prior thereto, the holders of shares of Series A Preferred Stock shall have received an amount equal to the accrued and unpaid dividends and distributions thereon, whether or not declared, to the date of such payment, plus an amount equal to the greater of (x) \$1,000 per whole share or (y) an aggregate amount per share equal to the Formula Number then in effect times the aggregate amount to be distributed per share to holders of Common Stock or (2) to the holders of stock ranking on a parity (either as to dividends or upon liquidation, dissolution or winding up) with the Series A Preferred Stock, except distributions made ratably on the Series A Preferred Stock and all other such parity stock in proportion to the total amounts to which the holders of all such shares are entitled upon such liquidation, dissolution or winding up. Neither the merger or consolidation of the Company into or with another entity nor the merger or consolidation of any other entity into or with the Company shall be deemed to be a liquidation, dissolution or winding up of the Company within the meaning of this Section 5.

SECTION 6. CONSOLIDATION, MERGER, ETC. In case the Company shall enter into any consolidation, merger, combination or other transaction in which the shares of Common Stock are exchanged for or changed into other stock or securities, cash or any other property, then in any such case the then outstanding shares of Series A Preferred Stock shall at the same time be similarly exchanged or changed into an amount per share equal to the Formula Number then in effect times the aggregate amount of stock, securities, cash or any other property (payable in kind), as the case may be, into which or for

which each share of Common Stock is exchanged or changed. In the event both this Section 6 and Section 2 appear to apply to a transaction, this Section 6 will control.

SECTION 7. NO REDEMPTION; NO SINKING FUND. (a) The shares of Series A Preferred Stock shall not be subject to redemption by the Company or at the option of any holder of Series A Preferred Stock; PROVIDED, HOWEVER, that, subject to Section 4(a)(iv), the Company may purchase or otherwise acquire outstanding shares of Series A Preferred Stock in the open market or by offer to any holder or holders of shares of Series A Preferred Stock.

(b) The shares of Series A Preferred Stock shall not be subject to or entitled to the operation of a retirement or sinking fund.

SECTION 8. RANKING. The Series A Preferred Stock shall rank junior to all other series of Preferred Stock of the Company as to the payment of dividends and as to the distribution of assets upon liquidation, dissolution or winding up, unless the Board of Directors shall specifically determine otherwise in fixing the powers, preferences and relative, participating, optional and other special rights of the shares of such series and the qualifications, limitations and restrictions thereof.

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SECTION 9. REACQUIRED SHARES. Any shares of Series A Preferred Stock purchased or otherwise acquired by the Company in any manner whatsoever shall be retired and canceled promptly after the acquisition thereof. All such shares shall upon their cancelation become authorized but unissued shares of Preferred Stock, without designation as to series until such shares are once more designated as part of a particular series by the Board of Directors pursuant to the provisions of the Charter.

SECTION 10. AMENDMENT. None of the powers, preferences and relative, participating, optional and other special rights of the Series A Preferred Stock as provided herein shall be amended in any manner which would alter or change the powers, preferences, rights or privileges of the holders of Series A Preferred Stock so as to affect them adversely without the affirmative vote of the holders of at least 66-2/3% of the outstanding shares of Series A Preferred Stock, voting as a separate class.

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IN WITNESS WHEREOF, the Company has caused this Certificate to be duly executed in its corporate name on this []th day of [], 200[].

ZIMMER HOLDINGS, INC.,

by

Name:

Title:

EXHIBIT B

[Form of Right Certificate]

Certificate No. R-
_____ Rights

NOT EXERCISABLE AFTER [], 2011, OR EARLIER IF REDEEMED OR EXCHANGED BY THE COMPANY. THE RIGHTS ARE SUBJECT TO REDEMPTION, AT THE OPTION OF THE COMPANY, AT \$.01 PER RIGHT, AND ARE SUBJECT TO EXCHANGE, ON THE TERMS SET FORTH IN THE RIGHTS AGREEMENT. RIGHTS BENEFICIALLY OWNED BY AN ACQUIRING PERSON (AS SUCH TERM IS DEFINED IN THE RIGHTS AGREEMENT) AND CERTAIN TRANSFEREES THEREOF ARE NULL AND VOID AND ARE NO LONGER TRANSFERABLE.

Right Certificate

ZIMMER HOLDINGS, INC.

This certifies that _____, or registered assigns, is the registered owner of the number of Rights set forth above, each of which entitles the owner thereof, subject to the terms, provisions and conditions of the Rights Agreement dated as of [], 2001 as it may be amended from time to time (the "Rights Agreement"), between ZIMMER HOLDINGS, INC., a Delaware corporation (the "Company"), and Mellon Investor Services LLC, as Rights Agent (the "Rights Agent"), unless the Rights evidenced hereby shall have been previously redeemed or exchanged by the Company, to purchase from the Company at any time after the Distribution Date (as defined in the Rights Agreement) and prior to 5:00 p.m., New York City time, on the 10th anniversary of the date of the Rights Agreement (the "Expiration Date"), at the principal office or offices of the Rights Agent designated for such purpose, or its successors as Rights Agent, one one-thousandth (1/1,000th) of a fully paid, nonassessable share of Series A Participating Cumulative Preferred Stock, \$.01 par value, of the Company (the "Preferred Shares"), at a purchase price per one one-thousandth (1/1,000th) of a share equal to \$[].00 (the "Purchase Price") payable in cash,

upon presentation and surrender of this Right Certificate with the Form of Election to Purchase duly executed.

The Purchase Price and the number and kind of shares which may be purchased upon exercise of each Right evidenced by this Right Certificate, as set forth above, are the Purchase Price and the number and kind of shares which may be

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so purchased as of [Date of Rights Agreement], 2001. As provided in the Rights Agreement, the Purchase Price and the number and kind of shares which may be purchased upon the exercise of each Right evidenced by this Right Certificate are subject to modification and adjustment upon the happening of certain events.

If the Rights evidenced by this Right Certificate are at any time beneficially owned by an Acquiring Person or an Affiliate or Associate of an Acquiring Person (as such terms are defined in the Rights Agreement), such Rights shall be null and void and nontransferable and the holder of any such Right (including any purported transferee or subsequent holder) shall not have any right to exercise or transfer any such Right.

This Right Certificate is subject to all the terms, provisions and conditions of the Rights Agreement, which terms, provisions and conditions are hereby incorporated herein by reference and made a part hereof and to which reference to the Rights Agreement is hereby made for a full description of the rights, limitations of rights, obligations, duties and immunities hereunder of the Rights Agent, the Company and the holders of the Right Certificates. Copies of the Rights Agreement are on file at the above-mentioned office of the Rights Agent and are also available from the Company upon written request.

This Right Certificate, with or without other Right Certificates, upon surrender at the principal stock transfer or corporate trust office of the Rights Agent, may be exchanged for another Right Certificate or Right Certificates of like tenor and date evidencing Rights entitling the holder to purchase a like aggregate number and kind of shares as the Rights evidenced by the Right Certificate or Right Certificates surrendered shall have entitled such holder to purchase. If this Right Certificate shall be exercised in part, the holder shall be entitled to receive upon surrender hereof another Right Certificate or Right Certificates for the number of whole Rights not exercised.

Subject to the provisions of the Rights Agreement, the Rights evidenced by this Right Certificate may be redeemed by the Company at its option at a redemption price (in cash or shares of Common Stock or other securities of the Company deemed by the Board of Directors to be at least equivalent in value) of \$.01 per Right (which amount shall be subject to adjustment as provided in the Rights Agreement) at any time prior to the earlier of (i) such time as a

Person becomes an Acquiring Person and (ii) the Expiration Date.

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The Company may, but shall not be required to, issue fractions of Preferred Shares (other than one one-thousandth (1/1,000th) of a share or any integral multiple thereof) or distribute certificates which evidence fractions of Preferred Shares (other than one one-thousandth (1/1,000th) of a share or any integral multiple thereof) upon the exercise of any Right or Rights evidenced hereby. In lieu of issuing fractional shares, the Company may elect to make a cash payment as provided in the Rights Agreement for fractions of a share other than one one-thousandth (1/1,000th) of a share or any integral multiple thereof or to issue certificates or utilize a depository arrangement as provided in the terms of the Rights Agreement and the Preferred Shares.

No holder of this Right Certificate, as such, shall be entitled to vote or receive dividends or be deemed for any purpose the holder of the Preferred Shares or of any other securities of the Company which may at any time be issuable on the exercise or exchange hereof, nor shall anything contained in the Rights Agreement or herein be construed to confer upon the holder hereof, as such, any of the rights of a stockholder of the Company, including, without limitation, any right to vote for the election of directors or upon any matter submitted to stockholders at any meeting thereof, or to give or withhold consent to any corporate action, or to receive notice of meetings or other actions affecting stockholders (except as provided in the Rights Agreement), or to receive dividends or other distributions or subscription rights, or otherwise, until the Right or Rights evidenced by this Right Certificate shall have been exercised or exchanged as provided in accordance with the provisions of the Rights Agreement.

This Right Certificate shall not be valid or obligatory for any purpose until it shall have been countersigned by an authorized signatory of the Rights Agent.

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WITNESS the facsimile signature of the proper officers of the Company and its corporate seal.

Dated as of:

ZIMMER HOLDINGS, INC.,

by

Name:
Title:

Attest:

Name:
Title:

Date of countersignature:

Countersigned:

MELLON INVESTOR SERVICES LLC,
as Rights Agent,

by

Authorized Signatory

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[On Reverse Side of Right Certificate]

FORM OF ELECTION TO PURCHASE

(To be executed by the registered holder if
such holder desires to exercise the Rights
represented by this Right Certificate.)

To the Rights Agent:

The undersigned hereby irrevocably elects to exercise _____
Rights represented by this Right Certificate to purchase the Preferred Shares
(or other shares) issuable upon the exercise of such Rights and requests that
certificates for such shares be issued in the name of:

Please insert social security or other identifying number

(Please print name and address)

If such number of Rights shall not be all the Rights evidenced by this Right Certificate, a new Right Certificate for the balance remaining of such Rights shall be registered in the name of and delivered to: Please insert social security or other identifying number

(Please print name and address)

Dated: _____, _____

Signature

Signature Guaranteed:

FORM OF ASSIGNMENT

(To be executed by the registered holder if such holder desires to transfer the Right Certificate.)

FOR VALUE RECEIVED _____
hereby sells, assigns and transfer unto _____

(Please print name and address of transferee)

this Right Certificate, together with all right, title and interest therein, and does hereby irrevocably constitute and appoint _____ Attorney, to transfer the within Right Certificate on the books of the within-named Corporation, with full power of substitution.

Dated: _____, _____

Signature

Signature Guaranteed:

The undersigned hereby certifies that (1) the Rights evidenced by this Right Certificate are not being sold, assigned or transferred by or on behalf of a Person who is or was an Acquiring Person or an Affiliate or Associate thereof (as such terms are defined in the Rights Agreement), (2) this Rights Certificate is not being sold, assigned or transferred to or on behalf of any such Acquiring Person, Affiliate or Associate and (3) after inquiry and to the best knowledge of the undersigned, the undersigned did not acquire the Rights evidenced by this Right Certificate from any Person who is or was an Acquiring Person or an Affiliate or Associate thereof (as such terms are defined in the Rights Agreement).

Signature

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NOTICE

The signature on the foregoing Form of Election to Purchase or Form of Assignment must correspond to the name as written upon the face of this Right Certificate in every particular, without alteration or enlargement or any change whatsoever.

EXHIBIT C

RIGHTS BENEFICIALLY OWNED BY ANY ACQUIRING PERSONS AND CERTAIN TRANSFEREES THEREOF ARE NULL AND VOID AND ARE NO LONGER TRANSFERABLE.

SUMMARY OF RIGHTS TO PURCHASE
SERIES A PARTICIPATING CUMULATIVE PREFERRED STOCK
OF ZIMMER HOLDINGS, INC.

On [], 2001, the Board of Directors of ZIMMER HOLDINGS, INC. (the "Company") declared a dividend of one Right for each outstanding

share of Common Stock, par value \$0.01 per share, of the Company (the "Common Shares"). The Rights will be issued to the holders of record of Common Shares outstanding at [Date of Rights Agreement], 2001 (the "Record Date") and with respect to Common Shares issued thereafter until the Distribution Date (as defined below). Each Right, when it becomes exercisable as described below, will entitle the registered holder to purchase from the Company one one-thousandth (1/1,000th) of a share of Series A Participating Cumulative Preferred Stock, par value \$0.01 per share, of the Company (the "Preferred Shares") at a price of \$[].00 (the "Purchase Price"). The description and terms of the Rights are set forth in a Rights Agreement dated as of [], 2001 as it may be amended from time to time (the "Rights Agreement"), between the Company and Mellon Investor Services LLC, as Rights Agent (the "Rights Agent").

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Until the earlier of (i) such time as the Company learns that a person or group (including any affiliate or associate of such person or group) has acquired, or obtained the right to acquire, beneficial ownership of more than 15% of the outstanding Common Shares (such person or group being called an "Acquiring Person"), and (ii) such date, if any, as may be designated by the Board of Directors of the Company following the commencement of, or first public disclosure of an intention to commence, a tender or exchange offer for outstanding Common Shares which could result in such person or group becoming the beneficial owner of more than 15% of the outstanding Common Shares, (the earlier of such dates being called the "Distribution Date"), the Rights will be evidenced by certificates for Common Shares registered in the names of the holders thereof (which certificates for Common Shares shall also be deemed to be Right Certificates (as defined below)) and not by separate Right Certificates. With respect to any certificate for Common Shares outstanding as of the Record Date, until the Distribution Date, the Rights associated with the Common Shares represented by such certificates shall be evidenced by such certificates along with a copy of this Summary of Rights, and the surrender for transfer of any such certificate shall also constitute the transfer of the Rights associated with the Common Shares represented thereby.

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Therefore, until the Distribution Date, the Rights will be transferred with and only with the Common Shares.

As soon as practicable following the Distribution Date, separate certificates evidencing the Rights ("Right Certificates") will be mailed to holders of record of the Common Shares as of the close of business on

the Distribution Date, and such separate Right Certificates alone will thereafter evidence the Rights.

THE RIGHTS ARE NOT EXERCISABLE UNTIL THE DISTRIBUTION DATE and will expire at [], 2011 (the "Expiration Date"), unless earlier redeemed or exchanged by the Company as described below.

The number of Preferred Shares or other securities issuable upon exercise of the Rights is subject to adjustment by the Board of Directors of the Company in the event of any change in the Common Shares or Preferred Shares, whether by reason of stock dividends, stock splits, recapitalizations, reclassifications, mergers, consolidations, combinations or exchanges of securities, split-ups, split-offs, spin-offs, liquidations, other similar changes in capitalization, any distribution or issuance of assets, evidences of indebtedness or subscription rights, options or warrants to holders of

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Common Shares or Preferred Shares or otherwise. The Purchase Price and the number of Preferred Shares or other securities issuable upon exercise of the Rights are subject to adjustment from time to time in the event of the declaration of a stock dividend on the Common Shares payable in Common Shares or a subdivision or combination of the Common Shares prior to the Distribution Date.

The Preferred Shares are authorized to be issued in fractions which are an integral multiple of one one-thousandth (1/1,000th) of a Preferred Share. The Company may, but (other than in the case of fractions of Preferred Shares which are an integral multiple of one one-thousandth (1/1,000th) of a Preferred Share) is not required to, issue fractions of shares upon the exercise of Rights, and in lieu of such fractional shares (other than one one-thousandths (1/1,000ths) of a Preferred Share), the Company may make a cash payment based on the market price of such shares on the first trading date prior to the date of exercise or utilize a depositary arrangement as provided by the terms of the Preferred Shares.

Subject to the right of the Board of Directors of the Company to redeem or exchange the Rights as described below, at such time as there is an Acquiring Person, the holder of each Right will thereafter have the right to receive, upon exercise thereof, for the Purchase Price, that number of one one-thousandths of a Preferred Share equal to the number of Common Shares which at the time of such

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transaction would have a market value of twice the Purchase Price. Any Rights that are or were beneficially owned by an Acquiring Person on or after the Distribution Date will become null and void and will not be subject to the "flip-in" provision.

In the event that after a person becomes an Acquiring Person the Company is acquired in a merger or other business combination by a person that is a publicly traded corporation or 50% or more of the Company's assets or assets representing 50% or more of the Company's earning power are sold, leased, exchanged or otherwise transferred (in one or more transactions) to a person that is a publicly traded corporation, proper provision must be made so that each Right will entitle its holder to purchase, for the Purchase Price, that number of common shares of such corporation which at the time of the transaction would have a market value of twice the Purchase Price. In the event that after a person becomes an Acquiring Person, the Company is acquired in a merger or other business combination by a person that is not a publicly traded entity or 50% or more of the Company's assets or assets representing 50% or more of the earning power of the Company are sold, leased, exchanged or otherwise transferred (in one or more transactions) to a person that is not a publicly traded entity, proper provision must be made so that each Right will entitle its holder to purchase, for the Purchase

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Price, at such holder's option, (i) that number of shares of the surviving corporation in the transaction with such entity (or, at such holder's option, of the surviving corporation in such acquisition, which could be the Company) which at the time of the transaction would have a book value of twice the Purchase Price or (ii) that number of shares of such entity which at the time of the transaction would have a book value of twice the Purchase Price or (iii) if such entity has an affiliate which has publicly traded common shares, that number of common shares of such affiliate which at the time of the transaction would have a market value of twice the Purchase Price.

ANY RIGHTS THAT ARE OR WERE, AT ANY TIME ON OR AFTER THE DATE AN ACQUIRING PERSON BECOMES SUCH, BENEFICIALLY OWNED BY AN ACQUIRING PERSON (OR CERTAIN TRANSFEREES THEREOF) WILL BECOME NULL AND VOID AND ANY HOLDER OF ANY SUCH RIGHT (INCLUDING CERTAIN TRANSFEREES THEREOF) WILL BE UNABLE TO EXERCISE OR TRANSFER ANY SUCH RIGHT.

The Rights are redeemable by the Board of Directors at a redemption price of \$.01 per Right (the "Redemption Price") any time prior to the earlier of

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(i) such time as there is an Acquiring Person and (ii) the Expiration Date. Immediately upon the effectiveness of the action of the Board electing to redeem the Rights, and without any further action and without any notice, the right to exercise the Rights will terminate and the only right of the holders of Rights will be to receive the Redemption Price.

After there is an Acquiring Person the Board of Directors may elect to exchange each Right (other than Rights owned by an Acquiring Person) for consideration per Right consisting of one-half of the securities that would be issuable at such time upon the exercise of one Right pursuant to the terms of the Rights Agreement. Notwithstanding the foregoing, the Board of Directors of the Company shall not be empowered to effect such exchange at any time after any person (other than the Company, any Subsidiary of the Company, any employee benefit plan of the Company or any such Subsidiary, or any entity holding Common Shares for or pursuant to the terms of any such plan), together with all Affiliates and Associates of such person, becomes the Beneficial Owner of 50% or more of the Common Shares then outstanding.

At any time prior to such time as there shall be an Acquiring Person, the Company may, without the approval of any holder of the Rights, supplement or amend any

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provision of the Rights Agreement (including the date on which the Expiration Date or the Distribution Date shall occur, the amount of the Purchase Price or the definition of "Acquiring Person"), except that no supplement or amendment shall be made that reduces the Redemption Price of the Rights.

Until a Right is exercised, the holder thereof, as such, will have no rights as a stockholder of the Company, including, without limitation, the right to vote or to receive dividends.

A copy of the Rights Agreement, including the terms of the Preferred Shares, will be filed with the Securities and Exchange Commission as an Exhibit to a Registration Statement on Form 10. A copy of the Rights Agreement is available free of charge from the Company upon written request. This summary description of the Rights does not purport to be complete and is qualified in its entirety by reference to the Rights Agreement, which is incorporated herein by reference.

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INTERIM SERVICES AGREEMENT

INTERIM SERVICES AGREEMENT, dated as of [], 2001 (this "AGREEMENT"), among BRISTOL-MYERS SQUIBB COMPANY, a Delaware corporation ("BRISTOL-MYERS SQUIBB"), and ZIMMER HOLDINGS, INC., a Delaware corporation ("ZIMMER").

W I T N E S S E T H

WHEREAS, the Board of Directors of Bristol-Myers Squibb has determined that it is in the best interests of Bristol-Myers Squibb and its stockholders to separate Bristol-Myers Squibb's orthopaedics business from its

other existing businesses;

WHEREAS, in order to effectuate the foregoing, Bristol-Myers Squibb and Zimmer have entered into a Contribution and Distribution Agreement, dated as of [], 2001 (the "CONTRIBUTION AND DISTRIBUTION AGREEMENT"), which provides, among other things, subject to the terms and conditions set forth therein, for the Contribution and the Distribution (each as defined in the Contribution and Distribution Agreement) and for the execution and delivery of certain other agreements in order to facilitate and provide for the foregoing; and

WHEREAS, in order to ensure an orderly transition under the Contribution and Distribution Agreement it will be necessary for each of the parties to provide to the other the Services described herein for a transitional period.

NOW, THEREFORE, in consideration of the mutual covenants and undertakings contained herein, and subject to and on the terms and conditions herein set forth, the parties hereto agree as follows:

Section 1. DEFINITIONS.

Capitalized terms used and not otherwise defined herein shall have the meanings given such terms in the Contribution and Distribution Agreement. For purpose of this Agreement the following words and phrases shall have the following meanings:

"ADDITIONAL SERVICES" shall have the meaning set forth in Section 2(b).

"BRISTOL-MYERS SQUIBB" shall have the meaning set forth in the preamble of this Agreement.

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"CONTRIBUTION AND DISTRIBUTION AGREEMENT" shall have the meaning set forth in the recitals of this Agreement.

"INITIAL SERVICES" shall have the meaning set forth in Section 2(a).

"PROVIDER" means, with respect to any Service, the entity or entities identified on the applicable Schedule as the party to provide such Service.

"PROVIDING PARTY" means, with respect to any Service, (i) Bristol-Myers Squibb, if the entity or entities identified on the Schedule applicable to such Service as the Provider(s) of such Service is or are

member(s) of the Bristol-Myers Group and (ii) Zimmer, if the entity or entities identified on the Schedule applicable to such Service as the Provider(s) of such Service is or are member(s) of the Zimmer Group.

"RECEIVING PARTY" means, with respect to any Service, (i) Bristol-Myers Squibb, if the entity or entities identified on the Schedule applicable to such Service as the Recipient(s) of such Service is or are member(s) of the Bristol-Myers Group and (ii) Zimmer, if the entity or entities identified on the Schedule applicable to such Service as the Recipient(s) of such Service is or are member(s) of the Zimmer Group.

"RECIPIENT" means, with respect to any Service, the entity or entities identified on the Schedule applicable to such Service as the party to receive such Service.

"SCHEDULE" shall have the meaning set forth in Section 2(a).

"SERVICE PERIOD" means, with respect to any Service, the period commencing on the Contribution Date and ending on the earlier of (i) the date the Receiving Party terminates the provision of such Service pursuant to Section 4(b), and (ii) the termination date (measured as the number of days from the Contribution Date or indicated by reference to a specific date) specified with respect to such Service on the Schedule applicable to such Service.

"SERVICES" shall have the meaning set forth in Section 2(b).

"TAXES" means all forms of taxation or duties imposed, or required to be collected or withheld, including

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charges, together with any related interest, penalties or other additional amounts.

"TAX RETURN" means any return, filing, report, questionnaire, information statement or other document required to be filed, including amended returns that may be filed, for any taxable period with any Taxing Authority (whether or not a payment is required to be made with respect to such filing).

"TAXING AUTHORITY" means any governmental authority imposing Taxes.

"TAX SHARING AGREEMENT" means the Tax Sharing Agreement dated as of [], 2001, between Bristol-Myers Squibb and Zimmer.

"ZIMMER" shall have the meaning set forth in the preamble of this Agreement.

Section 2. SERVICES.

(a) INITIAL SERVICES. Each Providing Party agrees to provide, or with respect to any service to be provided by an Affiliate of the Providing Party, to cause such Affiliate to provide, to the Receiving Party, or with respect to any service to be provided to an Affiliate of the Receiving Party, to such Affiliate, the applicable services (the "INITIAL SERVICES") set forth on Schedule 1 through Schedule [] hereto (each, a "SCHEDULE").

(b) ADDITIONAL SERVICES. From time to time after the Contribution Date, the parties may identify additional services that one party will provide to the other party in accordance with the terms of this Agreement (the "ADDITIONAL SERVICES" and, together with the Initial Services, the "SERVICES"). The parties shall cooperate and act in good faith to create a Schedule for each Additional Service setting forth the identities of the Provider and Recipient, a description of the Service, the time period during which the Service will be provided, the charge, if any, for the Service and any other terms applicable thereto. Notwithstanding the foregoing, neither party shall have any obligation to agree to provide Additional Services.

(c) SCOPE OF SERVICES. Notwithstanding anything to the contrary herein, (i) neither the Providing Party nor any of its Affiliates will be required to perform or to cause to be performed any of the Services for the benefit of any third party or any other person other than the

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applicable Recipient, and (ii) the Providing Party makes no warranties, expressed or implied, with respect to the Services, except as provided in Section 2(e).

(d) CERTAIN LIMITS ON SERVICES. Except as expressly contemplated in the Schedules, neither the Providing Party nor any of its Affiliates shall be obligated to perform or to cause to be performed any Service in a volume or quantity which exceeds the historical volumes or quantities of Services performed for the applicable Recipients during 2000 or 2001 to date or anticipated to be performed during the remainder of 2001, without reference to the transactions contemplated by the Contribution and Distribution Agreement.

(e) STANDARD OF PERFORMANCE; STANDARD OF CARE.

(i) The Providing Party shall perform and cause its Affiliates to perform all Services in a manner which is substantially similar in nature, quality and timeliness to the services provided by the applicable Provider to the applicable Recipient prior to Contribution Date.

(ii) The Providing Party shall, and shall cause its Affiliates

to, perform its duties and responsibilities hereunder in good faith based on their past practices. No member of the Providing Party's Group shall be liable or held accountable, in damages or otherwise, for any error of judgment or any mistake of fact or law or for anything that any member of the Providing Party's Group does or refrains from doing, except in the case of their gross negligence or wilful misconduct.

(iii) Nothing in this Agreement shall require the Providing Party to perform or cause to be performed any Service in a manner that would constitute a violation of applicable laws, including the Foreign Corrupt Practices Act.

(f) PRICES FOR SERVICES. Services provided pursuant to the terms of this Agreement shall be charged at the prices set forth for the applicable Service on the applicable Schedule.

(g) TRANSITIONAL NATURE OF SERVICES; CHANGES. The parties acknowledge the transitional nature of the Services and that any Provider may make changes from time to time in the manner of performing the Services if such Provider is making similar changes in performing similar

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services for members of its own Group and if such Provider furnishes to the applicable Recipient substantially the same notice (in content and timing) as such Provider shall furnish to the members of its own Group respecting such changes.

(h) COOPERATION. In the event that (i) there is nonperformance of any Service as a result of a Force Majeure Event (as defined in Section 5(d)), (ii) the provision of a Service would violate applicable law or (iii) the provision of a Service requires the consent of a third party, the parties agree to work together in good faith to arrange for an alternative means by which the applicable Recipient may obtain, at the Receiving Party's sole cost, the Services so affected.

Section 3. BILLING.

(a) PROCEDURE. Charges for the Services shall be charged to and payable by the Receiving Party, or a Recipient, provided that the Receiving Party shall remain responsible for prompt payment. Amounts payable pursuant to the terms of this Agreement shall be paid to the Providing Party or a Provider, as directed by the Providing Party, at the time provided in the applicable Schedule.

(b) LATE PAYMENTS. Charges not paid within 15 days after the date when payable shall bear interest at the rate of 10% per annum from such 15th day until the date paid.

Section 4. TERM AND TERMINATION.

(a) TERMINATION DATES. Unless otherwise terminated pursuant to Section 4(b), this Agreement will terminate with respect to any Service at the close of business on the last day of the Service Period for such Service, unless the parties have agreed in writing to an extension of the Service Period.

(b) EARLY TERMINATION. The Receiving Party shall have the right at any time during the term of this Agreement to terminate its obligation to purchase any individual Service, upon the giving of an advance written notice to the Providing Party of not less than the number of days set forth on the applicable Schedule, a copy of which shall also be delivered to the relevant Affiliate of the Providing Party, which the Providing Party has designated to provide such Service set forth in the applicable Schedule, if any.

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(c) DATA TRANSMISSION. On or prior to the last day of each relevant Service Period, the Providing Party shall cooperate fully and shall cause its Affiliates to cooperate fully to support any transfer of data concerning the relevant Services to the applicable Recipient. If requested by the Receiving Party, the Providing Party shall deliver and shall cause its Affiliates to deliver to the applicable Recipient, within such time periods as the parties may reasonably agree, all records, data, files and other information received or computed for the benefit of such Recipient during the Service Period, in electronic and/or hard copy form; PROVIDED, HOWEVER, that (i) the Providing Party shall not have any obligation to provide or cause to provide data in any non-standard format and (ii) the Providing Party and its Affiliates shall be reimbursed for their reasonable out-of-pocket costs for providing data electronically in any format other than its standard format, unless expressly provided otherwise in the applicable Schedule.

Section 5. MISCELLANEOUS.

(a) MUTUAL COOPERATION. Bristol-Myers Squibb, Zimmer and their respective Affiliates shall cooperate with each other in connection with the performance of the Services hereunder, including producing on a timely basis all information that is reasonably requested with respect to the performance of Services and the transition at the end of the term of this Agreement; PROVIDED, HOWEVER, that such cooperation shall not unreasonably disrupt the normal operations of Bristol-Myers Squibb, Zimmer and their respective Affiliates; PROVIDED, FURTHER, that the party requesting cooperation shall pay all reasonable out-of-pocket costs and expenses incurred by the party furnishing cooperation, unless otherwise expressly provided in this Agreement or the Contribution and Distribution Agreement.

(b) LIABILITY. The maximum liability of the Providing Party

and its Affiliates to, and the sole remedy of, the Receiving Party and any of its Affiliates for breach of this Agreement shall be, indemnity under Article IV of the Contribution Agreement, in an amount not to exceed the lesser of (i) the price paid for the particular Service, (ii) the Receiving Party's or its Affiliate's cost of performing the Service itself during the remainder of the applicable Service Period or (iii) the Receiving Party's cost of obtaining the Service from a third party during the remainder of the applicable Service Period; PROVIDED, that the Receiving Party and its Affiliates shall exercise all reasonable efforts to minimize the cost of any such alternatives to the Services by selecting the most cost

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effective alternatives which provide the functional equivalent of the Services replaced. In no event shall the Providing Party, its Affiliates or their respective directors, officers, employees or agents be liable to any other party for indirect, exemplary, consequential or punitive damages in connection with the performance of this Agreement, even if it has been advised of the possibility of such damages, and the Receiving Party hereby waives on behalf of itself and its Affiliates any claim for such damages, including any claim for property damage or lost profits, whether arising in contract, tort or otherwise.

(c) THIRD PARTY CLAIMS. The Receiving Party shall indemnify, defend and hold harmless the Providing Party, each member of the Providing Party's Group and each of their respective directors, officers and employees, and each of the successors and assigns of any of the foregoing (collectively, the "PROVIDING PARTY INDEMNITEES"), from and against any and all third party claims relating to, arising out of or resulting from the Providing Party's furnishing or failing to furnish the Services provided for in this Agreement, other than third party claims arising out of gross negligence or willful misconduct of any Provider Indemnitee.

(d) FORCE MAJEURE. In case performance of any terms or provisions hereof shall be delayed or prevented, in whole or in part, because of or related to compliance with any law, decree, request or order of any governmental agency or authority, either local, state, federal or foreign, or because of riots, war, public disturbance, strike, labor dispute, fire, explosion, storm, flood, acts of God, major breakdown or failure of transportation, manufacturing, distribution or storage facilities, or for any other reason which is not within the control of the party whose performance is interfered with and which by the exercise of reasonable diligence such party is unable to prevent (each, a "FORCE MAJEURE EVENT"), then upon prompt notice by the party so suffering to the other party, the party suffering shall be excused from its obligations hereunder during the period such Force Majeure Event continues, and no liability shall attach against either party on account thereof. No party shall be excused from performance if such party fails to use reasonable diligence to remedy the situation and remove the cause and effect of

(e) INDEPENDENT CONTRACTORS. Bristol-Myers Squibb and Zimmer each acknowledge that they are separate entities, each of which has entered into this Agreement for independent business reasons. The relationships of Bristol-Myers Squibb to Zimmer and of Zimmer to Bristol-Myers Squibb hereunder are those of independent contractors and nothing contained herein shall be deemed to create a joint venture, partnership or any other relationship.

(f) NO THIRD PARTY BENEFICIARIES. Except as expressly provided in Section 5(c), the provisions of this Agreement are solely for the benefit of the parties and are not intended to confer upon any Person except the parties any rights or remedies hereunder. Except for the Providing Party Indemnitees, there are no third party beneficiaries of this Agreement and this Agreement shall not provide any third Person with any remedy, claim, liability, reimbursement, claim of action or other right in excess of those existing without reference to this Agreement.

(g) INTERPRETATION. The headings contained in this Agreement or in any Schedule hereto and in the table of contents to this Agreement are for reference purposes only and shall not affect in any way the meaning or interpretation of this Agreement. All Schedules annexed hereto or referred to herein are hereby incorporated in and

made a part of this Agreement as if set forth in full herein. Any capitalized terms used in any Schedule but not otherwise defined therein, shall have the meaning as defined in this Agreement. When a reference is made in this Agreement to a Section, Article or Schedule, such reference shall be to a Section or Article of, or a Schedule to, this Agreement unless otherwise indicated. For all purposes hereof, the terms "include", "includes" and "including" shall be deemed followed by the words "without limitation".

(h) TAX MATTERS. The Tax Sharing Agreement embodies the entire understanding between the parties to this Agreement relating to (i) the responsibility for the preparation and filing of Tax Returns, and (ii) the liability for Taxes, all or a portion of which Taxes and Tax Returns may arise as a result of or in connection with the transactions contemplated by this Agreement. This Agreement is not intended to, and does not, modify, amend or supercede either the Tax Sharing Agreement, or the understanding embodied in it.

IN WITNESS WHEREOF, the parties have executed this Agreement to be executed as of the date first written above.

BRISTOL-MYERS SQUIBB COMPANY,

by _____
Name:
Title:

ZIMMER HOLDINGS, INC.,

by _____
Name:
Title:

EMPLOYEE BENEFITS AGREEMENT

by and between

BRISTOL-MYERS SQUIBB COMPANY

and

ZIMMER HOLDINGS, INC.

Dated as of [], 2001

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ARTICLE I

DEFINITIONS

Section 1.01. Definitions.....1

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EMPLOYEE BENEFITS AGREEMENT

THIS EMPLOYEE BENEFITS AGREEMENT, dated as of [], 2001, is by and between BRISTOL-MYERS SQUIBB COMPANY, a Delaware corporation ("BRISTOL-MYERS SQUIBB") and ZIMMER HOLDINGS, INC., a Delaware corporation ("ZIMMER"). Capitalized terms used herein and not otherwise defined shall have the respective meanings assigned to them in Article I hereof.

R E C I T A L S:

WHEREAS, the Board of Directors of Bristol-Myers Squibb has determined that it is in the best interests of Bristol-Myers Squibb and its stockholders to make a distribution to the holders of Bristol-Myers Squibb Common Stock (as defined herein) of all of the shares of Zimmer Common Stock (as defined herein) (the "Distribution"); and

WHEREAS, in furtherance of the foregoing, Bristol-Myers Squibb and Zimmer have entered into a Contribution and Distribution Agreement, dated as of _____, 2001 (the "CONTRIBUTION AND DISTRIBUTION AGREEMENT").

NOW THEREFORE, in consideration of the mutual agreements, provisions and covenants contained in this Agreement, the parties, intending to be legally bound, agree as follows:

ARTICLE I

DEFINITIONS

Section 1.01 DEFINITIONS. For purposes of this Agreement, the following terms (other than the formal names of the Bristol-Myers Squibb Plans (as defined below)) and not otherwise defined shall have the following meanings:

"ACQUIRED RIGHTS DIRECTIVE" means the European Council Directive of February 14, 1977 on the Approximation of the Laws of the Member States relating to the Safeguarding of Employee's Rights in the Event of Transfers of Undertakings, Business or Parts of Businesses (77/187/EC) and its subsequent transposition into local laws.

"ACTION" has the meaning given such term in the Contribution and Distribution Agreement.

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"ACTIVE ZIMMER EMPLOYEE" means any individual who is employed in the Zimmer Business as of the Distribution Date, including any individual employed within or outside the United States, any individual who is absent from work on the Distribution Date on account of sick leave, short term disability, long-term disability, leave of absence or otherwise, any individual receiving severance payments and any individual who was employed by Edward Weck & Company, Inc., Xomed-Treace, Inc., Linvatec Corporation, Medical Engineering Corporation or Aspen Labs at the time such individual began receiving long-term disability benefits and who is receiving such benefits from a Bristol-Myers Squibb Plan as of the Distribution Date; PROVIDED, HOWEVER, that Active Zimmer Employee does not include any independent contractor or individual who is not a common law employee of a member of the Zimmer Group. An alternate payee under a QDRO, an alternate recipient under a QMCSO, a beneficiary or a covered dependent, in each case of an employee described in the preceding sentence shall also be an Active Zimmer Employee with respect to that employee's benefit under the applicable Plans. Such an alternate payee, alternate recipient, beneficiary or covered dependent shall not otherwise be considered an Active Zimmer Employee with respect to his or her own benefits under any applicable Plans unless he or she is an Active Zimmer Employee by virtue of the first sentence of this definition.

"AFFILIATE" of any Person means a Person that controls, is controlled by, or is under common control with such Person. As used herein,

"control" means the possession, directly or indirectly, of the power to direct or cause the direction of the management and policies of such Person, whether through ownership of voting securities or other interests, by contract or otherwise.

"AGREEMENT" means this Employee Benefits Agreement, including all of the schedules and appendices hereto.

"ANCILLARY AGREEMENT" has the meaning given such term in the Contribution and Distribution Agreement.

"BEP-RIP" when immediately preceded by "Bristol-Myers Squibb" means the Benefits Equalization Plan of Bristol-Myers Squibb Company and its Subsidiary or Affiliated Corporations Participating in the Bristol-Myers Squibb Company Retirement Income Plan or the Bristol-Myers Squibb Company Puerto Rico, Inc. Retirement Income Plan and when immediately preceded by "Zimmer" means the non-qualified defined benefit plans to be established by Zimmer pursuant to this Agreement.

"BEP-SIP" when immediately preceded by "Bristol-Myers Squibb" means the Benefits Equalization Plan of Bristol-Myers Squibb Company and its Subsidiary or Affiliated Corporations Participating in the Bristol-Myers Squibb Company Savings and Investment Program and when immediately preceded by "Zimmer" means the non-qualified defined contribution plans to be established by Zimmer pursuant to this Agreement.

"BRISTOL-MYERS SQUIBB" has the meaning set forth in the Preamble.

"BRISTOL-MYERS SQUIBB COMMON STOCK" means the common stock of Bristol-Myers Squibb Company, par value \$.10 per share.

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"BRISTOL-MYERS SQUIBB GROUP" has the meaning given such term in the Contribution and Distribution Agreement.

"BRISTOL-MYERS SQUIBB INDEMNITEES" has the meaning given such term in the Contribution and Distribution Agreement.

"BRISTOL-MYERS SQUIBB KEY INTERNATIONAL PENSION PLAN" means the Bristol-Myers Squibb Company Key International Pension Plan.

"BRISTOL-MYERS SQUIBB STOCK FUND" means the fund under the Bristol-Myers Squibb Savings and Investment Program or the Zimmer Savings and Investment Program which is primarily invested in Bristol-Myers Squibb Common Stock.

"CLAIM LIABILITIES" means the present value of the Liabilities

associated with claims by Active Zimmer Employees who are receiving benefits under the Bristol-Myers Squibb Company Long-Term Disability Income Plan and Active Zimmer Employees who are receiving benefits under the Bristol-Myers Squibb Company Short-Term Disability Plan on or prior to the Transition Termination Date.

"COBRA" means the continuation coverage requirements for "group health plans" under Title X of the Consolidated Omnibus Budget Reconciliation Act of 1985, as amended and codified in Code Section 4980B and ERISA Sections 601 through 608.

"CODE" means the Internal Revenue Code of 1986, as amended from time to time. Reference to a specific Code section also includes any proposed, temporary or final regulation in force under that section.

"COLLECTIVE BARGAINING AGREEMENTS" means collectively, the agreement dated May 16, 2000, between Snyder Laboratories, Inc. and the United Steelworkers of America, AFL- CIO-CLC on behalf of Local 2737-15 and the agreement dated March 1, 1978, between Deloro Stellite (UK) Limited and the Association of Scientific, Technical and Managerial Staff.

"COMBINED INTERNATIONAL ENTITIES" has the meaning given such term in the Contribution and Distribution Agreement.

"CONTRIBUTION AND DISTRIBUTION AGREEMENT" has the meaning given such term in the Recitals.

"DISTRIBUTION" has the meaning given such term in the Recitals.

"DISTRIBUTION DATE" has the meaning given such term in the Contribution and Distribution Agreement.

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"EMPLOYMENT-RELATED CLAIM" means any pending or potential claim, action, suit, arbitration, proceeding or other Liability that may directly or indirectly arise out of, or result from, any employment, labor, employee benefit, labor action or related dispute of any kind including, without limitation, any complaint or proceeding before any federal, state or local court, agency or tribunal.

"ERISA" means the Employee Retirement Income Security Act of 1974, as amended from time to time. References to a specific section of ERISA also include any proposed, temporary or final regulations in force under that section.

"EXPATRIATE" means each Active Zimmer Employee who is temporarily assigned to work at a location outside such Active Zimmer Employee's

home country.

"FMLA" means the Family Medical Leave Act of 1993, as amended from time to time.

"FORMER ZIMMER EMPLOYEE" means any former employee of the Zimmer Business as of the Distribution Date (including, without limitation, an employee of the Zimmer Business who retired or otherwise terminated employment before the Distribution Date) whose last day of active employment was with a member of the Bristol-Myers Squibb Group or the Zimmer Group; PROVIDED, HOWEVER, a Former Zimmer Employee shall not include any employee who is receiving payments under a Bristol-Myers Squibb Severance Plan or Zimmer Severance Plan as of the Distribution Date.

"HCFA" means the United States Health Care Financing Administration.

"HEALTH AND WELFARE PLANS" means all Plans that provide medical, dental, life insurance, accident, survivor, short term disability, long term disability, long term care, flexible benefit, adoption assistance or other welfare benefits; PROVIDED, HOWEVER, Health and Welfare Plans does not include any Plans that provide post-retirement benefits. When immediately preceded by "Bristol-Myers Squibb", Health and Welfare Plans means the Health and Welfare Plans maintained by Bristol-Myers Squibb prior to the Distribution Date and when immediately preceded by "Zimmer", Health and Welfare Plans means the Health and Welfare Plans to be established by a member of the Zimmer Group pursuant to this Agreement.

"HIPAA" means the Health Insurance Portability and Accountability Act of 1996, as amended from time to time.

"LEAVE OF ABSENCE PROGRAMS" when immediately preceded by "Bristol-Myers Squibb" means the personal, medical, military and FMLA leave offered from time to time under the personnel policies and practices of Bristol-Myers Squibb and when immediately preceded by "Zimmer" means the leave of absence programs to be established by Zimmer pursuant to this Agreement.

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"LIABILITIES" has the meaning given such term in the Contribution and Distribution Agreement.

"LTD VEBA" when immediately preceded by "Bristol-Myers Squibb" means the welfare benefit fund established by Bristol-Myers Squibb to fund certain long-term disability benefits and when immediately preceded by "Zimmer" means the welfare benefit fund to be established by Zimmer pursuant to this Agreement.

"OPTION" when immediately preceded by "Bristol-Myers Squibb"

means an option to purchase Bristol-Myers Squibb Common Stock pursuant to a Bristol-Myers Squibb Stock Plan and when immediately preceded by "Zimmer" means an option to purchase Zimmer Common Stock pursuant to a Zimmer Stock Plan.

"PERSON" means an individual, a general or limited partnership, a corporation, an association, a joint stock company, a trust, a joint venture, an unincorporated organization, a limited liability entity, and a governmental entity or any department, agency or political subdivision thereof.

"PLAN" means any plan, policy, program, scheme, payroll practice, arrangement, contract, trust, insurance policy, or any agreement or funding vehicle, whether written or unwritten, providing compensation or benefits to Active Zimmer Employees, Former Zimmer Employees, or directors or consultants of the Zimmer Business. When immediately preceded by "Bristol-Myers Squibb", Plan means those Plans listed on Schedule 1.1 that are maintained by Bristol-Myers Squibb for the benefit of Active Zimmer Employees in effect as of the Distribution Date. When immediately preceded by "Zimmer", Plan means those Plans to be established by Zimmer pursuant to this Agreement.

"PRESENT VALUE OF FUTURE SCHEDULED CONTRIBUTIONS" means the present value of the portion of the Claim Liabilities which are not funded as of the Transition Termination Date.

"QDRO" means a domestic relations order which qualifies under Code Section 414(p) and ERISA Section 206(d) and which creates or recognizes an alternate payee's right to, or assigns an alternate payee, all or a portion of the benefits payable to a participant under a Bristol-Myers Squibb Plan.

"QMCSO" means a medical child support order which qualifies under ERISA Section 609(a) and which creates or recognizes the existence of an alternate recipient's right to, or assigns to an alternate recipient the right to, receive benefits for which a participant or beneficiary is eligible under a Bristol-Myers Squibb Health and Welfare Plan.

"RATIO" means the ratio determined by dividing the Bristol-Myers Squibb Stock Value by the Zimmer Stock Value; PROVIDED, HOWEVER, that adjustments may be made to the

Ratio to minimize the independent, determinable and verifiable effect of events other than the Distribution on the price of Bristol-Myers Squibb Common Stock, the price of Zimmer Common Stock or the price of both.

"RETIREMENT INCOME PLAN" when immediately preceded by "Bristol-Myers Squibb" means the Bristol-Myers Squibb Company Retirement Income Plan and when immediately preceded by "Zimmer" means the U.S. tax-qualified defined benefit pension plan to be established by Zimmer pursuant to this

Agreement.

"SAVINGS AND INVESTMENT PROGRAM" when immediately preceded by "Bristol-Myers Squibb" means the Bristol-Myers Squibb Company Savings and Investment Program and when immediately preceded by "Zimmer" means the U.S. tax-qualified defined contribution plan and trust to be established by Zimmer pursuant to this Agreement.

"SEVERANCE PLAN" when immediately preceded by "Bristol-Myers Squibb" means the Bristol-Myers Squibb Company Severance Plan and any other plans and policies maintained by a member of the Bristol-Myers Squibb Group that provide for severance benefits upon termination of employment, including statutorily required payments, and when immediately preceded by "Zimmer" means the plans or policies to be established or maintained by a member of the Zimmer Group to provide severance benefits upon termination of employment, including any statutorily required payments.

"STOCK APPRECIATION RIGHT" when immediately preceded by "Bristol-Myers Squibb" means a right to receive the dollar value of the appreciation of a share of Bristol-Myers Squibb Common Stock over the price per share at which the right was granted, and when immediately preceded by "Zimmer" means a right to receive the dollar value of the appreciation of a share of Zimmer Common Stock over the price per share at which the right was granted.

"STOCK PLAN" when immediately preceded by "Bristol-Myers Squibb" means any plan, program or arrangement, pursuant to which any Active Zimmer Employee holds Bristol-Myers Squibb Options, Bristol-Myers Squibb Stock Appreciation Rights or other Bristol-Myers Squibb equity incentives, and when immediately preceded by "Zimmer" means such plans, programs or arrangements to be established by Zimmer pursuant to this Agreement.

"STOCK VALUE" when immediately preceded by "Bristol-Myers Squibb" means the closing price of Bristol-Myers Squibb Common Stock reported on the New York Stock Exchange on the Distribution Date, or on the first day prior to the Distribution Date that the New York Stock Exchange is open for trading if the New York Stock Exchange is not open for trading on the Distribution Date and when immediately preceded by "Zimmer" means the opening price of Zimmer Common Stock reported on the New York Stock Exchange on the first day following the Distribution Date that the New York Stock Exchange is open for trading.

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"TRANSITION HEALTH AND WELFARE PLANS" has the meaning given such term in Section 4.01.

"TRANSITION PERIOD" means the period beginning on the Distribution Date and ending at midnight on the day just prior to the Transaction Termination Date.

"TRANSITION TERMINATION DATE" means January 1, 2002 (or such other date(s) that Zimmer and Bristol-Myers Squibb mutually agree with respect to each Plan).

"UNION PLANS" means collectively, the Snyder Laboratories, Inc. Union Employees' Pension Plan, the Medical Plan for United Steelworkers of America Local #2737-15, and the Zimmer Patient Care - United Steelworkers of America Local #2737-15 Plan.

"WELFARE CLAIMS" means all claims for benefits under the Health and Welfare Plans and any expenses related thereto.

"ZIMMER" has the meaning set forth in the Preamble.

"ZIMMER BUSINESS" has the meaning given such term in the Contribution and Distribution Agreement.

"ZIMMER COMMON STOCK" means the common stock of Zimmer, par value \$.01 per share.

"ZIMMER FRINGE BENEFIT RATE" means the rate determined by Bristol-Myers Squibb Company's Benefits Department and Corporate Finance Department which represents the cost of providing benefits to Active Zimmer Employees in the U.S. as a percentage of payroll.

"ZIMMER GROUP" has the meaning given such term in the Contribution and Distribution Agreement.

"ZIMMER INDEMNITEES" has the meaning given such term in the Contribution and Distribution Agreement.

"ZIMMER INTERNATIONAL HEALTH AND WELFARE PLANS" has the meaning given such term in Section 2.09.

"ZIMMER STOCK FUND" means the fund under the Bristol-Myers Squibb Savings and Investment Program or the Zimmer Savings and Investment Program which is primarily invested in Zimmer Common Stock.

"ZIMMER UNION EMPLOYEE" means an Active Zimmer Employee who is covered by a Collective Bargaining Agreement.

ARTICLE II

GENERAL PRINCIPALS

Section 2.01. ASSUMPTION OF LIABILITIES. (a) Effective as of the Distribution Date, the Zimmer Group shall assume and be responsible for all

employment and employee benefit-related matters, obligations and Liabilities that are payable on or after the Distribution Date, whether such matters, obligations and Liabilities arise before, on or after the Distribution Date, with respect to all Active Zimmer Employees, except as specifically provided otherwise in this Agreement. From and after the Distribution Date, (i) the Zimmer Group shall assume all responsibilities, Liabilities and obligations with respect to Active Zimmer Employees and their beneficiaries, including any claims incurred at any time and including any responsibilities, Liabilities or obligations that arise under any retention letter agreements that have been entered into between Zimmer, Bristol-Myers Squibb and certain Active Zimmer Employees, and (ii) the Bristol-Myers Squibb Group shall have no responsibilities, Liabilities or obligations with respect to the Active Zimmer Employees and their beneficiaries, except as specifically provided otherwise in this Agreement. Bristol-Myers Squibb shall retain all responsibilities, Liabilities and obligations with respect to Former Zimmer Employees and their beneficiaries that arise before, on or after the Distribution Date.

(b) Effective as of the Distribution Date, the Zimmer Group will assume all contracts, obligations and Liabilities with respect to independent contractors, consultants and temporary employees of the Zimmer Business (including any sales agents and other independent contractors who are not Active Zimmer Employees). From and after the Distribution Date, Bristol-Myers Squibb shall have no contract obligations or Liabilities with respect to independent contractors, consultants and temporary employees of the Zimmer Business.

Section 2.02. EMPLOYMENT-RELATED CLAIMS. (a) On the Distribution Date, the legal responsibility for all Employment-Related Claims regarding Active Zimmer Employees shall be transferred in their entirety from the Bristol-Myers Squibb Group to Zimmer. Thereafter, Zimmer shall assume the defense of these Employment-Related Claims and all Liabilities arising with respect to such Employment-Related Claims. Zimmer shall reimburse the Bristol-Myers Squibb Group for any reasonable attorneys fees and other expenses reasonably incurred by the Bristol-Myers Squibb Group on and after the Distribution Date in connection with investigating and/or defending against any such Employment-Related Claims, including reimbursement for any services provided by members of the Bristol-Myers Squibb legal staff.

(b) The Zimmer Group shall have the sole responsibility for all Employment- Related Claims regarding Active Zimmer Employees that exist, or come into existence, on or after the Distribution Date that arise out of or relate to their employment with a member of the Zimmer Group.

Section 2.03. AMENDMENT AND TERMINATION OF ZIMMER PLANS. Except as specified otherwise in this Agreement, nothing in this Agreement shall preclude any member of the Zimmer Group, at any time after the Distribution

Date, from amending, merging, modifying, terminating, eliminating, reducing or otherwise altering in any respect any Zimmer Plan or any trust, insurance policy or funding vehicle related to any Zimmer Plan (to the extent permitted by law).

Section 2.04. SERVICE CREDIT. Except as specifically provided for in this Agreement, each member of the Zimmer Group shall cause each Active Zimmer Employee's service with each member of the Bristol-Myers Squibb Group and the Zimmer Group before the Distribution Date to be credited for all purposes with respect to all employee benefit plans and arrangements and employment-related entitlements maintained or contributed to by the members of the Zimmer Group for Active Zimmer Employees after the Distribution Date.

Section 2.05. CONTINUITY OF EMPLOYMENT. (a) Zimmer and Bristol-Myers Squibb intend that there shall be continuity of employment with respect to all Active Zimmer Employees as of the Distribution Date. Effective as of the Distribution Date, (i) each member of the Zimmer Group that employs Active Zimmer Employees shall continue the employment of each such Active Zimmer Employee, and (ii) each of the appropriate members of the Zimmer Group shall offer employment to each Active Zimmer Employee who is employed by one of the Combined International Entities; PROVIDED, HOWEVER, the effective date of employment offers to Active Zimmer Employees located in Russia and China shall be postponed to a date or dates that Zimmer and Bristol-Myers Squibb mutually agree with respect to each such country and, provided further, in the event that the appropriate member of the Zimmer Group does not offer employment to all or any of the Zimmer Employees located in Russia and China effective on or before the Transition Termination Date, Bristol-Myers Squibb or the appropriate Member of the Bristol-Myers Squibb Group may at any time on or after the Transition Termination Date without notice to and without the consent of Zimmer or any member of the Zimmer Group, terminate the employment of any or all such Zimmer Employees and Zimmer shall reimburse and indemnify Bristol-Myers Squibb for and against any and all costs, expenses or Liabilities incurred by Bristol-Myers Squibb or any member of the Bristol-Myers Squibb Group that result from such terminations of employment.

(b) Anything in this Agreement to the contrary notwithstanding, as of the Distribution Date, each member of the Zimmer Group shall continue the employment of Active Zimmer Employees based in locations outside the United States as required by the Acquired Rights Directive or any similar law in the relevant jurisdiction. In addition, anything in this Agreement to the contrary notwithstanding, as of the Distribution Date, each member of the Zimmer Group shall offer and continue the employment of the Active Zimmer Employees on the same terms and conditions, including compensation and benefits, as in effect before the Distribution Date, where necessary to avoid the imposition of severance or similar obligations on any member of the Bristol-Myers Squibb Group or where otherwise required by law.

(c) The Zimmer Group will be responsible for complying with all applicable fair employment practice laws in the employment offer and hiring process and the Zimmer Group shall be solely responsible for any Liabilities or claims that are based upon the conduct of the Zimmer Group during such employment offer and hiring process. Without limiting the foregoing, the Zimmer

Group will not discriminate in favor against any employee or applicant for employment because of race, religion, sex, national origin, disability, age or veteran status as

ordered by the Secretary of Labor pursuant to Section 202 of Executive Order 11246, Section 503 of the Rehabilitation Act of 1973, and Section 401 of the Vietnam Era Veterans Readjustment Assistance Act of 1974.

Section 2.06. EXPATRIATES. Effective as of the Distribution Date, the Zimmer Group shall assume all obligations, Liabilities and responsibilities with respect to each Expatriate as of the Distribution Date. Such obligations, Liabilities and responsibilities shall include, without limitation, compensation increments, housing expenses, travel expenses, relocation expenses and all other applicable benefits, all of which shall be provided by the appropriate member of the Zimmer Group according to the terms of the Expatriates' agreements with a member of the Bristol-Myers Squibb Group as in effect before the Distribution Date. The Zimmer Group shall have all rights, obligations and Liabilities of the Bristol-Myers Squibb Group with respect to Expatriates, including rights, obligations and Liabilities that have arisen prior to, on or after the Distribution Date under tax equalization agreements with the Expatriates.

Section 2.07. COLLECTIVE BARGAINING AGREEMENTS. Effective as of the Distribution Date, the Zimmer Group shall assume all Liabilities, responsibilities and obligations under the Collective Bargaining Agreements with respect to Zimmer Union Employees arising under, INTER ALIA, the terms of the Collective Bargaining Agreements, the National Labor Relations Act, the Labor Management Relations Act and all other laws and regulations applicable in the jurisdictions in which Zimmer Union Employees are employed. From and after the Distribution Date, the Bristol-Myers Squibb Group shall have no Liabilities, responsibilities or obligations in connection with the Collective Bargaining Agreements with respect to Zimmer Union Employees and their beneficiaries.

Section 2.08. UNION PLANS. Effective as of the Distribution Date, Zimmer Group shall retain, assume and perform, fulfill and discharge all responsibilities, Liabilities and obligations under the Union Plans whether they arose prior to, on or after the Distribution Date. From and after the Distribution Date, the Bristol-Myers Squibb Group shall have no responsibilities, Liabilities or obligations in connection with the Union Plans.

Section 2.09. INTERNATIONAL RETIREMENT AND WELFARE BENEFIT PLANS. (a) Appendix A sets forth the provisions applicable to certain pension and retirement savings plans to be adopted or maintained for Active Zimmer Employees who are employed outside the United States.

(b) On or prior to the Distribution Date, Zimmer shall take, or cause the appropriate members of the Zimmer Group to take, all actions necessary for the Zimmer Group to adopt and implement Health and Welfare Plans for the benefit of Active Zimmer Employees located in countries outside the United States (the "ZIMMER INTERNATIONAL HEALTH AND WELFARE PLANS"). Each of the Zimmer International Health and Welfare Plans will provide benefits (i) that are substantially similar to those provided to the applicable Active Zimmer Employees under the Bristol-Myers Squibb Health and Welfare Plans that such Active Zimmer Employees participated

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in prior to the Distribution Date and (ii) that meet the requirements of applicable local law with respect to continuity of benefits. To the extent necessary, the appropriate members of the Zimmer Group shall adopt the International Zimmer Health and Welfare Plans and enroll the Active Zimmer Employees in such International Health and Welfare Plans, as soon as practicable, but, no later than the Transition Termination Date. To the extent that Zimmer has not established certain Zimmer International Health and Welfare Plans as of the Distribution Date, subject to applicable law and mutual agreement between Bristol-Myers Squibb and Zimmer, during the Transition Period Active Zimmer Employees who are located in countries outside the United States shall continue to be enrolled and participate in the Bristol-Myers Squibb Health and Welfare Plans that such Active Zimmer Employees participated in prior to the Distribution Date. Except as otherwise authorized by Bristol-Myers Squibb, the foregoing shall only apply if Active Zimmer Employees participate in the Bristol-Myers Squibb Health and Welfare Plans on the same basis and in a manner that is identical in all respects to that of other participants, to the extent permissible under applicable law. No member of the Bristol-Myers Squibb Group shall have any obligation to continue such enrollment or participation in the Bristol-Myers Squibb Health and Welfare Plans on or after the Transition Termination Date and Zimmer shall reimburse and indemnify Bristol-Myers Squibb for and against any and all costs, expenses or Liabilities incurred by Bristol-Myers Squibb or any member of the Bristol-Myers Squibb Group that result from the termination of such enrollment or participation. Commencing upon the Distribution Date, Zimmer or the appropriate members of the Zimmer Group shall pay or reimburse the appropriate member of the Bristol-Myers Squibb Group for the cost of permitting the Active Zimmer Employees to participate in the Bristol-Myers Squibb Health and Welfare Plans. Zimmer shall reimburse Bristol-Myers Squibb for the costs associated with its participation in the Bristol-Myers Squibb Health and Welfare Plans as provided on Schedule 2.09(b). During the Transition Period, the appropriate member of the Zimmer Group will be deemed to be a participating company (to the extent required) in the relevant Bristol-Myers Squibb Health and Welfare Plans. Once enrolled in each applicable Zimmer International Health and Welfare Plan, the Active Zimmer Employee shall no longer be enrolled in, or accrue additional benefits or

ARTICLE III

U.S. PENSION AND SAVINGS PLANS

Section 3.01 U.S. PENSION PLAN. (a) Effective as of the Distribution Date, Zimmer shall establish, or cause to be established, the Zimmer Retirement Income Plan which shall be substantially identical in all material respects to the Bristol-Myers Squibb Retirement Income Plan as of the Distribution Date, and which shall cover Active Zimmer Employees who are participants in the Bristol-Myers Squibb Retirement Income Plan immediately prior to the Distribution Date. Bristol-Myers Squibb shall retain responsibility for all benefits accrued before the Distribution Date by Former Zimmer Employees and Active Zimmer Employees under the Bristol-Myers Squibb Retirement Income Plan, and the Zimmer Group shall have no responsibilities, Liabilities or obligations with respect to such Bristol-Myers Squibb Plan. Except as provided in Section 3.01(a) (ii), Active Zimmer Employees shall receive credit for their service with the Bristol-Myers Squibb Group and the Zimmer Group prior to the Distribution Date for all purposes under the Zimmer Retirement Income Plan, including for purposes of eligibility, vesting and benefit accrual, to the extent that the Bristol-Myers Squibb Retirement

Income Plan gives employees credit for such service. Bristol-Myers Squibb shall cause all Active Zimmer Employees on the Distribution Date to have a fully vested interest in their benefits accrued under the Bristol-Myers Squibb Retirement Income Plan as of the Distribution Date. The Zimmer Retirement Income Plan shall provide benefits to Active Zimmer Employees at least equal to the Active Zimmer Employee's benefit computed under the Zimmer Retirement Income Plan based on credit for all service the Bristol-Myers Squibb Group and the Zimmer Group (before, on and after the Distribution Date), with an offset for the accrued benefits of the Active Zimmer Employee under the Bristol-Myers Squibb Retirement Income Plan as of the Distribution Date. If the amount defined in the previous sentence is zero or less, the Zimmer Retirement Income Plan shall provide the Active Zimmer Employee's benefits computed under the Zimmer Retirement Income Plan based on credit for service with the Zimmer Group on and after the Distribution Date for benefit accrual purposes.

(b) Bristol-Myers Squibb will provide early retirement subsidies under the Bristol-Myers Squibb Retirement Income Plan to the following categories of Active Zimmer Employees as of the Distribution Date: (i) Active Zimmer Employees who have attained age 55 and have at least 10 years of service (as defined in the Bristol-Myers Squibb Retirement Income Plan) with the Bristol-Myers Squibb Group and the Zimmer Group as of the day before the Distribution Date; (ii) Active Zimmer Employees who are age 50-54 and have at

least 10 years of service (as defined in the Bristol-Myers Squibb Retirement Income Plan) with the Bristol-Myers Squibb Group and the Zimmer Group as of the day before the Distribution Date; and (iii) Active Zimmer Employees whose age, plus years of service measured in years, months and days of completed service with the Bristol-Myers Squibb Group and the Zimmer Group, equals at least 70 as of the day before the Distribution Date.

(c) Bristol-Myers Squibb and Zimmer mutually agree that effective as of the Distribution Date all Active Zimmer Employees will be treated as terminated employees under the Bristol-Myers Squibb Retirement Income Plan and will be eligible for distributions from the Bristol-Myers Squibb Retirement Income Plan as provided under the terms of the Bristol-Myers Squibb Retirement Income Plan.

Section 3.02 U.S. SAVINGS PLANS. (a) Effective as of the Distribution Date, or as soon as practicable thereafter, Zimmer shall establish, or cause to be established, the Zimmer Savings and Investment Program which shall be substantially identical in all material respects to the Bristol-Myers Squibb Savings and Investment Program. Each Active Zimmer Employee participating in the Bristol-Myers Squibb Savings and Investment Program as of the Distribution Date shall become a participant in the Zimmer Savings and Investment Program as of the Distribution Date. Active Zimmer Employees shall receive credit for all service with the Bristol-Myers Squibb Group and the Zimmer Group prior to the Distribution Date for all purposes under the Zimmer Savings and Investment Program, including for purposes of eligibility and vesting, to the extent that the Bristol-Myers Squibb Savings and Investment Program gives employees credit for service. All Active Zimmer Employees shall have a fully vested interest in their accounts under the Bristol-Myers Squibb Savings and Investment Program that are transferred to the

Zimmer Savings and Investment Program as of the Distribution Date. All amounts withheld from Active Zimmer Employees' pay with respect to payroll periods ending on or after the Distribution Date pursuant to such Active Zimmer Employees' deferral elections will be contributed on behalf of such Active Zimmer Employees to the Zimmer Savings and Investment Program, without pro-rata contributions to the Bristol-Myers Squibb Savings and Investment Plan for service performed prior to the Distribution Date.

(b) As soon as practicable following the Distribution Date, assets of the Bristol-Myers Squibb Savings and Investment Program equal to the aggregate account balances of Active Zimmer Employees shall be transferred to the Zimmer Savings and Investment Program. The transfer shall be made in cash and/or property (including shares of Bristol-Myers Squibb Common Stock, to the extent the accounts of Active Zimmer Employees are invested in Bristol-Myers Squibb Common Stock), according to the investment of each Active Zimmer Employee

as of the date the transfer is made. Any outstanding balances of plan loans in the Bristol-Myers Squibb Savings and Investment Program of the Active Zimmer Employees shall be transferred with the underlying accounts. The account balances of Active Zimmer Employees shall be valued as of the date on which the transfer is made, which value shall include the earnings, gains and losses, appreciation and depreciation of the investment funds in which the accounts are invested through the date on which the transfer is made. Bristol-Myers Squibb will remain responsible for providing benefits accrued under the Bristol-Myers Squibb Savings and Investment Program for Former Zimmer Employees. Bristol-Myers Squibb shall debit the accounts of each Active Zimmer Employee under the Bristol-Myers Squibb Savings and Investment Program by the amount transferred to the Zimmer Savings and Investment Program, and Zimmer shall allocate the cash and property transferred to the Zimmer Savings and Investment Program to the accounts of Active Zimmer Employees by crediting such accounts in relative proportion to the amount debited from the accounts of Active Zimmer Employees under the Bristol-Myers Squibb Savings and Investment Program. For administrative purposes, during a period of limited duration, no transactions will be permitted under the Zimmer Savings and Investment Program. In the event that any Former Zimmer Employee who, as of the date of such Former Zimmer Employee's termination of employment with Zimmer, had an account under the Bristol-Myers Squibb Savings and Investment Program that was not fully vested, is employed by Zimmer following the Distribution Date and if the Zimmer Savings and Investment Program is required to restore the forfeited benefit, Bristol-Myers Squibb shall transfer to the Zimmer Savings and Investment Program the amount that is necessary to restore such individual's forfeited benefit to the Zimmer Savings and Investment Program.

(c) Effective as of the Distribution Date, Zimmer shall establish a Zimmer Stock Fund and a Bristol-Myers Squibb Stock Fund under the Zimmer Savings and Investment Program. After the Distribution Date, Zimmer shall allow participants in the Zimmer Savings and Investment Program to retain their investment in shares of Bristol-Myers Squibb Common Stock in the Bristol-Myers Squibb Stock Fund under the Zimmer Savings and Investment Program for a twenty-four month period following the Distribution Date. Participants shall be permitted to transfer investments out of the Bristol-Myers Squibb Stock Fund under the Zimmer

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Savings and Investment Program, but no new contributions may be invested in and no investments may be transferred into the Bristol-Myers Squibb Stock Fund under the Zimmer Savings and Investment Program.

(d) Effective as of the Distribution Date, Bristol-Myers Squibb shall establish a Zimmer Stock Fund under the Bristol-Myers Squibb Savings and Investment Program. After the Distribution Date, Bristol-Myers Squibb shall allow participants in the Bristol-Myers Squibb Savings and

Investment Program to retain their investment in shares of Zimmer Common Stock under the Bristol-Myers Squibb Savings and Investment Program for a twenty-four month period following the Distribution Date. Participants shall be permitted to transfer investments out of the Zimmer Stock Fund under the Bristol-Myers Squibb Savings and Investment Program, but no new contributions may be invested in and no investments may be transferred into the Zimmer Stock Fund under the Bristol-Myers Squibb Savings and Investment Program.

(e) Following the transfer of cash or property described in Section 3.02(b), (i) Zimmer shall assume all Liabilities under the Bristol-Myers Squibb Savings and Investment Program with respect to Active Zimmer Employees and their beneficiaries, and (ii) the Bristol-Myers Squibb Group shall have no Liability in connection with the Zimmer Savings and Investment Program with respect to Active Zimmer Employees and their beneficiaries.

(f) Each party shall provide to the other party in a timely manner such proxy statements, annual reports, and other materials with respect to the party's stock as may be reasonably requested by the other party.

Section 3.03 NON-QUALIFIED PLANS. (a) Effective as of the Distribution Date, Zimmer shall have in effect the Zimmer BEP-SIP and the Zimmer BEP-RIP which shall provide benefits to Active Zimmer Employees who are participating in the Bristol-Myers Squibb BEP-SIP and the Bristol-Myers Squibb BEP-RIP prior to the Distribution Date. Bristol-Myers Squibb shall retain responsibility for all benefits accrued prior to the Distribution Date by Active and Former Zimmer Employees under (i) the Bristol-Myers Squibb BEP-RIP and (ii) the Bristol-Myers Squibb Key International Pension Plan.

(b) The Zimmer BEP-SIP shall provide those Active Zimmer Employees who are participating before the Distribution Date in the Bristol-Myers Squibb BEP-SIP with account balances under the Zimmer BEP-SIP equal to the account balances of the Active Zimmer Employees under the Bristol-Myers Squibb BEP-SIP as of the Distribution Date. Active Zimmer Employees shall receive credit for service with the Bristol-Myers Squibb Group and the Zimmer Group prior to the Distribution Date for all purposes under the Zimmer BEP-SIP, including for purposes of eligibility, vesting and benefit accrual, to the extent that the Bristol-Myers Squibb BEP-SIP gives employees credit for such service. All Active Zimmer Employees shall have a fully vested interest in their accounts under the Bristol-Myers Squibb BEP-SIP that are transferred to the Zimmer BEP-SIP as of the Distribution Date. Zimmer shall assume and be

responsible for paying all benefits accrued by Active Zimmer Employees under the Bristol-Myers Squibb BEP-SIP before, on and after the Distribution Date.

(c) Bristol-Myers Squibb will provide early retirement subsidies under the Bristol-Myers Squibb BEP-RIP to the following categories of Active Zimmer Employees as of the Distribution Date: (i) Active Zimmer Employees who have attained age 55 and have at least 10 years of service (as defined in the Bristol-Myers Squibb Retirement Income Plan) with the Bristol-Myers Squibb Group and the Zimmer Group as of the day before the Distribution Date; (ii) Active Zimmer Employees who are age 50-54 and have at least 10 years of service (as defined in the Bristol-Myers Squibb Retirement Income Plan) with the Bristol-Myers Squibb Group and the Zimmer Group as of the day before the Distribution Date; and (iii) Active Zimmer Employees whose age, plus years of service measured in years, months and days of completed service with the Bristol-Myers Squibb Group and the Zimmer Group, equals at least 70 as of the day before the Distribution Date.

(d) Active Zimmer Employees shall receive credit for their service with the Bristol-Myers Squibb Group and the Zimmer Group prior to the Distribution Date for all purposes under the Zimmer BEP-RIP, including for purposes of eligibility, vesting and benefit accrual, to the extent that the Bristol-Myers Squibb BEP-RIP gives employees credit for such service. For purposes of determining the amount of benefits payable under the BEP-RIP, Zimmer will determine the total benefit that would be payable to a participant after taking into account all service with any members of the Zimmer Group and the Bristol-Myers Squibb Group, and all compensation paid to such participant, without regard to any limitations or cut-backs imposed by the Code, offset by all benefits payable under (i) the Bristol-Myers Squibb Retirement Income Plan (including the same early retirement subsidies as described in Section 3.01(b)), (ii) the Bristol-Myers Squibb BEP-RIP (including the same early retirement subsidies as described in Section 3.03(c)) and, (iii) the Zimmer Retirement Income Plan.

ARTICLE IV

HEALTH AND WELFARE PLANS

Section 4.01 HEALTH AND WELFARE PLANS CONTINUANCE. (a) Except as otherwise agreed by Bristol-Myers Squibb and Zimmer, with respect to each Health and Welfare Plan, during the Transition Period, Active Zimmer Employees employed in the U.S. shall continue to participate in the Bristol-Myers Squibb Health and Welfare Plans that such Active Zimmer Employees participated in prior to the Distribution Date as listed on Schedule 4.01(a) (i) ("TRANSITION HEALTH AND WELFARE PLANS"). During the Transition Period, the appropriate member of the Zimmer Group will be deemed to be a participating company (to the extent required by the relevant Plan) in the Transition Health and Welfare Plans. Except as otherwise agreed by Bristol-Myers Squibb and Zimmer, Bristol-Myers Squibb shall administer claims incurred under the Transition Health and Welfare Plans by Active Zimmer Employees which are submitted to

Bristol-Myers Squibb before the first anniversary of the Transition Termination Date and any determinations made or settlements entered into by Bristol-Myers Squibb with respect to such claims shall be final and binding. Zimmer shall reimburse Bristol-Myers Squibb for the costs associated with its participation in the Transition Health and Welfare Plans as provided on Schedule 4.01(a)(ii). The foregoing undertakings by Bristol-Myers Squibb shall only be effective if the terms of the Transition Health and Welfare Plans are identical in all respects to the Bristol-Myers Squibb Health and Welfare Plans, except as otherwise authorized by Bristol-Myers Squibb.

(b) During the Transition Period, Bristol-Myers Squibb and Zimmer shall cause the Transition Health and Welfare Plans to recognize and maintain all coverage and contribution elections made by Active Zimmer Employees, including, but not limited to the elections made under the Bristol-Myers Squibb Company Flexible Benefit Plan, Bristol-Myers Squibb Company Health Care Reimbursement Account and the Bristol-Myers Squibb Company Dependant Care Reimbursement Account.

Section 4.02. ESTABLISHMENT OF LTD VEBA. (a) Effective as of the Transition Termination Date, Zimmer shall establish, or cause to be established, the Zimmer LTD VEBA, for the purpose of funding long-term disability benefits under the Zimmer Health and Welfare Plans. Such trust shall constitute a voluntary employees' beneficiary association under Code Sec. 501(c)(9) which is exempt from the imposition of federal income tax under Code Sec. 501(a).

(b) As soon as practicable after the Transition Termination Date, Bristol-Myers Squibb shall transfer an amount from the Bristol-Myers Squibb LTD VEBA equal to the amount of the Claim Liabilities, less the Present Value of Future Scheduled Contributions which are attributable to Active Zimmer Employees, valued as of the Transition Termination Date.

(c) The value of the assets transferred from the Bristol-Myers Squibb LTD VEBA to the Zimmer LTD VEBA shall be computed using the actuarial assumptions generally used for the Bristol-Myers Squibb LTD VEBA.

(d) Bristol-Myers Squibb and Zimmer shall make such applications to regulatory agencies, including the Internal Revenue Service and the United States Department of Labor, as may be necessary to ensure that any transfers of assets from the Bristol-Myers Squibb LTD VEBA to the Zimmer LTD VEBA will neither (i) result in any adverse tax, legal or fiduciary consequences to Bristol-Myers Squibb and Zimmer, the Bristol-Myers Squibb LTD VEBA, the Zimmer LTD VEBA, any participant therein or beneficiaries thereof, any successor welfare benefit funds established by or on behalf of Zimmer, or the trustees of such trusts, nor (ii) contravene any statute, regulation or technical pronouncement issued by any regulatory agency. Prior to the Distribution Date, Zimmer shall prepare all forms required to obtain favorable determination

letters from the Internal Revenue Service with respect to the tax-exempt status of the Zimmer LTD VEBA. Zimmer and Bristol-Myers Squibb agree to cooperate with each other to fulfill any filing and/or regulatory reporting obligations with respect to such transfers.

Section 4.03 ESTABLISHMENT OF HEALTH AND WELFARE PLANS. (a) Effective as of the Transition Termination Date, Active Zimmer Employees shall cease to participate in the Transition Health and Welfare Plans. Effective as of the Distribution Date, or the Transition Termination Date, where applicable, Zimmer shall take, or cause to be taken, all actions necessary and appropriate on behalf of Active Zimmer Employees to adopt, or to cause the appropriate member of the Zimmer Group to adopt, such Zimmer Health and Welfare Plans as are necessary to provide uninterrupted health and welfare benefits to the Active Zimmer Employees substantially similar to those offered prior to the Distribution Date or the Transition Termination Date, except as otherwise set forth in this Agreement. All waiting periods and pre-existing condition clauses shall be waived under the Zimmer Health and Welfare Plans for Active Zimmer Employees and their eligible dependents who were participating in the Bristol-Myers Squibb Health and Welfare Plans before the Distribution Date or the Transition Termination Date, as applicable. Zimmer shall cause the Zimmer Health and Welfare Plans to recognize any out-of-pocket medical and dental expenses incurred by each of the Active Zimmer Employees and their eligible dependents prior to the Distribution Date or the Transition Termination Date, as applicable, and during the calendar year in which the Distribution Date or the Transition Termination Date, as applicable, occurs for purposes of determining deductibles and out-of-pocket maximums under the Zimmer Health and Welfare Plans, if any for that calendar year. Where applicable, elections made under Bristol-Myers Squibb Health and Welfare Plans shall continue in effect under Zimmer Health and Welfare Plans, except to the extent Zimmer determines otherwise, including, but not limited to elections under the Bristol-Myers Squibb Company Flexible Benefit Plan, Bristol-Myers Squibb Company Health Care Reimbursement Account and the Bristol-Myers Squibb Company Dependant Care Reimbursement Account.

Section 4.04. LIABILITIES UNDER HEALTH AND WELFARE PLANS. (a) Except as otherwise provided in this Article IV, the Zimmer Group shall be liable for all Welfare Claims that are incurred on or after the Distribution Date or the Transition Termination Date, where applicable, under the Health and Welfare Plans or Transition Health and Welfare Plans, where applicable, with respect to Active Zimmer Employees and their beneficiaries and dependents.

(b) If either party pays any Welfare Claim that is a Liability of the other party, the responsible party shall reimburse the paying party for all such payments.

(c) For purposes of this Section 4.04, a Welfare Claim is incurred when the medical services are rendered and a life insurance Welfare Claim is incurred when the covered employee dies. A Welfare Claim for hospital admission shall be deemed to have been incurred on the date of admission to the hospital, PROVIDED, HOWEVER, that financial responsibility for any costs associated with the hospital confinement of an Active Zimmer Employee shall be assumed by Zimmer immediately following the Transition Termination Date. A long-term disability Welfare Claim or life insurance disability Welfare Claim shall be deemed to have been incurred on the date the condition causing the disability rendered the employee disabled, as determined by

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the committee or plan administrator making the determination; costs for long-term disability benefits relating to the Welfare Claim shall be included in the Welfare Claim, PROVIDED, HOWEVER, that financial responsibility for all short-term and long-term disability benefits for Active Zimmer Employees shall be assumed by Zimmer immediately following the Transition Period, regardless of when the disability was incurred.

(d) Except as otherwise agreed to between Bristol-Myers Squibb and Zimmer, during the Transition Period, Bristol-Myers Squibb shall be responsible for COBRA continuation coverage for Active Zimmer Employees and their "qualified beneficiaries" (as that term is used in Section 4980B of the Code) and any continuation coverage requirements applicable under all other laws and regulations with respect to the Active Zimmer Employees their beneficiaries, and Bristol-Myers Squibb will be responsible for the portability and certification requirements of HIPAA with respect to Active Zimmer Employees and their beneficiaries. Except as otherwise agreed to by Bristol-Myers Squibb and Zimmer, effective as of January 1, 2002, Zimmer shall assume all responsibilities and obligations for COBRA continuation coverage with respect to Active Zimmer Employees and their qualified beneficiaries and any continuation coverage requirements applicable under all other laws and regulations with respect to the Active Zimmer Employees and their beneficiaries, and Zimmer shall assume all responsibilities for the portability and certification requirements of HIPAA with respect to Active Zimmer Employees and their beneficiaries.

Section 4.05. POST-RETIREMENT MEDICAL AND LIFE INSURANCE OBLIGATIONS. The Bristol-Myers Squibb Group shall retain all Liabilities, responsibilities and obligations for all post-retirement medical, dental and life insurance benefits under the Bristol-Myers Squibb Plans with respect to Former Zimmer Employees and with respect to Active Zimmer Employees who, as of the Distribution Date are at least age 55 and have at least 10 years of service (as defined in the Bristol-Myers Squibb Retirement Income Plan) with a member of the Bristol-Myers Squibb Group and the Zimmer Group and the Zimmer Group shall have no Liabilities, responsibilities or obligations with respect to such benefits under the Bristol-Myers Squibb Plans. With respect to any individual

who is receiving post-retirement benefits under any Bristol-Myers Squibb Plan and who becomes eligible for coverage under Zimmer Plans which provide the same type of benefits as being provided under the Bristol-Myers Squibb Plans, such coverage in the Zimmer Plans shall be the primary coverage with respect to such individuals and their dependants and beneficiaries and Bristol-Myers Squibb can condition the right of the individuals and their respective dependants and beneficiaries to receive post-retirement benefits under the Bristol-Myers Squibb Plans on such individuals enrolling in the corresponding Zimmer Plans.

Section 4.06. HCFA As of the Distribution Date, Zimmer shall assume all Liabilities relating to, arising out of or resulting from claims verified by Zimmer or Bristol-Myers Squibb under the HCFA data match reports that relate to Active Zimmer Employees and their beneficiaries regardless of the date the claim was incurred.

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Section 4.07. HEALTH AND WELFARE PLAN SUBROGATION RECOVERY. Any amounts recovered by Zimmer through subrogation or otherwise for claims incurred by Active Zimmer Employees or Former Zimmer Employees and their beneficiaries and dependants that were paid or payable under the Bristol-Myers Squibb Health and Welfare Plans or the Transition Health and Welfare Plans shall be paid to Bristol-Myers Squibb.

Section 4.08. FMLA AND LEAVE OF ABSENCES. (a) Effective as of the Distribution Date, (i) Zimmer shall adopt Leave of Absence Programs which are identical in all material respects to the Bristol-Myers Squibb Leave of Absence Programs in effect as of the Distribution Date, (ii) Zimmer shall honor all terms and conditions of leaves of absences which have been granted to any Active Zimmer Employee under a Bristol-Myers Squibb Leave of Absence Program maintained by a member of the Bristol-Myers Squibb Group before the Distribution Date, including such leaves that are to commence on or after the Distribution Date, (iii) Zimmer shall be solely responsible for administering leaves of absence and complying with FMLA with respect to Active Zimmer Employees and (iv) Zimmer shall recognize all periods of service of Active Zimmer Employees with the Bristol-Myers Squibb Group and the Zimmer Group, to the extent such service is recognized by Bristol-Myers Squibb for the purpose of eligibility for leave entitlement under Bristol-Myers Squibb Leave of Absence Programs; PROVIDED, HOWEVER, that no duplication of benefits shall, to the extent permitted by law, be required by the foregoing.

(b) As soon as administratively practicable after the Distribution Date, Bristol-Myers Squibb shall provide to Zimmer copies of all records pertaining to the Bristol-Myers Squibb Leave of Absence Programs with respect to Active Zimmer Employees to the extent such records have not been previously provided.

ARTICLE V

EQUITY PLANS

Section 5.01. ESTABLISHMENT OF ZIMMER STOCK PLANS. Effective as of the Distribution Date, Zimmer shall have in effect Zimmer Stock Plans for the benefit of Active Zimmer Employees. Each Active Zimmer Employee participating in the Bristol-Myers Squibb Stock Plans as of the Distribution Date shall become a participant in the Zimmer Stock Plans as of the Distribution Date. Active Zimmer Employees shall receive credit for all service with the Bristol-Myers Squibb Group and the Zimmer Group prior to the Distribution Date for purposes of eligibility and vesting under the Zimmer Stock Plans.

Section 5.02. BRISTOL-MYERS SQUIBB OPTIONS. Effective as of the Distribution Date, each outstanding Bristol-Myers Squibb Option held by Active Zimmer Employees, other than Active Zimmer Employees who are receiving severance payments from a member of the Bristol-Myers Squibb Group or the Zimmer Group on the Distribution Date, whether vested or unvested, shall be assumed by Zimmer and converted into a Zimmer Option, subject to

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applicable law and except in certain foreign jurisdictions where certain laws, rules or regulations make it inadvisable, in the sole discretion of Bristol-Myers Squibb or Zimmer, to convert into a Zimmer Option. Each Bristol-Myers Squibb Option so assumed shall continue to have, and be subject to, the same terms and conditions set forth in the Bristol-Myers Squibb Stock Plans and as provided in the respective option agreements governing such Bristol-Myers Squibb Options as of the Distribution Date, except that (i) the number of shares of Zimmer Common Stock subject to each assumed Bristol-Myers Squibb Option shall equal the number of shares of Bristol-Myers Squibb Common Stock subject to such Bristol-Myers Squibb Option as of the Distribution Date, multiplied by the Ratio, with fractional shares rounded to the nearest whole number of shares of Zimmer Common Stock, (ii) the per share exercise price for the shares of Zimmer Common Stock issuable upon exercise of each assumed Bristol-Myers Squibb Option shall equal the per share exercise price of each assumed Bristol-Myers Squibb Option divided by the Ratio, rounded to the nearest one-hundredth of a cent, and (iii) references to any member of the Bristol-Myers Squibb Group shall be amended to refer to appropriate member of the Zimmer Group. Bristol-Myers Squibb Options not assumed under this Section 5.02 shall be governed by the Bristol-Myers Squibb Stock Plans.

Section 5.03. BRISTOL-MYERS SQUIBB STOCK APPRECIATION RIGHTS. Effective as of the Distribution Date, each outstanding Bristol-Myers Squibb Stock Appreciation Right held by Active Zimmer Employees, other than Active Zimmer Employees who are receiving severance payments from a member of

the Bristol-Myers Squibb Group or the Zimmer Group on the Distribution Date, whether vested or unvested, shall be assumed by Zimmer and converted into a Zimmer Stock Appreciation Right, subject to applicable law and except in certain foreign jurisdictions where certain laws, rules or regulations make it inadvisable, in the sole discretion of Bristol-Myers Squibb or Zimmer, to convert into a Zimmer Stock Appreciation Right. Each Bristol-Myers Squibb Stock Appreciation Right so assumed shall continue to have, and be subject to, the same terms and conditions set forth in the Bristol-Myers Squibb Stock Plans as provided in the respective agreements governing such Bristol-Myers Squibb Stock Appreciation Rights as of the Distribution Date, except that (i) the number of shares of Zimmer Common Stock underlying each assumed Bristol-Myers Squibb Stock Appreciation Right shall equal the number of shares of Bristol-Myers Squibb Common Stock underlying such Bristol-Myers Squibb Stock Appreciation Right as of the Distribution Date, multiplied by the Ratio, with fractional shares rounded to the nearest whole number of shares of Zimmer Common Stock, (ii) the per share grant price for the shares of Zimmer Common Stock underlying each assumed Bristol-Myers Squibb Stock Appreciation Right shall equal the per share grant price of each Bristol-Myers Squibb Stock Appreciation Right divided by the Ratio, rounded to the nearest one-hundredth of a cent, and (iii) references to any member of the Bristol-Myers Squibb Group shall be amended to refer to the appropriate member of the Zimmer Group. Bristol-Myers Squibb Stock Appreciation Rights not assumed under this Section 5.03 shall be governed by the Bristol-Myers Squibb Stock Plans.

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ARTICLE VI

FRINGE AND OTHER BENEFITS

Section 6.01. RETENTION BONUS ARRANGEMENTS. The Zimmer Group shall administer and make any and all retention bonus payments required to be made to Active Zimmer Employees pursuant to the retention bonus arrangements of Bristol-Myers Squibb that are applicable to Active Zimmer Employees, as set forth in retention bonus announcements to Active Zimmer Employees dated October 2000 from Charles G. Tharp, including any follow-up correspondence regarding such retention bonus arrangements. As of the Distribution Date, the Zimmer Group shall assume all responsibilities, Liabilities and obligations with respect to such retention bonus payments.

Section 6.02. ANNUAL BONUS. As of the Distribution Date, the Zimmer Group shall assume responsibility for, and shall pay, all annual bonuses, including annual incentive bonuses that are payable to Active Zimmer Employees for the year 2001, including bonuses accrued before the Distribution Date under the annual bonus plans of the Bristol-Myers Squibb Group.

Section 6.03. VACATION PAY/PAID TIME OFF. As of the Distribution Date, the Zimmer Group shall recognize all the Active Zimmer Employees' accrued and unused vacation benefits consistent with the terms of the

vacation policies of Bristol-Myers Squibb applicable to the Active Zimmer Employees as is in effect on the Distribution Date and shall assume or retain Liability for all unpaid vacation pay, sick pay and personal leave accrued by Active Zimmer Employees as of the Distribution Date.

Section 6.04. SEVERANCE. Effective as of the Distribution Date, the Zimmer Group shall adopt and maintain Zimmer Severance Plans which shall be identical in all material respects (including the Rule of 70 provisions and six-month minimum severance benefits for certain terminations within 90 days of the Distribution Date, as described in the Bristol-Myers Squibb Severance Plans and other written communications to Active Zimmer Employees) to the Bristol-Myers Squibb Severance Plans as in effect as of the Distribution Date. The Zimmer Group shall assume and be responsible for paying any severance obligations (including termination indemnities, notice liabilities and statutory severance obligations) that are payable as a result of the Distribution, or that are otherwise payable with respect to Active Zimmer Employees on or after the Distribution Date. Each Active Zimmer Employee shall receive credit for all service with a member of the Bristol-Myers Squibb Group and the Zimmer Group prior to the Distribution Date for purposes of eligibility and benefits under the Zimmer Severance Plans.

Section 6.05. RELOCATION BENEFITS. Effective as of the Transition Termination Date or such earlier date as Bristol-Myers Squibb and Zimmer may mutually agree, Zimmer shall perform or cause to be performed all obligations of Bristol-Myers Squibb with respect to Active Zimmer Employees' existing relocation arrangements, and the Zimmer Group shall have all rights and obligations of Bristol-Myers Squibb under such relocation arrangements with respect to Active Zimmer Employees.

Section 6.06. EDUCATIONAL ASSISTANCE PROGRAM. Effective as of the Transition Termination Date or such earlier date as Bristol-Myers Squibb and Zimmer may mutually agree, Zimmer shall provide a Zimmer educational assistance program to Active Zimmer Employees which is substantially similar in all material respects to the Bristol-Myers Squibb Company Educational Assistance Tuition Aid Program. Zimmer shall cease to be a Participating Company in the Bristol-Myers Squibb Company Educational Assistance Tuition Aid Program coincident with Zimmer's establishment of the Zimmer educational assistance program. At such time, any and all outstanding approved reimbursements under the Bristol-Myers Squibb Company Educational Assistance Tuition Aid Program for Active Zimmer Employees shall be made by Zimmer.

Section 6.07. ADOPTION ASSISTANCE PROGRAM. Effective as of the Transition Termination Date or such earlier date as Bristol-Myers Squibb and Zimmer may mutually agree, Zimmer shall provide a Zimmer adoption assistance program to Active Zimmer Employees which is substantially similar in all

material respects to the Bristol-Myers Squibb Company Adoption Assistance Program. Effective as of the Transition Termination Date or such other date as Bristol-Myers Squibb and Zimmer may mutually agree, the Bristol-Myers Squibb Company Adoption Assistance Program shall cease to provide reimbursement to any Active Zimmer Employees and any and all outstanding approved reimbursements shall be made by Zimmer.

Section 6.08. WORKERS' COMPENSATION. Effective as of the Distribution Date, Zimmer shall assume all Liabilities for Active Zimmer Employees related to any and all workers' compensation matters under any law of any state, territory or possession of the U.S. or other country and Zimmer shall be fully responsible for the administration of all such claims. If Zimmer is unable to assume such Liability or the administration of any such claim because of the operation of applicable state law or for any other reason, Zimmer shall fully indemnify Bristol-Myers Squibb for all such Liabilities, including costs of any administration that Zimmer has not been able to assume.

Section 6.09. OTHER AGREEMENTS AND BENEFITS. Without limiting the foregoing, as of the Distribution Date, the Zimmer Group shall assume all Liabilities and responsibilities, and shall perform or cause to be performed, all obligations of the Bristol-Myers Squibb Group under the following agreements, programs and policies in effect with respect to Active Zimmer Employees as of the Distribution Date: (i) employment and supplemental benefit agreements with respect to Active Zimmer Employees based in countries outside the United States, (ii) automobile policies, and (iii) statutory benefits applicable to Active Zimmer Employees and their beneficiaries.

ARTICLE VII

INDEMNIFICATION

Section 7.01. INDEMNIFICATION BY ZIMMER. Without limiting any rights or obligations provided for under the Contribution and Distribution Agreement, Zimmer shall indemnify defend and hold harmless each of the Bristol-Myers Squibb Indemnitees from and against any and all Liabilities of the Bristol-Myers Squibb Indemnitees relating to, arising out of or resulting from the failure of any member of the Zimmer Group to pay, perform or otherwise discharge, any of the employment and employee benefit Liabilities and obligations assumed or retained, and agreements made, by Zimmer pursuant to this Agreement.

Section 7.02. INDEMNIFICATION BY BRISTOL-MYERS SQUIBB. Without limiting any rights or obligations provided for under the Contribution and Distribution Agreement, Bristol-Myers Squibb shall indemnify, defend and hold harmless each of the Zimmer Indemnitees from and against any and all Liabilities

of the Zimmer Indemnities relating to, arising out of or resulting from the failure of any member of the Bristol-Myers Squibb Group to pay, perform or otherwise discharge, any of the employment and employee benefit Liabilities and obligations assumed or retained, and agreements made, by Bristol-Myers Squibb pursuant to this Agreement.

Section 7.03. INDEMNIFICATION PROCEDURES. The procedures for claiming indemnification, the treatment of insurance proceeds, third-party claims, cumulative remedies with respect to indemnification and the survival of indemnification rights and obligations with respect to this Agreement shall be the same as those provided for under the Contribution and Distribution Agreement.

ARTICLE VIII

MISCELLANEOUS

Section 8.01 EFFECT IF DISTRIBUTION DOES NOT OCCUR. If the Distribution does not occur, then all actions and events that are, under this Agreement, to be taken or occur effective as of the Distribution Date, or otherwise in connection with the Distribution, shall not be taken or occur except to the extent specifically agreed by Zimmer and Bristol-Myers Squibb.

Section 8.02 PARTIES IN INTEREST. Neither of the parties hereto may assign its rights or delegate any of its duties under this Agreement without the prior written consent of each other party. This Agreement shall be binding upon, and shall inure to the benefit of, the parties hereto and their respective successors and permitted assigns.

Section 8.03 CONSENT OF THIRD PARTIES. If any provision in this Agreement is dependant on the consent of any third party (such as a vendor) and such consent is withheld, Bristol-Myers Squibb and Zimmer shall use their reasonable best efforts to implement the applicable provisions of this Agreement to the fullest extent practicable. If any provision of this Agreement cannot be implemented due to failure of such third party to consent, Bristol-Myers

Squibb and Zimmer shall negotiate in good faith to implement the provision in a mutually satisfactory manner. The phrase "reasonable best efforts" as used in this Agreement shall not be construed as to require the incurrence of any non-routine or commercially unreasonable expense or liability or the waiver of any right.

Section 8.04 FURTHER ASSURANCES AND CONSENTS. In addition to the actions specifically provided for elsewhere in this Agreement, each of the

parties hereto will use its reasonable efforts to (a) execute and deliver such further instruments and documents and take such other actions as any other party may reasonably request in order to effectuate the purposes of this Agreement and to carry out the terms hereof and (b) take, or cause to be taken, all actions, and to do, or cause to be done, all things, reasonably necessary, proper or advisable under applicable laws, regulations and agreements or otherwise to consummate and make effective the transactions contemplated by this Agreement, including, without limitation, using its reasonable efforts to obtain any consents and approvals and to make any filings and applications necessary or desirable in order to consummate the transactions contemplated by this Agreement; provided that no party hereto shall be obligated to pay any consideration therefor (except for filing fees and other similar charges) to any third party from whom such consents, approvals and amendments are requested or to take any action or omit to take any action if the taking of or the omission to take such action would be unreasonably burdensome to the party or the business thereof.

Section 8.05 NON-SOLICITATION OF EMPLOYEES. Bristol-Myers Squibb and Zimmer each agree not to directly solicit or recruit the other party's employees for a period of one year following the Distribution Date, if such solicitation or recruitment would be disruptive or damaging or would interfere with the operation of business of the other party. Notwithstanding the foregoing, this prohibition on solicitation does not apply to actions taken by a party either: (a) as a result of an employee's affirmative response to a general recruitment effort carried out through a public solicitation or general solicitation, or (b) as a result of an employee's initiative.

Section 8.06 SHARING OF PARTICIPANT INFORMATION. The Bristol-Myers Squibb Group and the Zimmer Group shall, subject to applicable laws on confidentiality, share with each other and their respective agents and vendors (without obtaining releases) all participant information necessary for the efficient and accurate administration of each of the Bristol-Myers Squibb Plans and the Zimmer Plans. Bristol-Myers Squibb and Zimmer and their respective authorized agents shall be given, subject to applicable laws on confidentiality, reasonable and timely access to, any may make copies of, all information relating to the subjects of this Agreement in the custody of the other party, to the extent necessary for such administration.

Section 8.07 REPORTING AND DISCLOSURE AND COMMUNICATIONS TO PARTICIPANTS. While Zimmer is a Participating Company in the Bristol-Myers Squibb Health and Welfare Plans, Zimmer shall take all actions necessary or appropriate to facilitate the distribution of all Bristol-Myers Squibb Health and Welfare Plan-related communications and materials to employees, participants, and beneficiaries, including, but not limited to, summary plan

descriptions and related summaries of material modification, summary annual reports, investment information, prospectuses, notices, and enrollment materials for the Bristol-Myers Squibb Health and Welfare Plans. The Bristol-Myers Squibb Group and the Zimmer Group shall cooperate with each other and take all actions to insure compliance with all reporting and disclosure requirements, including the reporting and disclosure requirements of ERISA, which includes the preparation of Form 5500 annual reports for the Bristol-Myers Squibb Plans and Zimmer Plans, where applicable.

Section 8.08 BENEFICIARY DESIGNATIONS. All beneficiary designations made by Active Zimmer Employees for Bristol-Myers Squibb Plans shall be transferred to and be in full force and effect under the corresponding Zimmer Plans until such beneficiary designations are replaced or revoked by the Active Zimmer Employee who made the beneficiary designation.

Section 8.09 INCORPORATION OF THE CONTRIBUTION AND DISTRIBUTION AGREEMENT. All provisions of the Contribution and Distribution Agreement and any Ancillary Agreements are hereby incorporated by reference to this Agreement.

IN WITNESS WHEREOF, the parties hereto have executed and delivered this Agreement as of the day and year first above written.

BRISTOL-MYERS SQUIBB COMPANY

BY:

Name:

Title:

ZIMMER HOLDINGS, INC.

BY:

Name:

Title:

TAX SHARING AGREEMENT dated as of [DATE], between Bristol-Myers Squibb Company, a Delaware corporation ("BMS"), and Zimmer Holdings, Inc., a Delaware corporation ("Zimmer", collectively, the "Companies").

WHEREAS, as of the date hereof, BMS is the common parent of an affiliated group of domestic corporations, including Zimmer and its direct and indirect subsidiaries, which has elected to file consolidated federal income tax returns;

WHEREAS, pursuant to an Amended and Restated Business Transfer Agreement dated as of December 29, 2000, Bristol-Myers Squibb K.K., a Japanese kabushiki kaisha and a wholly-owned subsidiary of BMS ("BMS KK"), transferred to Zimmer K.K., a Japanese kabushiki kaisha and a wholly-owned subsidiary of BMS KK ("Zimmer KK"), certain assets relating to the Japanese portion of the Zimmer Business in exchange for 2.9 billion Yen, subject to adjustment, and the assumption of certain liabilities, all in accordance with the Amended and Restated Business Transfer Agreement (the "Japan Restructuring");

WHEREAS, the Board of Directors of BMS KK has determined to distribute its shares of Zimmer KK to BMS (the "Japan Distribution");

WHEREAS, the Board of Directors of Bristol-Myers Squibb Holdings Limited, a United Kingdom private limited company and a wholly-owned subsidiary of BMS ("BMS Holdings UK"), has determined to distribute the stock of Zimmer Limited, a United Kingdom private limited company ("Zimmer Limited") and a wholly-owned subsidiary of BMS UK, to BMS (the "UK Distribution");

WHEREAS, the Board of Directors of BMS has determined to contribute all the outstanding shares of common stock of Zimmer KK, Zimmer Limited and Zimmer, Inc., a Delaware corporation and a direct wholly-owned subsidiary of BMS, and certain other stock and/or assets in exchange for all the outstanding shares of common stock of Zimmer and the assumption by Zimmer of certain liabilities of BMS (the "Contribution");

WHEREAS, the Board of Directors of BMS has determined to distribute (the "Distribution") all the outstanding shares of common stock of Zimmer to the BMS shareholders of record as of a date to be determined and, as a result of the Distribution, Zimmer and its subsidiaries will not be included in the consolidated federal income tax return of BMS for the portion of the taxable year following the Distribution or in future taxable years;

WHEREAS, the Companies have entered into a contribution and distribution agreement (the "Contribution and Distribution Agreement") to, among other things, allocate and assign responsibility for certain liabilities of the Companies in connection with and after the Contribution and Distribution (the

"US Transactions");

WHEREAS, the Companies intend that the Japan Restructuring and the Contribution qualify as tax-free transfers under Sections 351 and 368(a)(1)(D) of the Internal Revenue Code of 1986, as amended (the "Code"), and that the Japan Distribution, the UK Distribution, and the Distribution qualify as a tax-free spin-offs under Sections 355 and 368(a)(1)(D) of the Code;

WHEREAS, BMS submitted a private letter ruling request to the United States Internal Revenue Service ("IRS") to the effect that, for United States federal income tax purposes, no gain or loss will be recognized by BMS or Zimmer from the US Transactions or by the holders of BMS common stock upon receipt of Zimmer shares in the Distribution (the initial submission dated February 22, 2001 and all supplements thereto collectively referred to herein as the "Ruling Request"); and

WHEREAS, the Companies desire to allocate the tax responsibilities, liabilities and benefits of transactions which occurred on or prior to the date on which the Distribution occurs (the "Distribution Date"), and transactions which may occur after the Distribution Date, and to provide for certain other Tax (as hereafter defined) matters;

NOW, THEREFORE, in consideration of the mutual covenants and agreements contained herein, the Companies (each on behalf of itself, each of its subsidiaries as of the Distribution Date, and its future subsidiaries) hereby agree as follows:

ARTICLE I

DEFINITIONS

The following terms shall have the following meanings (such meanings to apply equally to both the singular and the plural forms of the terms defined). All section references are to this Agreement unless otherwise stated.

"936 RETURN" means any IRS Form 5735 (or any successor form) and any IRS Form 1120 (or any successor form) required to be filed with respect to Zimmer Caribe.

"AFFILIATED GROUP" means an affiliated group of corporations within the meaning of Code Section 1504(a) for the taxable period in question.

"BMS AFFILIATED GROUP" means the Affiliated Group of which BMS or any successor of BMS is the common parent.

"BMS GROUP" means (i) the corporations that are members of the BMS Affiliated Group and (ii) the corporations that would be members of the BMS

Affiliated Group but for the fact they are not includible corporations under Code Section 1504(b).

"CHANGE IN ZIMMER STOCK OWNERSHIP" means any change in the ownership, in terms of either value or voting power, of any class of stock of Zimmer or of options or other securities or interests exchangeable for or convertible into any class of stock of Zimmer, including, without limitation, a change resulting from issuance of any class of stock of Zimmer in connection with a public offering, private placement, stock or

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asset acquisition, merger, option grant or capital contribution, or any change in ownership required to be reported on Schedule 13D or 13G (or successor schedules thereto) or issuance of employee stock options or issuance of stock pursuant to the exercise of employee stock options. This definition and its application are intended to monitor compliance with Section 355(e) of the Code following the Distribution and shall be interpreted accordingly. Any clarification of or change in the Treasury Regulations promulgated under Section 355(e) of the Code shall be incorporated in this definition and its interpretation.

"CODE" is defined in the recitals to this Agreement.

"CONTRIBUTION" is defined in the recitals to this Agreement.

"CONTRIBUTION AND DISTRIBUTION AGREEMENT" is defined in the recitals to this Agreement.

"COMBINED STATE INCOME TAXES" means any State Income Taxes with respect to which BMS currently files, or has filed, Tax Returns on a combined, consolidated or unitary basis.

"DISTRIBUTION" is defined in the recitals to this Agreement.

"DISTRIBUTION DATE" is defined in the recitals to this Agreement.

"FINAL DETERMINATION" means the final resolution of liability for any Tax for any taxable period by or as a result of: (i) a final and unappealable decision, judgment, decree or other order by any court of competent jurisdiction; (ii) a final settlement with the IRS, a closing agreement or accepted offer in compromise under Code Sections 7121 or 7122, or a comparable agreement under the laws of other jurisdictions, which resolves the entire Tax liability for any taxable period; (iii) any allowance of a refund or credit in respect of an overpayment of Tax, but only after the expiration of all periods during which such refund may be recovered by the jurisdiction imposing the Tax; or (iv) any other final disposition, including by reason of the expiration of the applicable statute of limitations.

"FOREIGN TAXES" means any Taxes imposed by a Taxing Authority (including Puerto Rico or any of its localities) other than the United States or any of its states or localities.

"FORM 5471" is defined in Section 2.02(c).

"GROUP" means either the BMS Group or the Zimmer Group, as the case may be.

"INDEMNIFYING PARTY" is defined in Section 6.01(a).

"INDEMNITEE" is defined in Section 6.01(a).

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"INDEMNITY ISSUE" is defined in Section 6.01(a).

"IRS" is defined in the recitals to this Agreement.

"JAPAN DISTRIBUTION" is defined in the recitals to this Agreement.

"JAPAN RESTRUCTURING" is defined in the recitals to this Agreement.

"OPTIONS" means any options or stock appreciation rights relating to BMS or Zimmer stock that are outstanding immediately after the Distribution.

"POST-DISTRIBUTION PERIOD" means any taxable period ending after the Distribution Date (in the case of a Straddle Period including only the portion of such taxable period beginning on the day after the Distribution Date). Accordingly, for the avoidance of doubt, the Distribution Date shall never be included in any Post-Distribution Period.

"PRE-DISTRIBUTION PERIOD" means any taxable period beginning on or before the Distribution Date (in the case of a Straddle Period including only the portion of such taxable period ending on the Distribution Date). Accordingly, for the avoidance of doubt, the Distribution Date shall, in all cases, be included in the Pre-Distribution Period.

"PRELIMINARY TRANSACTIONS" means transactions by members of the BMS Group to prepare for the Contribution and Distribution, other than the Japan Restructuring, the Japan Distribution, and the UK Distribution.

"RULING REQUEST" is defined in the recitals to this Agreement.

"SECOND ANNIVERSARY PERIOD" means the period beginning on the date of this Agreement and ending on the second anniversary of the Distribution Date.

"STATE INCOME TAXES" means any United States state or local Taxes determined by reference to income, net worth, gross receipts or capital, or any

such Taxes imposed (including franchise or similar Taxes) in lieu of income Taxes.

"STRADDLE PERIOD" means any taxable period that begins on or before and ends after the Distribution Date.

"TAX CONTROVERSY" is defined in Section 6.01(a).

"TAXES" means all forms of taxation or duties imposed, or required to be collected or withheld, including charges, together with any related interest, penalties or other additional amounts.

"TAXING AUTHORITY" means any governmental authority imposing Taxes.

"TAX OPINION" means the opinion of Cravath, Swaine & Moore concerning the United States federal income tax treatment of the Japan Restructuring, the Japan Distribution and the UK Distribution.

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"TAX RETURN" means any return, filing, report, questionnaire, information statement or other document required to be filed, including amended returns that may be filed, for any taxable period with any Taxing Authority (whether or not a payment is required to be made with respect to such filing).

"TAX RULING" means a private letter ruling received in response to the Ruling Request.

"THIRD ANNIVERSARY PERIOD" means the period beginning on the date of this Agreement and ending on the third anniversary of the Distribution Date.

"TRANSACTIONS" means the Contribution, the Distribution, the Japan Restructuring, the Japan Distribution, the UK Distribution and the Preliminary Transactions.

"TRANSACTION TAXES" means Taxes of, or indemnification for Taxes by, any member of the BMS Group (as in existence prior to the Distribution) resulting from, or arising in connection with, (a) the failure of (i) the Contribution or the Japan Restructuring to be tax-free to such member under Code Sections 351 and 368(a)(1)(D), or (ii) the Distribution, the Japan Distribution or the UK Distribution to be tax-free to such member, or its shareholders, under Code Sections 355 and 368(a)(1)(D) (including, without limitation, by reason of the application of Code Sections 355(d) or (e)) or (b) the failure of any of the Transactions to be tax-free under comparable provisions of federal, state, local or foreign law.

"TREASURY REGULATION" means the regulations promulgated from time to time under the Code as in effect for the relevant taxable period.

"UK DISTRIBUTION" is defined in the recitals to this Agreement.

"US TRANSACTIONS" is defined in the recitals to this Agreement.

"ZIMMER AFFILIATED GROUP" means the Affiliated Group of which Zimmer or any successor of Zimmer is the common parent.

"ZIMMER BUSINESS" is defined in the Ruling Request.

"ZIMMER CARIBE" means Zimmer Caribe, Inc., a Delaware corporation and a member of the Zimmer Group.

"ZIMMER CUMULATIVE OWNERSHIP CHANGE" is defined in Section 5.02.

"ZIMMER CUMULATIVE OWNERSHIP CHANGE BY VALUE" is defined in Section 5.01(a).

"ZIMMER CUMULATIVE OWNERSHIP CHANGE BY VOTE" is defined in Section 5.01(b).

"ZIMMER GROUP" means (i) the corporations that are members of the Zimmer Affiliated Group and (ii) the corporations that would be members of the Zimmer

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Affiliated Group but for the fact they are not includible corporations under Code Section 1504(b).

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ARTICLE II

PREPARATION AND FILING OF TAX RETURNS

SECTION 2.01. TAX RETURNS FOR TAXABLE PERIODS ENDING ON OR BEFORE THE DISTRIBUTION DATE. (a) BMS shall prepare and file all federal income Tax Returns, all Combined State Income Tax Returns and all Foreign Tax Returns of each member of the BMS Group for any taxable period that ends on or before the Distribution Date. Zimmer hereby irrevocably designates, and agrees to cause each of its affiliates to designate, BMS as its agent to take any and all actions necessary or incidental to the preparation and filing by BMS of any Tax Return described in this Section 2.01.

(b) Zimmer shall prepare and file all Tax Returns (other than Tax Returns described in Section 2.01(a)) of each member of the Zimmer Group for any taxable period that ends on or before the Distribution Date.

SECTION 2.02. TAX RETURNS FOR STRADDLE PERIODS. (a) Except as provided in Sections 2.02(b), (c) and (d), Zimmer shall prepare and file all Tax Returns of each member of the Zimmer Group for all Straddle Periods.

(b) In the case of any Straddle Period for State Income Taxes, Zimmer shall prepare all Tax Returns of each member of the Zimmer Group on a basis consistent with past practice, and shall present such Tax Returns to BMS for review at least 30 days before the date on which such Tax Returns are required to be filed. Zimmer shall not file such Tax Returns without the written consent of BMS, which shall not be unreasonably withheld. Promptly upon receiving the written consent of BMS, Zimmer shall file, or cause to be filed, such Tax Returns.

(c) In the case of any IRS Form 5471 (or any successor form) (a "Form 5471") relating to the calendar year (or any portion thereof) in which the Distribution occurs, that is required to be filed with respect to any member of the Zimmer Group, Zimmer shall prepare such Form 5471 on a basis consistent with past practice, and shall present such Form 5471 to BMS for review at least 30 days before the date on which such Form 5471 is required to be filed. Zimmer shall not file such Form 5471 without the written consent of BMS, which shall not be unreasonably withheld. BMS shall, and promptly upon receiving the written consent of BMS, Zimmer shall, file or cause to be filed, such Form 5471, in each case in a consistent manner.

(d) In the case of any 936 Return required to be filed for a Straddle Period, BMS shall prepare such 936 Return on a basis consistent with past practice, and shall present such 936 Return to Zimmer for review at least 30 days before the date on which such 936 Return is required to be filed. BMS shall consider in good faith any suggestions or comments made by Zimmer after such review. On or before the date on which such 936 Return is required to be filed, Zimmer shall file or cause to be filed such 936 Return. BMS shall be entitled to charge, and Zimmer shall be required to pay, a reasonable fee for services provided by BMS to Zimmer pursuant to this Section 2.02(d).

SECTION 2.03. TAX RETURNS FOR TAXABLE PERIODS ENDING AFTER THE DISTRIBUTION DATE (OTHER THAN STRADDLE PERIODS). In the case of any Tax Return for any taxable period ending after the Distribution Date (other than a Straddle Period), such Tax Returns shall be prepared and filed by BMS if they relate to any member of the BMS Group and by Zimmer if they relate to any member of the Zimmer Group.

SECTION 2.04. MANNER OF TAX RETURN PREPARATION. (a) Unless otherwise

required by a Final Determination, the Companies shall file all Tax Returns, and take all other actions, in a manner consistent with the Ruling Request and any Tax Ruling.

(b) Zimmer and BMS shall execute and file such consents, elections and other documents as may be required or appropriate for the proper filing of each Straddle Period Tax Return.

ARTICLE III

PAYMENT OF TAXES

SECTION 3.01. (a) PRE-DISTRIBUTION PERIOD TAXES. Except as otherwise provided in Sections 3.02 and 3.03, BMS shall be liable for, shall indemnify each member of the Zimmer Group against, and shall be entitled to retain all refunds of, all federal income Taxes, Combined State Income Taxes and Foreign Taxes of each member of the BMS Group for all Pre-Distribution Periods.

(b) Except as otherwise provided in Sections 3.02 and 3.03, Zimmer shall be liable for, shall indemnify each member of the BMS Group against, and shall be entitled to retain all refunds of, all Taxes (other than Taxes described in section 3.01(a)) of each member of the Zimmer Group for all Pre-Distribution Periods.

(c) POST-DISTRIBUTION PERIOD TAXES. Except as otherwise provided in Sections 3.02 and 3.03, Zimmer shall be liable for, shall indemnify each member of the BMS Group against, and shall be entitled to retain all refunds of, all Taxes of each member of the Zimmer Group for all Post-Distribution Periods.

(d) APPORTIONMENT OF STRADDLE PERIOD TAXES. Straddle Period income Taxes shall be apportioned between the Pre-Distribution Period and the Post-Distribution Period on a closing of the books basis.

SECTION 3.02. TRANSACTION TAXES.

(a) ZIMMER GROUP LIABILITY FOR CERTAIN TRANSACTION TAXES. Each member of the Zimmer Group shall be jointly and severably liable for, and shall indemnify each member of the BMS Group against, any Transaction Taxes that are primarily attributable to:

(i) any inaccurate statement or representation of fact or intent (or omission to state a material fact) in the Ruling Request or Section 4.01 that relates to the Zimmer Group; or

(ii) any inaccurate statement or representation of fact or intent (or omission to state a material fact) that relates to the Zimmer Group in a letter or certificate that forms the basis for the Tax Opinion; or

(iii) any action or omission by the Zimmer Group after the date of the Distribution inconsistent with the covenants set forth in Section 4.02.

(b) BMS GROUP LIABILITY FOR REMAINING TRANSACTION TAXES. BMS shall be liable for, and shall indemnify each member of the Zimmer Group against, any Transaction Taxes not allocated to the Zimmer Group under Section 3.02(a).

SECTION 3.03. COMPENSATION DEDUCTIONS. (a) Each of BMS and Zimmer, respectively, shall be responsible for timely filing with any relevant Taxing Authorities all required Tax Returns with respect to grants or exercises of Options on its stock (or grants or vesting of restricted stock issued by it). BMS (or the appropriate member of the BMS Group) shall claim all Tax deductions arising by reason of exercises of Options on, or receipt or vesting of restricted shares of, BMS stock. Zimmer (or the appropriate member of the Zimmer Group) shall claim all Tax deductions arising by reason of exercises of Options on, or receipt or vesting of restricted shares of, Zimmer stock.

(b) If, pursuant to a Final Determination, all or any part of a Tax deduction claimed pursuant to Section 3.03(a) is disallowed to the Group claiming such deduction, then, to the extent such deduction may be allowable to a member of the other Group, such member shall promptly claim such deduction and shall promptly pay to the Group whose Tax deduction was disallowed the amount of any Tax benefit realized by such member or its Group as a result of claiming such deduction.

ARTICLE IV

REPRESENTATIONS AND COVENANTS WITH RESPECT TO THE DISTRIBUTION

SECTION 4.01. REPRESENTATIONS. (a) Zimmer represents that, as of the date of this Agreement, it knows of no fact that may cause the Contribution or the Japan Restructuring to fail to qualify as a tax-free transfer under Section 351 and 368(a)(1)(D) of the Code, or the Distribution, the Japan Distribution or the UK Distribution to fail to qualify as a tax-free spin-off under Sections 355 and 368(a)(1)(D) of the Code.

(b) Zimmer represents that, as of the date of this Agreement, there is no plan or intention to:

(i) liquidate any of the members of the Zimmer Group or merge or consolidate any of such corporations with any other person subsequent to the Distribution;

(ii) sell or dispose of the assets of any member of the Zimmer Group subsequent to the Distribution, except in the ordinary course of business;

(iii) take any action inconsistent with the Ruling Request, the Tax Opinion or any Tax Ruling;

(iv) purchase stock of Zimmer, other than in accordance with the requirements of Revenue Procedure 96-30 and in conformity with the Ruling

(v) enter into any negotiations, discussions, agreements or arrangements with respect to any proposed Change in Zimmer Stock Ownership after which the Zimmer Cumulative Ownership Change would exceed 10 percent.

(c) Zimmer represents that it is not aware of any plan or intention by shareholders of BMS to sell, exchange, transfer, or otherwise dispose of any of their stock or securities in BMS or Zimmer subsequent to the Distribution.

SECTION 4.02. COVENANTS. (a) Zimmer agrees that it will not take, and will not permit any member of the Zimmer Group to take, any action that will cause the Contribution or the Japan Restructuring to fail to qualify as a tax-free transfer under Sections 351 and 368(a)(1)(D) of the Code, or the Distribution, the Japan Distribution or the UK Distribution to fail to qualify as a tax-free spin-off under Code Sections 355 and 368(a)(1)(D).

(b) Zimmer agrees that:

(i) No member of the Zimmer Group shall purchase stock of Zimmer, other than in accordance with the requirements of Revenue Procedure 96-30 and in conformity with the Ruling Request, the Tax Opinion and any Tax Ruling;

(ii) On or after the Distribution Date, Zimmer shall not, nor shall it permit any member of the Zimmer Group to, make or change any tax election, change any accounting method, amend any Tax Return or take any position on any Tax Return, take any action, omit to take any action or enter into any transaction that results in an increased tax liability or reduction of any Tax attribute of BMS with respect to any Pre-Distribution Period;

(iii) During the Second Anniversary Period:

(A) No member of the Zimmer Group shall liquidate, merge or consolidate with any other person;

(B) Zimmer shall not sell, exchange, distribute or otherwise dispose of the assets of any member of the Zimmer Group, except in the ordinary course of business;

(C) Zimmer shall continue the active conduct of its historic United States business (i.e. the manufacture and marketing of reconstructive implants, fracture management products and orthopedic surgical products in the United States); and

(D) Zimmer shall not consummate any proposed Change in Zimmer Stock Ownership after which the Zimmer Cumulative Ownership Change will exceed 10%. Notwithstanding the foregoing, if a proposed Change in Zimmer Stock Ownership is a result of negotiations, discussions, agreements or arrangements that occurred at any time before, or during the six-month period immediately following, the Distribution,

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then the preceding sentence shall apply to that proposed Change in Zimmer Stock Ownership during the Third Anniversary Period; and

(iv) Within 30 days after entering into an agreement or adopting a plan to consummate any Change in Zimmer Stock Ownership, Zimmer will notify BMS of such agreement or plan and provide BMS with complete details as to how the proposed Change in Zimmer Stock Ownership will affect the Zimmer Cumulative Ownership Change.

(c) EXCEPTIONS. Notwithstanding the foregoing, Zimmer and the members of the Zimmer Group shall be permitted to take an action inconsistent with the provisions of Section 4.02(b)(iii), if, prior to taking such action, Zimmer:

(i) Provides notification to BMS of its plans with respect to such action, and promptly responds to any inquiries by BMS following such notification; and

(ii) obtains and provides to BMS either:

(A) a ruling from the IRS to the effect that such action shall not cause any of the Transactions to be taxable to BMS or its shareholders; or

(B) an opinion, in form and substance acceptable to BMS in its sole discretion, of Cravath, Swaine & Moore (or of other independent counsel that is nationally recognized as being expert in federal Tax matters and is acceptable to BMS in its sole discretion) to the effect that such action shall not cause any of the Transactions to be taxable to BMS or its shareholders.

ARTICLE V

CALCULATION OF ZIMMER CUMULATIVE OWNERSHIP CHANGE

SECTION 5.01. (a) ZIMMER CUMULATIVE OWNERSHIP CHANGE BY VALUE.

"Zimmer Cumulative Ownership Change by Value" means the total percentage change in Zimmer stock ownership in terms of value immediately after a proposed Change in Zimmer Stock Ownership and shall be calculated by multiplying (a) 100 by (b) a fraction (i) the numerator of which is the sum of (A) the total value of the

shares of Zimmer stock proposed to be issued, or for which there is a change in ownership, in the proposed Change in Zimmer Stock Ownership, (B) the total value of the shares of Zimmer stock issued, or for which there has been a change in ownership, in all prior Changes in Zimmer Stock Ownership, and (C) the value of the number of shares of Zimmer stock determined by BMS and Zimmer on or prior to the Distribution Date, and (ii) the denominator of which is the total value of the shares of Zimmer stock that would be outstanding after the proposed Change in Zimmer Stock Ownership.

(b) ZIMMER CUMULATIVE OWNERSHIP CHANGE BY VOTE. "Zimmer Cumulative Ownership Change by Vote" means the total percentage change in Zimmer

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stock ownership in terms of voting power immediately after a proposed Change in Zimmer Stock Ownership and shall be calculated by multiplying (a) 100 by (b) a fraction (i) the numerator of which is the sum of (A) the total voting power of the shares of Zimmer stock proposed to be issued, or for which there is a change in ownership, in the proposed Change in Zimmer stock Ownership, (B) the total voting power of the shares of Zimmer Stock issued, or for which there has been a change in ownership, in all prior Changes in Zimmer Stock Ownership, and (C) the voting power of the number of shares of Zimmer stock determined by BMS and Zimmer on or prior to the Distribution Date, and (ii) the denominator of which is the total voting power of the shares of Zimmer stock that would be outstanding after the proposed Change in Zimmer Stock Ownership.

(c) CALCULATION. In calculating the value or voting power of shares of Zimmer stock (i) to be issued or issued or for which there is or has been a change in ownership in either a proposed or prior Change in Zimmer Stock Ownership, or (ii) that would be outstanding after a proposed Change in Zimmer Stock Ownership, any options or other securities exchangeable for or convertible into any class of stock of Zimmer shall be treated as exercised, exchanged or converted, as the case may be, where such treatment would increase the resulting Zimmer Cumulative Ownership Change.

SECTION 5.02. ZIMMER CUMULATIVE OWNERSHIP CHANGE. The "Zimmer Cumulative Ownership Change" shall equal the greater of the Zimmer Cumulative Ownership Change by Value and the Zimmer Cumulative Ownership Change by Vote.

ARTICLE VI

TAX PROCEEDINGS; COOPERATION AND EXCHANGE OF INFORMATION

SECTION 6.01. TAX PROCEEDINGS. (a) NOTIFICATION. Within 15 days after a party (the "Indemnitee") becomes aware of the existence of a Tax issue (an "Indemnity Issue") that may give rise to an indemnification claim under Article III of this Agreement (a "Tax Controversy"), by it against the other party (the "Indemnifying Party"), the Indemnitee shall promptly notify the Indemnifying Party of the Indemnity Issue, and thereafter shall promptly forward

to the Indemnifying Party copies of notices and communications with a Taxing Authority relating to such Tax Controversy (e.g., any IRS revenue agent's reports or similar reports, notices of proposed adjustment, or notices of deficiency).

(b) CONTROL OF TAX PROCEEDINGS. Except as provided in Section 6.01(c), the Indemnifying Party may elect to control, and may elect to have sole discretion in handling, settling or contesting any audit inquiry, information request, audit proceeding, suit, contest or any other action with respect to a Tax Controversy for which it would be required to indemnify the other party if it acknowledges in writing that it has sole liability for any Taxes that might arise in such proceeding. The Indemnifying Party shall not settle any Tax proceeding with respect to a Tax Controversy on a basis that would materially adversely affect the Indemnitee without obtaining the Indemnitee's written consent, which consent shall not be unreasonably withheld. The Indemnitee shall not settle any Tax Controversy without obtaining the Indemnifying Party's written consent, which shall not be unreasonably withheld. Any out-of-pocket

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costs incurred in handling, settling or contesting a Tax controversy shall be borne by the Indemnifying Party.

(c) CONTROL OF TRANSACTION TAX PROCEEDINGS. BMS and Zimmer shall jointly control, and shall each have the right to participate in all activities and strategic decisions with respect to, any Tax proceedings relating to Transaction Taxes. BMS may assume sole control of a Transaction Tax proceeding if it acknowledges in writing that it has sole liability for any Transaction Taxes that might arise in such proceeding.

SECTION 6.02. INDEMNIFICATION PAYMENTS. (a) If an Indemnitee has a claim for an indemnification payment from an Indemnifying Party under this Agreement, the Indemnitee shall promptly provide to the Indemnifying Party notice of such claim, including a description of such claim and a detailed calculation of the amount of the indemnification payment that is claimed. The Indemnifying Party shall make the claimed payment to the Indemnitee within 20 business days after receiving such notice, unless the Indemnifying Party reasonably disputes the amount of, or its liability for, such payment. All disputes regarding the amounts of, or liability for, any such claimed payment shall be resolved pursuant to the procedures set forth in the Contribution and Distribution Agreement. Interest shall accrue with respect to any indemnification payment (including any disputed payment that is ultimately required to be made) not made within the period provided for payment, at the underpayment rate in effect under the Code at such time.

(b) TREATMENT OF PAYMENTS. The amount of all indemnification obligations under this Agreement shall be calculated on an after-Tax basis. Any payments made to one party by another party which this Agreement shall be treated for all Tax purposes as nontaxable payments (dividends or capital

contributions, as the case may be) made immediately prior to the Distribution, unless, and then only to the extent, otherwise required by a Final Determination.

SECTION 6.03. COOPERATION AND EXCHANGE OF INFORMATION. (a) Each member of the BMS Group and the Zimmer Group shall cooperate fully with all reasonable requests from the other party in connection with the preparation and filing of Tax Returns, claims for refund, and Tax proceedings concerning issues or other matters covered by this Agreement. Such cooperation shall include, without limitation:

(i) the retention until the expiration of the applicable statute of limitations, and the provision upon request, of Tax Returns, books, records (including information regarding ownership and Tax basis of property), documentation and other information relating to the Tax Returns, including accompanying schedules, related work papers, and documents relating to rulings or other determinations by Taxing Authorities;

(ii) the execution of any document that may be necessary or reasonably helpful in connection with any Tax proceeding, or the filing of a Tax Return or refund claim by a member of the BMS or Zimmer Group, including certification, to the best of a party's knowledge, of the accuracy and completeness of the information it has supplied; and

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(iii) the use of the parties' best efforts to obtain any documentation that may be necessary or reasonably helpful in connection with any of the foregoing.

Each party shall make its employees and facilities available on a reasonable and mutually convenient basis in connection with the foregoing matters.

(b) If a party fails to comply with any of its obligations set forth in Section 6.03(a) of this Agreement upon reasonable request and notice by the other party, and such failure results in the imposition of additional Taxes, the nonperforming party shall be liable in full for such additional Taxes.

SECTION 6.04. RETENTION OF INFORMATION. A party intending to dispose of documentation of BMS or Zimmer or any member of its respective Group, including without limitation, books, records, Tax Returns and all supporting schedules and information relating thereto (after the expiration of the applicable statute of limitations), shall provide written notice to the other party describing the documentation to be destroyed or disposed of 60 days prior to taking such action. The other party may arrange to take delivery of the documentation described in the notice at its expense during the succeeding 60-day period.

ARTICLE VII

MISCELLANEOUS PROVISIONS

SECTION 7.01. NOTICE. Any payment, notice or communication required or permitted to be given under this Agreement shall be in writing (including facsimile) and mailed, faxed or delivered to the parties at the following addresses (or at such other address as one party may specify by notice to the other party):

If to BMS to:

Bristol-Myers Squibb Company
345 Park Avenue
New York, NY 10154-0037
Attention: Eileen S. Silvers, Esq., Vice President, Taxes

Bristol-Myers Squibb Company
345 Park Avenue
New York, NY 10154-0037
Attention: General Counsel

If to Zimmer:

Zimmer Holdings, Inc.
345 East Main Street
Warsaw, IN 46580
Attention: General Counsel

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Notification of a change of address shall be given by either party to the other as provided in this Section 7.01. All such notices and communications shall be effective (i) when received, if mailed or delivered, or (ii) when confirmed by fax answerback, if faxed.

SECTION 7.02. GOVERNING LAW. This Agreement shall be governed by the laws applicable to contracts entered into and to be performed within the State of New York by residents thereof.

SECTION 7.03. JURISDICTION. Each party agrees to submit itself exclusively to the personal jurisdiction of any New York court in the event any dispute arises out of this Agreement or any of the transactions contemplated by this Agreement and agrees that it will not attempt to deny or defeat such personal jurisdiction or venue by motion or other request for leave from any such New York court. Each party further agrees that service of any process, summons, notice or document by U.S. registered mail to such party's respective address set forth above shall be effective service of process for any action,

suit or proceeding in New York with respect to any matters to which it has submitted to jurisdiction in this Section 7.03.

SECTION 7.04. WAIVER OF JURY TRIAL. Each party waives, to the fullest extent permitted by applicable law, any right it may have to a trial by jury in respect of any dispute arising out of this Agreement.

SECTION 7.05. ENTIRE AGREEMENT. This Agreement embodies the entire understanding between the parties relating to its subject matter and supersedes and terminates all prior agreements and understandings among the parties with respect to such matters. No promises, covenants or representations of any kind, other than those expressly stated herein, have been made to induce any party to enter into this Agreement. This Agreement shall not be modified or terminated except by a writing duly signed by each of the parties hereto, and no waiver of any provisions of this Agreement shall be effective unless in a writing duly signed by the party sought to be bound. If, and to the extent, the provisions of this Agreement conflict with the Contribution and Distribution Agreement, or any other agreement entered into in connection with the Transactions, the provisions of this Agreement shall control.

SECTION 7.06. ASSIGNMENT; BINDING EFFECT. Neither this Agreement nor any of the rights, interests or obligations under this Agreement shall be assigned, in whole or in part, by operation of law or otherwise by any of the parties without the prior written consent of the other party; provided, however, that no such consent shall be required in the event of a merger, consolidation or sale of either BMS or Zimmer. Subject to the preceding sentence, this Agreement shall be binding on, and shall inure to the benefit of, and be enforceable by, the parties hereto and their respective successors and assigns.

SECTION 7.07. COUNTERPARTS. This Agreement may be executed in two or more counterparts, each of which shall be deemed to be an original, but all of which together shall constitute one and the same.

SECTION 7.08. SEVERABILITY. If any provision of this Agreement or the application of any such provision to any person or circumstances shall be

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held invalid, illegal or unenforceable in any respect by a court of competent jurisdiction, such invalidity, illegality or unenforceability shall not affect any other provision hereof.

SECTION 7.09. HEADINGS. Headings of sections in this Agreement are inserted for convenience of reference only and are not intended to be a part of or to affect the meaning or interpretation of this Agreement.

SECTION 7.10. SURVIVAL. Notwithstanding anything in this Agreement to the contrary, the provisions of this Agreement shall survive for the full period of all applicable statutes of limitations (giving effect to any waiver,

mitigation or extension thereof).

IN WITNESS WHEREOF, each of the parties has caused this Agreement to be executed by its respective duly authorized officer as of the date first set forth above.

Bristol-Myers Squibb Company

by

Name:

Title:

Zimmer Holdings, Inc.

by

Name:

Title:

ZIMMER HOLDINGS, INC.
2001 STOCK INCENTIVE PLAN

1. PURPOSE: The purpose of the 2001 Stock Incentive Plan is to secure for the Company and its stockholders the benefits of the incentive inherent in common stock ownership by the officers and key employees of the Company who will be largely responsible for the Company's future growth and continued financial success and by providing long-term incentives in addition to current compensation to certain key executives of the Company who contribute significantly to the long-term performance and growth of the Company. It is intended that the former purpose will be effected through the granting of stock options, stock appreciation rights, dividend equivalents and restricted stock under the Plan and that the latter purpose will be effected through an award conditionally granting performance units or performance shares under the Plan, either independently or in conjunction with and related to a nonqualified stock option grant under the Plan.

2. DEFINITIONS: For purposes of this Plan:

(a) "Affiliate" shall mean any entity in which the Issuer has, directly or indirectly, an ownership interest of at least 20%.

(b) "Code" shall mean the Internal Revenue Code of 1986, as amended.

(c) "Common Stock" shall mean the Issuer's common stock.

(d) "Company" shall mean the Issuer (Zimmer Holdings, Inc.) and its Subsidiaries and Affiliates.

(e) "Disability" or "Disabled" shall mean qualifying for and receiving payments under a disability pay plan of the Company.

(f) "Exchange Act" shall mean the Securities Exchange Act of 1934, as amended.

(g) "Fair Market Value" shall mean the average of the high and low sale prices of a share of Common Stock on the New York Stock Exchange composite tape on the date of measurement or on any date as determined by the Committee and, if there were no trades on such date, on the day on which a trade occurred next preceding such date.

(h) "Issuer" shall mean Zimmer Holdings, Inc.

(i) "Prior Plans" shall mean the Bristol-Myers Squibb Company 1997 Stock Incentive Plan and the Bristol-Myers Squibb Company 1983 Stock Option Plan.

(j) "Retirement" shall mean termination of the employment of an employee with the Company on or after (i) the employee's 65th birthday or (ii) the employee's 55th birthday if the employee has completed 10 years of service with the Company. For purposes of this Section 2(j) and all other purposes of this Plan, Retirement shall also mean termination of employment of an employee with the Company for any reason (other than the employee's death, Disability,

resignation, willful misconduct or activity deemed detrimental to the interests of the Company) where, on termination, the employee's age plus years of service (rounded up to the next higher whole number) equals at least 70 and the employee has completed 10 years of service with the Company, provided the optionee executes a general release agreement and, where applicable, a non-solicitation and/or non-compete agreement with the Company. For purposes of this Plan, service with Bristol-Myers Squibb and its subsidiaries and affiliates before the Effective Date shall be included as service with the Company.

(k) "Subsidiary" shall mean any corporation which at the time qualifies as a subsidiary of the Issuer under the definition of "subsidiary corporation" in Section 424 of the Code.

3. AMOUNT OF STOCK: (a) ANNUAL LIMITATION. With respect to each calendar year, the amount of stock which may be made subject to grants of options and awards under the Plan shall not exceed an amount equal to 1.9% of the outstanding shares of the Common Stock on January 1 of such year (or, in the case of the 2001 year, on the effective date of the Plan) plus (i) in any year the number of shares equal to the amount of shares that were available for options and awards under the Plan in the prior year but were not made subject to an option or award in such prior year, (ii) the number of shares that were subject to options or awards granted hereunder that terminated, expired or were cancelled, forfeited, exchanged or surrendered in the prior year without being exercised, (iii) the number of shares participants tendered in the prior year to pay the purchase price of options in accordance with Section 7(b)(5), and (iv) the number of shares the Company retained or caused participants to surrender in the prior year to satisfy Withholding Tax requirements in accordance with Section 12. Options and awards granted under Sections 6 and 19 shall not be considered in applying this limitation, to the extent provided in Sections 6 and 19.

(b) INDIVIDUAL PARTICIPANT LIMITATION. No individual may be granted options or awards under Section 7, 8 or 9, in the aggregate, in respect of more than 2,000,000 shares of the Common Stock over the life of the Plan. Options and awards granted under Sections 6 and 19 shall not be included in applying this limitation, to the extent provided in Sections 6 and 19.

(c) PERFORMANCE UNIT, PERFORMANCE SHARE AND RESTRICTED STOCK AWARDS LIMITATION. The aggregate number of shares issued under performance units and performance share awards made pursuant to Section 8 and restricted stock awards made pursuant to Section 9 may not exceed 25% of the available shares over the life

of the Plan.

(d) MAXIMUM NUMBER OF INCENTIVE STOCK OPTIONS. The maximum number of shares with respect to which incentive stock options may be granted under the Plan shall not exceed 5,000,000 shares. Any shares subject to incentive stock options granted under this Plan that terminate, expire or are cancelled, forfeited, exchanged or surrendered without being exercised may again be subjected to an option or award under the Plan.

(e) ADJUSTMENT. The limitations under Section 3(a), (b), (c) and (d) are subject to adjustment in number and kind pursuant to Section 11.

(f) TREASURY OR MARKET PURCHASED SHARES. Common Stock issued hereunder may be authorized and reissued shares or issued shares acquired by the Company on the market or otherwise.

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4. ADMINISTRATION: The Plan shall be administered under the supervision of the Board of Directors of the Issuer, which may exercise its powers, to the extent herein provided, through the agency of a Compensation and Management Development Committee (the "Committee"), which shall be appointed by the Board of Directors of the Issuer. The Committee shall consist of not less than three (3) members of the Board who are intended to meet the definition of "outside director" under the provisions of Section 162(m) of the Code and the definition of "non-employee directors" under the provisions of the Exchange Act or rules or regulations promulgated thereunder. To the extent that the Board of Directors administers the Plan, references to the Committee shall mean the Board of Directors.

The Committee, from time to time, may adopt rules and regulations ("Regulations") for carrying out the provisions and purposes of the Plan and make such other determinations, not inconsistent with the terms of the Plan, as the Committee shall deem appropriate. The interpretation and construction of any provision of the Plan by the Committee shall, unless otherwise determined by the Board of Directors, be final and conclusive.

The Committee shall maintain a written record of its proceedings. A majority of the Committee shall constitute a quorum, and the acts of a majority of the members present at any meeting at which a quorum is present, or acts unanimously approved in writing, shall be the acts of the Committee.

5. ELIGIBILITY: Options and awards may be granted only to present or future officers and key employees of the Company, including Subsidiaries and Affiliates which become such after the adoption of the Plan. Any officer or key employee of the Company shall be eligible to receive one or more options or awards under the Plan. Any director who is not an officer or employee of the Company shall be ineligible to receive an option or award under the Plan. The adoption of this Plan shall not be deemed to give any officer or employee any

right to an award or to be granted an option to purchase Common Stock, except to the extent and upon such terms and conditions as may be determined by the Committee.

6. GRANTS AS OF EFFECTIVE DATE:

(a) On the effective date of the Plan, the Issuer shall assume from Bristol-Myers Squibb Company options and awards granted under the Prior Plans that are outstanding immediately before the effective date of this Plan with respect to the Company's officers and key employees (the "Prior Awards"). Except as described below, the terms of the Prior Plans and the option and award agreements in effect pursuant to the Prior Plans will continue to govern the Prior Awards. However, as a result of the assumption, the Prior Awards will be converted into options and awards with respect to the Common Stock of the Issuer, and the number of shares and, with respect to options, the exercise price and other appropriate terms will be adjusted to reflect the spin-off of the Issuer from Bristol-Myers Squibb Company. On and after the spin-off date, references in the option and award agreements to Bristol-Myers Squibb will mean the Issuer. Any shares of the Issuer's Common Stock that are subject to options and awards pursuant to the Prior Awards will be issued under this Plan but will not be counted against the limitations provided under Section 3 of the Plan. The Committee will administer the Prior Awards, as converted into Common Stock of the Issuer.

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(b) As an alternative, the Committee may determine, as a result of certain laws, rules or regulations in countries outside the United States, not to have the Issuer assume certain Prior Awards.

7. STOCK OPTIONS: Stock options under the Plan shall consist of incentive stock options under Section 422 of the Code or nonqualified stock options (options not intended to qualify as incentive stock options), as the Committee shall determine. In addition, the Committee may grant stock appreciation rights in conjunction with an option, as set forth in Section 7(b)(11), or may grant awards in conjunction with an option, as set forth in Section 7(b)(10) (an "Associated Option").

Each option shall be subject to the following terms and conditions:

(a) GRANT OF OPTIONS. The Committee shall (1) select the officers and key employees of the Company to whom options may from time to time be granted, (2) determine whether incentive stock options or nonqualified stock options are to be granted, (3) determine the number of shares to be covered by each option so granted, (4) determine the terms and conditions (not inconsistent with the Plan) of any option granted hereunder (including but not limited to restrictions upon the options, conditions of their exercise, or restrictions on the shares of Common Stock issuable upon exercise thereof), (5) determine whether nonqualified stock options or incentive stock options granted under the Plan shall include stock appreciation rights and, if so, the Committee shall determine the terms

and conditions thereof in accordance with Section 7(b)(11) hereof, (6) determine whether any nonqualified stock options granted under the Plan shall be Associated Options, and (7) prescribe the form of the instruments necessary or advisable in the administration of options.

(b) TERMS AND CONDITIONS OF OPTION. Any option granted under the Plan shall be evidenced by a Stock Option Agreement entered into by the Company and the optionee, in such form as the Committee shall approve, which agreement shall be subject to the following terms and conditions and shall contain such additional terms and conditions not inconsistent with the Plan, and in the case of an incentive stock option not inconsistent with the provisions of the Code applicable to incentive stock options, as the Committee shall prescribe:

(1) NUMBER OF SHARES SUBJECT TO AN OPTION. The Stock Option Agreement shall specify the number of shares of Common Stock subject to the Agreement. If the option is an Associated Option, the number of shares of Common Stock subject to such Associated Option shall initially be equal to the number of performance units or performance shares subject to the award, but one share of Common Stock shall be canceled for each performance unit or performance share paid out under the award.

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(2) OPTION PRICE. The purchase price per share of Common Stock purchasable under an option will be determined by the Committee but will be not less than the Fair Market Value of a share of Common Stock on the date of the grant of the option, except as provided in Section 6, 18 or 19.

(3) OPTION PERIOD. The period of each option shall be fixed by the Committee, but no option shall be exercisable after the expiration of ten years from the date the option is granted.

(4) CONSIDERATION. Unless the Committee determines otherwise, each optionee, as consideration for the grant of an option, shall remain in the continuous employ of the Company for at least one year from the date of the granting of such option, and no option shall be exercisable until after the completion of such one year period of employment by the optionee.

(5) EXERCISE OF OPTION. An option may be exercised in whole or in part from time to time during the option period (or, if determined by the Committee, in specified installments during the option period) by giving written notice of exercise to the Company specifying the number of shares to be purchased. Such written notice must be accompanied by payment in full of the purchase price and Withholding Taxes (as defined in Section 12 hereof), unless an election to defer receipt of shares is made under Section 14, due either (i) by certified or bank check, (ii) by payment through a broker in accordance with procedures permitted by Regulation T

of the Federal Reserve Board, (iii) in shares of Common Stock owned by the optionee having a Fair Market Value at the date of exercise equal to such purchase price, provided that payment in shares of Common Stock will not be permitted unless at least 100 shares of Common Stock are required and delivered for such purpose, (iv) in any combination of the foregoing, or (v) by any other method that the Committee approves. At its discretion, the Committee may modify or suspend any method for the exercise of stock options, including any of the methods specified in the previous sentence. Delivery of shares for exercising an option shall be made either through the physical delivery of shares or through an appropriate certification or attestation of valid ownership. Shares of Common Stock used to exercise an option shall have been held by the optionee for the requisite period of time to avoid adverse accounting consequences to the Company with respect to the option. No shares shall be issued until full payment therefor has been made. An optionee shall have the rights of a stockholder only with respect to shares of stock that have been recorded on the Company's books on behalf of the optionee or for which certificates have been issued to the optionee.

Notwithstanding anything in the Plan to the contrary, the Committee may, in its sole discretion, allow the exercise of a lapsed grant if the Committee determines that: (i) the lapse was solely the result of the Company's inability to execute the exercise of an option award due to conditions beyond the Company's control and (ii) the optionee made valid and reasonable efforts to exercise the award. In the event the Committee makes such a determination, the Company shall allow the exercise to occur as promptly as possible following its receipt of exercise instructions subsequent to such determination.

(6) NONTRANSFERABILITY OF OPTIONS. No option or stock appreciation right granted under the Plan shall be transferable by the optionee other than by will or by the laws of descent and distribution, and such option or stock appreciation right shall be exercisable, during the optionee's lifetime, only by the optionee.

Notwithstanding the foregoing, the Committee may set forth in a Stock Option Agreement at the time of grant or thereafter, that the options (other than Incentive Stock Options) may be transferred to members of the optionee's immediate family, to one or more trusts solely for the benefit of such immediate family members and to partnerships in which such family members or trusts are the only partners. For this purpose, immediate family means the optionee's spouse, parents, children, stepchildren, grandchildren and legal dependants. Any transfer of options under this provision will not be effective until notice of such transfer is delivered to the Company.

(7) RETIREMENT AND TERMINATION OF EMPLOYMENT OTHER THAN BY DEATH OR

DISABILITY. If an optionee shall cease to be employed by the Company for any reason (other than termination of employment by reason of death or Disability) after the optionee shall have been continuously so employed for one year after the granting of the option, or as otherwise determined by the Committee, the option shall be exercisable only to the extent that the optionee was otherwise entitled to exercise it at the time of such cessation of employment with the Company, unless otherwise determined by the Committee. If the cessation of employment is on account of Retirement, the option shall remain exercisable for the remainder of the option period set forth therein. If the cessation of employment is not on account of Retirement or death, the option shall remain exercisable for three months after such cessation of employment (or, if earlier, the end of the option period), unless the Committee determines otherwise. The Plan does not confer upon any optionee any right with respect to continuation of employment by the Company.

(8) DISABILITY OF OPTIONEE. An optionee who ceases to be employed by reason of Disability shall be treated as though the optionee remained in the employ of the Company until the earlier of (i) cessation of payments under a disability pay plan of the Company, (ii) the optionee's death, or (iii) the optionee's 65th birthday.

(9) DEATH OF OPTIONEE. Except as otherwise provided in subsection (13), in the event of the optionee's death (i) while in the employ of the Company, (ii) while Disabled as described in subsection (8) or (iii) after cessation of employment due to Retirement, the option shall be fully exercisable by the executors, administrators, legatees or distributees of the optionee's estate, as the case may be, at any time following such death. In the event of the optionee's death after cessation of employment for any reason other than Disability or Retirement, the option shall be exercisable by the executors, administrators, legatees or distributees of the optionee's estate, as the case may be, at any time during the twelve month period following such death. Notwithstanding the foregoing, unless the Committee determines otherwise, in no event shall an option be exercisable unless the optionee shall have been continuously employed by the Company for a period of at least one year after the option grant, and no option shall be exercisable after the expiration of the option period set forth in the Stock Option Agreement. In the

event any option is exercised by the executors, administrators, legatees or distributees of the estate of a deceased optionee, the Company shall be under no obligation to issue stock thereunder unless and until the Company is satisfied that the person or persons exercising the option are the duly appointed legal representatives of the deceased optionee's estate or the proper legatees or distributees thereof.

(10) LONG-TERM PERFORMANCE AWARDS. The Committee may from time to

time grant nonqualified stock options under the Plan in conjunction with and related to an award of performance units or performance shares made under a Long-Term Performance Award as set forth in Section 8(b)(11). In such event, notwithstanding any other provision hereof, (i) the number of shares to which the Associated Option applies shall initially be equal to the number of performance units or performance shares granted by the award, but such number of shares shall be reduced on a one-share-for-one unit or share basis to the extent that the Committee determines, pursuant to the terms of the award, to pay to the optionee or the optionee's beneficiary the performance units or performance shares granted pursuant to such award, and (ii) such Associated Option shall be cancelable in the discretion of the Committee, without the consent of the optionee, under the conditions and to the extent specified in the award.

(11) STOCK APPRECIATION RIGHTS. In the case of any option granted under the Plan, either at the time of grant or by amendment of such option at any time after such grant there may be included a stock appreciation right which shall be subject to such terms and conditions, not inconsistent with the Plan, as the Committee shall impose, including the following:

(A) A stock appreciation right shall be exercisable to the extent, and only to the extent, that the option in which it is included is at the time exercisable, and may be exercised within such period only at such time or times as may be determined by the Committee;

(B) A stock appreciation right shall entitle the optionee (or any person entitled to act under the provisions of subsection (9) hereof) to surrender unexercised the option in which the stock appreciation right is included (or any portion of such option) to the Company and to receive from the Company in exchange therefor that number of shares having an aggregate value equal to (or, in the discretion of the Committee, less than) the excess of the value of one share (provided such value does not exceed such multiple of the option price per share as may be specified by the Committee) over the option price per share specified in such option times the number of shares called for by the option, or portion thereof, which is so surrendered. The Committee shall be entitled to cause the Company to settle its obligation, arising out of the exercise of a stock appreciation right, by the payment of cash equal to the aggregate value of the shares the Company would otherwise be obligated to deliver or partly by the payment of cash and partly by the delivery of shares. Any such election shall be made within 30 business days after the receipt by the Committee of written notice of the exercise of the stock appreciation right. The value of a share for this purpose

shall be the Fair Market Value thereof on the last business day preceding the date of the election to exercise the stock appreciation right;

(C) No fractional shares shall be delivered under this subsection (11) but in lieu thereof a cash adjustment shall be made;

(D) If a stock appreciation right included in an option is exercised, such option shall be deemed to have been exercised to the extent of the number of shares called for by the option or portion thereof which is surrendered on exercise of the stock appreciation right and no new option may be granted covering such shares under this Plan; and

(E) If an option which includes a stock appreciation right is exercised, such stock appreciation right shall be deemed to have been canceled to the extent of the number of shares called for by the option or portion thereof is exercised and no new stock appreciation rights may be granted covering such shares under this Plan.

(12) INCENTIVE STOCK OPTIONS. Incentive stock options may only be granted to employees of the Issuer and its Subsidiaries and parent corporations, as defined in Section 424 of the Code. In the case of any incentive stock option granted under the Plan, the aggregate Fair Market Value of the shares of Common Stock (determined at the time of grant of each option) with respect to which incentive stock options granted under the Plan and any other plan of the Issuer or its parent or a Subsidiary which are exercisable for the first time by an employee during any calendar year shall not exceed \$100,000 or such other amount as may be required by the Code.

(13) RIGHTS OF TRANSFEREE. Notwithstanding anything to the contrary herein, if an option has been transferred in accordance with Section 7(b)(6), the option shall be exercisable solely by the transferee. The option shall remain subject to the provisions of the Plan, including that it will be exercisable only to the extent that the optionee or optionee's estate would have been entitled to exercise it if the optionee had not transferred the option. In the event of the death of the optionee prior to the expiration of the right to exercise the transferred option, the period during which the option shall be exercisable will terminate on the date one year following the date of the optionee's death. In the event of the death of the transferee prior to the expiration of the right to exercise the option, the period during which the option shall be exercisable by the executors, administrators, legatees and distributees of the transferee's estate, as the case may be, will terminate on the date one year following the date of the transferee's death. In no event will the option be exercisable after the expiration of the option period set forth in the Stock Option Agreement. The option shall be subject to such other rules as the Committee shall determine.

8. LONG-TERM PERFORMANCE AWARDS: Awards under the Plan shall consist of the conditional grant to the participants of a specified number of performance units or performance shares. The conditional grant of a performance unit to a participant will entitle the participant to receive a specified dollar value, variable under conditions specified in the award, if the

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performance objectives specified in the award are achieved and the other terms and conditions thereof are satisfied. The conditional grant of a performance share to a participant will entitle the participant to receive a specified number of shares of Common Stock, or the equivalent cash value, if the objectives specified in the award are achieved and the other terms and conditions thereof are satisfied. Each award will be subject to the following terms and conditions:

(a) GRANT OF AWARDS. The Committee shall (1) select the officers and key executives of the Company to whom awards may from time to time be granted, (2) determine the number of performance units or performance shares covered by each award, (3) determine the terms and conditions of each performance unit or performance share awarded and the award period and performance objectives with respect to each award, (4) determine the periods during which a participant may request the Committee to approve deferred payment of a percentage (not less than 25%) of an award (the "Deferred Portion") and the interest or rate of return thereon or the basis on which such interest or rate of return thereon is to be determined, (5) determine whether payment with respect to the portion of an award which has not been deferred (the "Current Portion") and the payment with respect to the Deferred Portion of an award shall be made entirely in cash, entirely in Common Stock or partially in cash and partially in Common Stock, (6) determine whether the award is to be made independently of or in conjunction with a nonqualified stock option granted under the Plan, and (7) prescribe the form of the instruments necessary or advisable in the administration of the awards.

(b) TERMS AND CONDITIONS OF AWARD. Any award conditionally granting performance units or performance shares to a participant shall be evidenced by a Performance Unit Agreement or Performance Share Agreement, as applicable, executed by the Company and the participant, in such form as the Committee shall approve, which Agreement shall contain in substance the following terms and conditions applicable to the award and such additional terms and conditions as the Committee shall prescribe:

(1) NUMBER AND VALUE OF PERFORMANCE UNITS. The Performance Unit Agreement shall specify the number of performance units conditionally granted to the participant. If the award has been made in conjunction with the grant of an Associated Option, the number of performance units granted shall initially be equal to the number of shares which the participant is granted the right to purchase pursuant to the Associated Option, but one

performance unit shall be canceled for each share of the Company's Common Stock purchased upon exercise of the Associated Option or for each stock appreciation right included in such option that has been exercised. The Performance Unit Agreement shall specify the threshold, target and maximum dollar values of each performance unit and corresponding performance objectives as provided under Section 8(b)(5). No payout under a performance unit award to an individual Participant may exceed .625% of the pre-tax earnings of the Company for the fiscal year which coincides with the final year of the performance unit period.

(2) NUMBER AND VALUE OF PERFORMANCE SHARES. The Performance Share Agreement shall specify the number of performance shares conditionally granted to the participant. If the award has been made in conjunction with the grant of an Associated Option, the number of performance shares granted shall initially be equal to the number of shares which the participant is granted the right to purchase pursuant to the Associated

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Option, but one performance share shall be canceled for each share of the Company's Common Stock purchased upon exercise of the Associated Option or for each stock appreciation right included in such option that has been exercised. The Performance Share Agreement shall specify that each Performance Share will have a value equal to one (1) share of Common Stock.

(3) AWARD PERIODS. For each award, the Committee shall designate an award period with a duration to be determined by the Committee in its discretion, but in no event less than three calendar years, within which specified performance objectives are to be attained. There may be several award periods in existence at any one time and the duration of performance objectives may differ from each other.

(4) CONSIDERATION. Each participant, as consideration for the award of performance units or performance shares, shall remain in the continuous employ of the Company for at least one year after the date of the making of such award, and no award shall be payable until after the completion of such one year of employment by the participant, except as otherwise determined by the Committee.

(5) PERFORMANCE OBJECTIVES. The Committee shall establish performance objectives with respect to the Company for each award period on the basis of such criteria and to accomplish such objectives as the Committee may from time to time determine. Performance criteria for awards under the Plan shall include one or more of the following measures of the operating performance:

- | | |
|-------------|-----------------------------|
| a. Earnings | d. Financial return ratios |
| b. Revenue | e. Total Shareholder Return |

The Committee shall establish the specific targets for the selected criteria. These targets may be set at a specific level or may be expressed as relative to the comparable measure at comparison companies or a defined index. These targets may be based upon the total Company, one or more businesses units of the Company, or a defined business unit which the executive has responsibility for or influence over.

(6) DETERMINATION AND PAYMENT OF PERFORMANCE UNITS OR PERFORMANCE SHARES EARNED. As soon as practicable after the end of an award period, the Committee shall determine the extent to which awards have been earned on the basis of the Company's actual performance in relation to the established performance objectives as set forth in the Performance Unit Agreement or Performance Share Agreement and certify these results in writing. The Performance Unit Agreement or Performance Share Agreement shall specify that as soon as practicable after the end of each award period, the Committee shall determine whether the conditions of Sections 8(b)(4) and 8(b)(5) hereof have been met and, if so, shall ascertain the amount payable or shares which should be distributed to the participant in respect of the performance units or performance shares. As promptly as practicable after it has determined that an amount is payable or should be distributed in respect of an award, the Committee shall cause the Current Portion of such award to be paid or distributed to the participant or the participant's beneficiaries, as the case may be,

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in the Committee's discretion, either entirely in cash, entirely in Common Stock or partially in cash and partially in Common Stock. The Deferred Portion of an award shall be contingently credited and payable to the participant over a deferred period and shall be credited with interest, rate of return, or other valuation as determined by the Committee. The Committee, in its discretion, shall determine the conditions upon, and method of, payment of such Deferred Portions and whether such payment will be made entirely in cash, entirely in Common Stock or partially in cash and partially in Common Stock.

In making the payment of an award in Common Stock hereunder, the cash equivalent of such Common Stock shall be determined by the Fair Market Value of the Common Stock on the day the Committee designates the performance units shall be payable.

(7) NONTRANSFERABILITY OF AWARDS AND DESIGNATION OF BENEFICIARIES. No award under this Section of the Plan shall be transferable by the participant other than by will or by the laws of descent and distribution, except that a participant may designate a beneficiary pursuant to the provisions hereof. If any participant or the participant's beneficiary shall attempt to assign the participant's rights under the Plan in

violation of the provisions thereof, the Company's obligation to make any further payments to such participant or the participant's beneficiaries shall forthwith terminate.

A participant may name one or more beneficiaries to receive any payment of an award to which the participant may be entitled under the Plan in the event of the participant's death, on a form to be provided by the Committee. A participant may change the participant's beneficiary designation from time to time in the same manner. If no designated beneficiary is living on the date on which any payment becomes payable to a participant's beneficiary, or if no beneficiary has been specified by the participant, such payment will be payable to the person or persons in the first of the following classes of successive preference:

- (i) Widow or widower, if then living,
- (ii) Surviving children, equally,
- (iii) Surviving parents, equally,
- (iv) Surviving brothers and sisters, equally,
- (v) Executors or administrators

and the term "beneficiary" as used in the Plan shall include such person or persons.

(8) RETIREMENT AND TERMINATION OF EMPLOYMENT OTHER THAN BY DEATH OR DISABILITY. In the event of the Retirement prior to the end of an award period of a participant who has satisfied the one year employment requirement of Section 8(b)(4) with respect to an award prior to Retirement, or as otherwise determined by the Committee, the participant, or his estate, shall be entitled to a payment of such award at the end of the award period, pursuant to the terms of the Plan and the participant's Performance Unit Agreement or Performance Share Agreement, provided, however, that the participant shall be deemed to have earned that proportion (to the nearest whole unit or share) of the value of the performance units or performance shares granted to the

participant under such award as the number of months of the award period which have elapsed since the first day of the calendar year in which the award was made to the end of the month in which the participant's Retirement occurs, bears to the total number of months in the award period, subject to the attainment of performance objectives associated with the award as certified by the Committee. The participant's right to receive any remaining performance units or performance shares shall be canceled and forfeited.

Subject to Section 8(b)(6) hereof, the Performance Unit Agreement or Performance Share Agreement shall specify that the right to receive the performance units or performance shares granted to such participant shall

be conditional and shall be canceled, forfeited and surrendered if the participant's continuous employment with the Company shall terminate for any reason, other than the participant's death, Disability or Retirement, prior to the end of the award period, or as otherwise determined by the Committee.

(9) DISABILITY OF PARTICIPANT. For the purposes of any award, a participant who becomes Disabled shall be deemed to have suspended active employment by reason of Disability commencing on the date the participant becomes entitled to receive payments under a disability pay plan of the Company and continuing until the date the participant is no longer entitled to receive such payments. In the event a participant becomes Disabled during an award period, but only if the participant has satisfied the one year employment requirement of Section 8(b)(4) with respect to an award prior to becoming Disabled, or as otherwise determined by the Committee, upon the determination by the Committee of the extent to which an award has been earned pursuant to Section 8(b)(6), the participant shall be deemed to have earned that proportion (to the nearest whole unit) of the value of the performance units granted to the participant under such award as the number of months of the award period in which the participant was not Disabled bears to the total number of months in the award period, subject to the attainment of the performance objectives associated with the award as certified by the Committee. The participant's right to receive any remaining performance units shall be canceled and forfeited.

(10) DEATH OF PARTICIPANT. In the event of the death prior to the end of an award period of a participant who has satisfied the one year employment requirement with respect to an award prior to the date of death, or as otherwise determined by the Committee, the participant's beneficiaries or estate, as the case may be, shall be entitled to a payment of such award upon the end of the award period, pursuant to the terms of the Plan and the participant's Performance Unit Agreement or Performance Share Agreement, provided, however, that the participant shall be deemed to have earned that proportion (to the nearest whole unit or share) of the value of the performance units or performance shares granted to the participant under such award as the number of months of the award period which have elapsed since the first day of the calendar year in which the award was made to the end of the month in which the participant's death occurs, bears to the total number of months in the award period. The participant's right to receive any remaining performance units or performance shares shall be canceled and forfeited.

The Committee may, in its discretion, waive, in whole or in part, such cancellation and forfeiture of any performance units or performance shares.

(11) GRANT OF ASSOCIATED OPTION. If the Committee determines that the conditional grant of performance units or performance shares under the Plan is to be made to a participant in conjunction with the grant of a nonqualified stock option under the Plan, the Committee shall grant the participant an Associated Option under the Plan subject to the terms and conditions of this subsection (11). In such event, such award under the Plan shall be contingent upon the participant's being granted such an Associated Option pursuant to which: (i) the number of shares the optionee may purchase shall initially be equal to the number of performance units or performance shares conditionally granted by the award, (ii) such number of shares shall be reduced on a one-share-for-one-unit or share basis to the extent that the Committee determines, pursuant to Section 8(b)(6) hereof, to pay to the participant or the participant's beneficiaries the performance units or performance shares conditionally granted pursuant to the award, and (iii) the Associated Option shall be cancelable in the discretion of the Committee, without the consent of the participant, under the conditions and to the extent specified herein and in Section 8(b)(6) hereof.

If no amount is payable in respect of the conditionally granted performance units or performance shares, the award and such performance units or performance shares shall be deemed to have been canceled, forfeited and surrendered, and the Associated Option, if any, shall continue in effect in accordance with its terms. If any amount is payable in respect of the performance units or performance shares and such units or shares were granted in conjunction with an Associated Option, the Committee shall, within 30 days after the determination of the Committee referred to in the first sentence of Section 8(b)(6), determine, in its sole discretion, either:

(A) to cancel in full the Associated Option, in which event the value of the performance units or performance shares payable pursuant to Sections 8(b)(5) and (6) shall be paid or the performance shares shall be distributed;

(B) to cancel in full the performance units or performance shares, in which event no amount shall be paid to the participant in respect thereof and no shares shall be distributed but the Associated Option shall continue in effect in accordance with its terms; or

(C) to cancel some, but not all, of the performance units or performance shares, in which event the value of the performance units payable pursuant to Sections 8(b)(5) and (6) which have not been canceled shall be paid or the performance shares shall be distributed and the Associated Option shall be canceled with respect to that number of shares equal to the number of conditionally granted performance units or performance shares that remain payable.

Any action taken by the Committee pursuant to the preceding sentence shall be uniform with respect to all awards having the same award period. If the Committee takes no such action, it shall be deemed to have determined to cancel in full the award in accordance with clause (B) above.

9. RESTRICTED STOCK: Restricted stock awards under the Plan shall consist of grants of shares of Common Stock of the Issuer subject to the terms and conditions hereinafter provided.

(a) GRANT OF AWARDS: The Committee shall (i) select the officers and key employees to whom Restricted Stock may from time to time be granted, (ii) determine the number of shares to be covered by each award granted, (iii) determine the terms and conditions (not inconsistent with the Plan) of any award granted hereunder, and (iv) prescribe the form of the agreement, legend or other instrument necessary or advisable in the administration of awards under the Plan.

(b) TERMS AND CONDITIONS OF AWARDS: Any restricted stock award granted under the Plan shall be evidenced by a Restricted Stock Agreement executed by the Issuer and the recipient, in such form as the Committee shall approve, which agreement shall be subject to the following terms and conditions and shall contain such additional terms and conditions not inconsistent with the Plan as the Committee shall prescribe:

(1) NUMBER OF SHARES SUBJECT TO AN AWARD: The Restricted Stock Agreement shall specify the number of shares of Common Stock subject to the Award.

(2) RESTRICTION PERIOD: The period of restriction applicable to each Award shall be established by the Committee but may not be less than one year, unless the Committee determines otherwise. The Restriction Period applicable to each Award shall commence on the Award Date.

(3) CONSIDERATION: Each recipient, as consideration for the grant of an award, shall remain in the continuous employ of the Company for at least one year from the date of the granting of such award, or as otherwise determined by the Committee, and any shares covered by such an award shall lapse if the recipient does not remain in the continuous employ of the Company for at least one year from the date of the granting of the award, except as otherwise determined by the Committee.

(4) RESTRICTION CRITERIA: The Committee shall establish the criteria upon which the restriction period shall be based. Restrictions shall be based upon either or both of (i) the continued employment of the recipient or (ii) the attainment by the Company of one or more of the following measures of operating performance:

- | | |
|-------------|-----------------------------|
| a. Earnings | d. Financial return ratios |
| b. Revenue | e. Total Shareholder Return |

The Committee shall establish the specific targets for the selected criteria. These targets may be set at a specific level or may be expressed as relative to the comparable measure at comparison companies or a defined index. These targets may be based upon

the total Company, one or more business units of the Company or a defined business unit which the executive has responsibility for or influence over.

In cases where objective performance criteria are established, the Committee shall determine the extent to which the criteria have been achieved and the corresponding level to which restrictions will be removed from the Award or the extent to which a participant's right to receive an Award should be lapsed in cases where the performance criteria have not been met and shall certify these determinations in writing. The Committee may provide for the determination of the attainment of such restrictions in installments where deemed appropriate.

(c) TERMS AND CONDITIONS OF RESTRICTIONS AND FORFEITURES: The shares of Common Stock awarded pursuant to the Plan shall be subject to the following restrictions and conditions:

(1) During the Restriction Period, the participant will not be permitted to sell, transfer, pledge or assign Restricted Stock awarded under this Plan.

(2) Except as provided in Section 9(c)(1), or as the Committee may otherwise determine, the participant shall have all of the rights of a stockholder of the Issuer, including the right to vote the shares and receive dividends and other distributions provided that distributions in the form of stock shall be subject to the same restrictions as the underlying Restricted Stock.

(3) In the event of a participant's Retirement, death or Disability prior to the end of the Restriction Period for a participant who has satisfied the one year employment requirement of Section 9(b)(3) with respect to an award prior to Retirement, death or Disability, or as otherwise determined by the Committee, the participant, or the participant's estate, shall be entitled to receive that proportion (to the nearest whole share) of the number of shares subject to the Award granted as the number of months of the Restriction Period which have elapsed since the Award date to the date at which the participant's Retirement, death or Disability occurs, bears to the total number of months in the Restriction Period. The participant's right to receive any remaining shares shall be canceled and forfeited and the shares will be deemed to be reacquired by

the Issuer.

(4) In the event of a participant's Retirement, death, Disability or in cases of special circumstances as determined by the Committee, the Committee may, in its sole discretion when it finds that such an action would be in the best interests of the Company, accelerate or waive in whole or in part any or all remaining time based restrictions with respect to all or part of such participant's Restricted Stock.

(5) Upon termination of employment for any reason during the Restriction Period, subject to the provisions of paragraph (3) above or in the event that the participant fails promptly to pay or make satisfactory arrangements as to the withholding taxes as provided in the following paragraph, all shares still subject to restriction shall be forfeited by the participant and will be deemed to be reacquired by the Company.

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(6) A participant may, at any time prior to the expiration of the Restriction Period, waive all rights to receive all or some of the shares of a Restricted Stock Award by delivering to the Company a written notice of such waiver.

(7) Notwithstanding the other provisions of this Section 9, the Committee may adopt rules which would permit a gift by a participant of restricted shares to members of the participant's immediate family (spouse, parents, children, stepchildren, grandchildren or legal dependants) or to a trust whose beneficiary or beneficiaries shall be either such a person or persons or the participant.

(8) Any attempt to dispose of Restricted Stock in a manner contrary to the restrictions shall be ineffective.

10. DETERMINATION OF BREACH OF CONDITIONS: The determination of the Committee as to whether an event has occurred resulting in a forfeiture or a termination or reduction of the Company's obligations in accordance with the provisions of the Plan shall be conclusive.

11. ADJUSTMENT IN THE EVENT OF CHANGE IN STOCK: In the event of changes in the outstanding Common Stock by reason of stock dividends, recapitalization, mergers, consolidations, stock splits, combinations or exchanges of shares and the like, the aggregate number and class of shares available under the Plan, the aggregate number and class of shares subject to individual limits under the Plan, and the number, class and the price of shares subject to outstanding options and awards and the number of performance units and the dollar value of each unit shall be appropriately adjusted by the Committee, whose determination shall be conclusive.

12. TAXES:

(a) Each participant shall, no later than the Tax Date (as defined below), pay to the Company, or make arrangements satisfactory to the Committee regarding payment of, any Withholding Tax (as defined below) with respect to an option or award, and the Company shall, to the extent permitted by law, have the right to deduct such amount from any payment of any kind otherwise due to the participant. The Company shall also have the right to retain or sell without notice, or to demand surrender of, shares of Common Stock in value sufficient to cover the amount of any Withholding Tax, and to make payment (or to reimburse itself for payment made) to the appropriate taxing authority of an amount in cash equal to the amount of such Withholding Tax, remitting any balance to the participant. For purposes of the paragraph, the value of shares of Common Stock so retained or surrendered shall be the average of the high and low sales prices per share on the New York Stock Exchange composite tape on the date that the amount of the Withholding Tax is to be determined (the "Tax Date") and the value of shares of Common Stock so sold shall be the actual net sale price per share (after deduction of commissions) received by the Company.

(b) Notwithstanding the foregoing, if the stock options have been transferred, the optionee shall provide the Company with funds sufficient to pay such Withholding Tax. If such optionee does not satisfy the optionee's tax payment obligation and the stock options have been transferred, the transferee may provide the funds sufficient to enable the Company to pay such

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taxes. However, if the stock options have been transferred, the Company shall have no right to retain or sell without notice, or to demand surrender from the transferee of, shares of Common Stock in order to pay such Withholding Tax.

(c) The term "Withholding Tax" means the minimum required withholding amount applicable to the participant, including federal, state and local income taxes, Federal Insurance Contribution Act taxes and other governmental impost or levy.

(d) Notwithstanding the foregoing, the participant shall be entitled to satisfy the obligation to pay any Withholding Tax, in whole or in part, by providing the Company with funds sufficient to enable the Company to pay such Withholding Tax or by requiring the Company to retain or to accept upon delivery thereof by the participant shares of Common Stock having a Fair Market Value sufficient to cover the amount of such Withholding Tax. Each election by a participant to have shares retained or to deliver shares for this purpose shall be subject to the following restrictions: (i) the election must be in writing and be made on or prior to the Tax Date; (ii) the election must be irrevocable; (iii) the election shall be subject to the disapproval of the Committee.

13. CHANGE IN CONTROL. In the event an optionee's employment with the Company terminates pursuant to a qualifying termination (as defined below) during the three (3) year period following a change in control of the Issuer (as

defined below) and prior to the exercise of options granted under this Plan, all outstanding options shall become immediately fully vested and exercisable notwithstanding any provisions of the Plan or of the applicable Stock Option Agreement to the contrary.

In addition, in the event of a change in control of the Issuer, the Committee may (i) determine that outstanding options shall be assumed by, or replaced with comparable options by, the surviving corporation (or a parent or subsidiary of the surviving corporation) and that outstanding awards shall be converted to similar awards of the surviving corporation (or a parent or subsidiary of the surviving corporation), or (ii) take such other actions with respect to outstanding options and awards as the Committee deems appropriate.

The following definitions shall apply for purposes of the Plan:

(a) For the purpose of this Plan, a change in control shall be deemed to have occurred on the earlier of the following dates:

(1) The date any person (as defined in Section 13(d)(3) of the Exchange Act) shall have become the direct or indirect beneficial owner of twenty percent (20%) or more of the then outstanding common shares of the Issuer;

(2) The date the shareholders of the Issuer approve a merger or consolidation of the Issuer with any other corporation other than (i) a merger or consolidation which would result in the voting securities of the Issuer outstanding immediately prior thereto continuing to represent at least 75% of the combined voting power of the voting securities of the Issuer or the surviving entity outstanding immediately after such merger or consolidation, or (ii) a merger or consolidation effected to implement a recapitalization

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of the Issuer in which no Person acquires more than 50% of the combined voting power of the Issuer's then outstanding securities;

(3) The date the shareholders of the Issuer approve a plan of complete liquidation of the Issuer or an agreement for the sale or disposition by the Issuer of all or substantially all the Issuer's assets;

(4) The date there shall have been a change in a majority of the Board of Directors of the Issuer within a two (2) year period beginning after the effective date of the Plan, unless the nomination for election by the Issuer's shareholders of each new director was approved by the vote of two-thirds of the directors then still in office who were in office at the beginning of the two (2) year period.

(b) For purposes of this Plan provision, a qualifying termination shall be

deemed to have occurred under the following circumstances:

(1) A Company-initiated termination for reasons other than the employee's death, Disability, resignation without good cause, willful misconduct or activity deemed detrimental to the interests of the Company, provided the optionee executes a general release and, where applicable, a non-solicitation and/or non-compete agreement with the Company;

(2) The optionee resigns with good cause, which includes (i) a substantial adverse alteration in the nature or status of the optionee's responsibilities, (ii) a reduction in the optionee's base salary or levels of entitlement or participation under any incentive plan, award program or employee benefit program without the substitution or implementation of an alternative arrangement of substantially equal value, or (iii) the Company requiring the optionee to relocate to a work location more than fifty (50) miles from the optionee's work location prior to the change in control.

14. DEFERRAL ELECTION: Notwithstanding the provisions of Section 12, any optionee or participant may elect, with the concurrence of the Committee and consistent with any rules and regulations established by the Committee, to defer the delivery of the proceeds of the exercise of any stock option not transferred under the provisions of Section 7(b)(6) or stock appreciation rights.

(a) ELECTION TIMING: The election to defer the delivery of the proceeds from any eligible award must be made at least six months prior to the date such award is exercised or at such other time as the Committee may specify. Deferrals will only be allowed for exercises which occur while the optionee or participant is an active employee of the Company. Any election to defer the delivery of proceeds from an eligible award shall be irrevocable as long as the optionee or participant remains an employee of the Company.

(b) STOCK OPTION DEFERRAL: The deferral of the proceeds of stock options may be elected by an optionee subject to the Regulations established by the Committee. The proceeds from such an exercise shall be credited to the optionee's deferred stock option account as the number of deferred share units equivalent in value to those proceeds. Deferred share units shall be valued at the Fair Market Value on the date of exercise. Subsequent to exercise, the deferred

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share units shall be valued at the Fair Market Value of Common Stock. Deferred share units shall accrue dividends at the rate paid upon the Common Stock, which shall be credited in the form of additional deferred share units. Deferred share units shall be distributed in shares of Common Stock upon the termination of employment of the participant or at such other date as may be approved by the Committee over a period of no more than ten (10) years.

(c) STOCK APPRECIATION RIGHT DEFERRAL: Upon such exercise, the Company

will credit the optionee's deferred stock option account with the number of deferred share units equivalent in value to the difference between the Fair Market Value of a share of Common Stock on the exercise date and the exercise price of the Stock Appreciation Right multiplied by the number of shares exercised. Deferred share units shall be valued at the Fair Market Value on the date of exercise. Subsequent to exercise, the deferred share units shall be valued at the Fair Market Value of Common Stock. Deferred share units shall accrue dividends at the rate paid upon the Common Stock, which shall be credited in the form of additional deferred share units. Deferred share units shall be distributed in shares of Common Stock upon the termination of employment of the participant or at such other date as may be approved by the Committee over a period of no more than ten (10) years.

(d) ACCELERATED DISTRIBUTIONS: The Committee may, at its sole discretion, allow for the early payment of an optionee's or participant's deferred share units account in the event of an "unforeseeable emergency" or in the event of the death or Disability of the optionee or participant. An "unforeseeable emergency" is defined as an unanticipated emergency caused by an event beyond the control of the optionee or participant that would result in severe financial hardship if the distribution were not permitted. Such distributions shall be limited to the amount necessary to sufficiently address the financial hardship. Any distributions under this provision shall be consistent with the Regulations established under the Code. Additionally, the Committee may use its discretion to cause deferred share unit accounts to be distributed when continuing the deferral program is no longer in the best interest of the Company.

(e) ASSIGNABILITY: No rights to deferred share unit accounts may be assigned or subject to any encumbrance, pledge or charge of any nature except that an optionee or participant may designate a beneficiary pursuant to any rules established by the Committee.

15. AMENDMENT OF THE PLAN: The Board of Directors may amend or suspend the Plan at any time and from time to time; provided, however, that the Board of Directors shall not amend the Plan without shareholder approval if such approval is required in order to comply with Section 162(m) or 422 of the Code or other applicable law, or to comply with applicable stock exchange requirements. A termination or amendment of the Plan that occurs after an option or award is granted shall not materially impair the rights of an optionee or participant unless the optionee or participant consents in writing. Notwithstanding the foregoing, if an option has been transferred in accordance with Section 7(b)(6), written consent of the transferee (and not the optionee) shall be necessary to alter or impair any option or award previously granted under the Plan.

16. MISCELLANEOUS:

(a) By accepting any benefits under the Plan, each optionee or participant and each person claiming under or through such optionee or participant shall be

conclusively deemed to have indicated acceptance and ratification of, and consent to, any action taken or made to be taken or made under the Plan by the Company, the Board, the Committee or any other Committee appointed by the Board.

(b) No participant or any person claiming under or through him shall have any right or interest, whether vested or otherwise, in the Plan or in any option, or stock appreciation right or award thereunder, contingent or otherwise, unless and until all of the terms, conditions and provisions of the Plan and the Agreement that affect such participant or such other person shall have been complied with.

(c) Nothing contained in the Plan or in any Agreement shall require the Company to segregate or earmark any cash or other property.

(d) Neither the adoption of the Plan nor its operation shall in any way affect the rights and powers of the Company to dismiss or discharge any employee at any time.

(e) Notwithstanding anything to the contrary in the Plan, neither the Board nor the Committee shall have any authority to take any action under the Plan where such action would adversely affect the Company's ability to account for any business combination as a "pooling of interests."

17. TERM OF THE PLAN: The Plan is effective as of [_____]. The Plan shall expire on the day before the fifth anniversary of the effective date of the Plan, unless suspended or discontinued earlier by action of the Board of Directors. The expiration of the Plan, however, shall not affect the rights of optionees under options theretofore granted to them or the rights of participants under awards theretofore granted to them, and all unexpired options and awards shall continue in force and operation after termination of the Plan except as they may lapse or be terminated by their own terms and conditions.

18. EMPLOYEES BASED OUTSIDE OF THE UNITED STATES: Notwithstanding any provision of the Plan to the contrary, in order to foster and promote achievement of the purposes of the Plan or to comply with provisions of laws in other countries in which the Company operates or has Employees, the Committee, in its sole discretion, shall have the power and authority to (i) determine which employees employed outside the United States are eligible to participate in the Plan, (ii) modify the terms and conditions of options granted to employees who are employed outside the United States, (iii) establish subplans, modified option exercise procedures and other terms and procedures to the extent such actions may be necessary or advisable, and (iv) grant to employees employed in countries wherein the granting of stock options is impossible or impracticable, as determined by the Committee, stock appreciation rights with terms and conditions that, to the fullest extent possible, are substantially identical to the stock options granted hereunder.

19. GRANTS IN CONNECTION WITH CORPORATE TRANSACTIONS AND OTHERWISE: Nothing contained in this Plan shall be construed to (i) limit the right of the Committee to make grants

under this Plan in connection with the acquisition, by purchase, lease, merger, consolidation or otherwise, of the business or assets of any corporation, firm or association, including grants to employees thereof who become employees of the Company, or for other proper corporate purposes, or (ii) limit the right of the Company to grant options or make other awards outside of this Plan. Without limiting the foregoing, the Committee may make a grant to an employee of another corporation who becomes an employee of the Company by reason of a corporate merger, consolidation, acquisition of stock or property, reorganization or liquidation involving the Company in substitution for an option or award granted by such corporation. The terms and conditions of the substitute grants may vary from the terms and conditions required by the Plan and from those of the substituted stock incentives. The Committee shall prescribe the provisions of the substitute grants. Any options or awards that are converted into Company options or awards as a result of a merger or acquisition will not count against the limitations provided under Section 3.

20. GOVERNING LAW: The validity, construction, interpretation and effect of the Plan and agreements issued under the Plan shall be governed and construed by and determined in accordance with the laws of the State of Indiana, without giving effect to the conflict of laws provisions thereof.

ZIMMER HOLDINGS, INC.
TEAMSHARE STOCK OPTION PLAN

1. PURPOSE: The purpose of the Zimmer Holdings, Inc. TeamShare Stock Option Plan (the "Plan") is to advance the interests of Zimmer Holdings, Inc. and its Subsidiaries and Affiliates by giving substantially all Employees a stake in the Company's future growth, in the form of stock options, thereby improving such Employees' long-term incentives and aligning their interests with those of the Company's shareholders.

2. DEFINITIONS: For purposes of this Plan:

(a) "Affiliate" shall mean any entity in which the Company has an ownership interest of more than 50%.

(b) "Code" shall mean the Internal Revenue Code of 1986, as amended.

(c) "Common Stock" shall mean the Company's common stock.

(d) "Company" shall mean Zimmer Holdings, Inc.

(e) "Disability" or "Disabled" shall mean qualifying for and receiving payments under a long-term disability pay plan maintained by the Company or any Subsidiary or Affiliate or as required by or available under applicable local law.

(f) "Employee" shall mean any individual employed by the Company or any Subsidiary or Affiliate, excluding leased employees within the meaning of Section 414(n) of the Code and key executives of the Company or any of its Subsidiaries or Affiliates. Employee shall also exclude any person who performs services for the Company if the Company treats the person for tax or labor law purposes as an independent contractor. If such person is subsequently determined to be an employee of the Company by the Internal Revenue Service or any other federal, state or local governmental agency or competent court of authority, such person will become an Employee on the date that this determination is finally adjudicated or otherwise accepted by the Company as long as he or she meets the other requirements of this Section 2(f). Such person shall not, under any circumstances, be treated as an Employee for the period of time during which the Company treated the person as an independent contractor for federal tax purposes even if the determination of the employee status has retroactive effect. In addition, any person who performs services for the Company, regardless of whether such person is an employee or independent contractor, shall not be an Employee for any period of time during which he or she has agreed in writing that he or she is not entitled to participate in the Company's employee benefit plans.

(g) "Exchange Act" shall mean the Securities Exchange Act of 1934, as amended.

(h) "Fair Market Value" shall mean the average of the high and low sale prices of a share of Common Stock on the New York Stock Exchange composite tape on the date of measurement or on any date as determined by the Committee, or if there were no trades on such date, on the day on which a trade occurred next preceding such date.

(i) "Retirement" and "Retire" shall mean termination of the employment of an Employee with the Company or any Subsidiary or Affiliate on or after (i) the Employee's 65th birthday or (ii) the Employee's 55th birthday if the Employee has completed 10 years of service with the Company, its Subsidiaries and its Affiliates. For the purposes of this Section 2(i) and all other purposes of this Plan, Retirement shall also mean termination of employment of an Employee with the Company or a Subsidiary or Affiliate for any reason (other than the Employee's death, disability, resignation, willful misconduct or activity deemed detrimental to the interests of the Company) where, on termination, the Employee's age plus years of service (rounded up to the next higher whole number) equals at least 70 and the Employee has completed 10 years of service with the Company, its Subsidiaries and its Affiliates and where applicable, the Employee has executed a general release, a covenant not to compete and/or a covenant not to solicit. For purposes of this Plan, service with Bristol-Myers Squibb and its subsidiaries and affiliates before the Effective Date shall be included as service with the Company.

(j) "Subsidiary" shall mean any corporation which at the time qualifies as a subsidiary of the Company under the definition of "subsidiary corporation" in Section 424 of the Code.

3. SHARES AVAILABLE FOR OPTIONS: The amount of shares of the Company's stock which may be issued for options granted under the Plan shall not exceed 1,000,000 shares, subject to adjustment under Section 10 hereof. If and to the extent options granted under the Plan terminate, expire, or are canceled, forfeited, exchanged or surrendered without having been exercised, the shares subject to such options shall again be available for purposes of the Plan. Options granted under Sections 6 and 17 of the Plan shall not count against the foregoing limitation, to the extent provided in Sections 6 and 17.

4. ADMINISTRATION: The Plan shall be administered under the supervision of the Board of Directors of the Company, which may exercise its powers, to the extent herein provided, through the agency of the Compensation and Management Development Committee (the "Committee") appointed by the Board of Directors of the Company and shall consist of not less than three directors who shall serve at the pleasure of the Board. To the extent that the Board of Directors administers the Plan, references to the Committee shall mean the Board of Directors.

The Committee, from time to time, may adopt rules and regulations for carrying out the provisions and purposes of the Plan and make such other determinations, not inconsistent with the terms of the Plan, as the Committee shall deem appropriate. The interpretation and construction of any provision of the Plan by the Committee shall, unless otherwise determined by the Board of Directors, be final and conclusive.

The Committee shall maintain a written record of its proceedings. A majority of the Committee shall constitute a quorum, and the acts of a majority of the members present at any meeting at which a quorum is present, or acts unanimously approved in writing, shall be the acts of the Committee.

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Notwithstanding the foregoing, the Committee may designate persons other than members of the Committee to carry out such responsibilities of the Committee under the Plan as it may deem appropriate. The delegation of responsibilities will be effected by written instrument executed by the Committee.

5. ELIGIBILITY: An option may be granted to an Employee who is actively employed with the Company or any Subsidiary or Affiliate on the grant date provided the Employee regularly works or is anticipated to regularly work at least 1,000 hours in a twelve (12) consecutive month period.

The adoption of this Plan shall not be deemed to give any Employee any right to be granted an option to purchase Common Stock of the Company, except to the extent and upon such terms and conditions as may be determined by the Committee.

6. GRANTS AS OF EFFECTIVE DATE:

(a) On the effective date of the Plan, the Company shall assume from Bristol-Myers Squibb Company options granted under the Bristol-Myers Squibb Company TeamShare Stock Option Plan that are in effect immediately before the effective date of this Plan with respect to employees of the Company and its Subsidiaries and Affiliates (the "Prior Options"). Except as described below, the terms of the Bristol-Myers Squibb Company TeamShare Stock Option Plan and the option agreements in effect pursuant to the Bristol-Myers Squibb Company TeamShare Stock Option Plan will continue to govern the Prior Options. However, as a result of the assumption, the Prior Options will be converted into options with respect to the Common Stock of the Company, and the number of shares and the exercise price will be adjusted to reflect the spin-off of the Company from Bristol-Myers Squibb Company. On and after the spin-off date, references in the option and award agreements to Bristol-Myers Squibb will mean the Company. Any shares of the Company's Common Stock that are subject to options pursuant to the Prior Options will be issued under this Plan but will not be counted against the limitations

provided under Section 3 of the Plan. The Committee will administer the Prior Options, as converted into options to purchase Common Stock of the Company.

(b) As an alternative, the Committee may determine, as a result of certain laws, rules or regulations in countries outside the United States, not to have the Company assume certain Prior Options.

7. STOCK OPTIONS: Stock options under the Plan shall consist of nonqualified stock options.

Each option shall be subject to the following terms and conditions:

(a) GRANT OF OPTIONS. The Committee shall (1) determine the date(s) on which options may be granted, (2) select the Employees to whom options may be granted or

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offered subject to collective bargaining where required, (3) determine the number of shares to be covered by each option so granted, (4) determine the terms and conditions (not inconsistent with the Plan) of any option granted hereunder (including but not limited to restrictions upon the options, conditions of their exercise, or on the shares of Common Stock issuable upon exercise thereof), and (5) prescribe the form of the instruments necessary or advisable in the administration of options.

(b) TERMS AND CONDITIONS OF OPTION. Any option granted under the Plan shall be evidenced by a Stock Option Agreement executed by the Company and the optionee, in such form as the Committee shall approve, which agreement shall be subject to the following terms and conditions and shall contain such additional terms and conditions not inconsistent with the Plan. Unless the Optionee rejects such Stock Option Agreement in writing, the Optionee shall be deemed to have accepted the Stock Option Agreement and shall be bound by all of the terms and conditions of the Stock Option Agreement and the Plan.

(1) NUMBER OF SHARES SUBJECT TO AN OPTION. The Stock Option Agreement shall specify the number of shares of Common Stock subject to the Agreement.

(2) OPTION PRICE. The purchase price per share of Common Stock purchasable under an option will be determined by the Committee but will be not less than the Fair Market Value in U.S. dollars of a share of Common Stock on the date of the grant of the option, except as provided in Section 6, 12 or 17.

(3) OPTION PERIOD. The period of each option shall be fixed by the Committee, but no option shall be exercisable after the expiration of ten years from the date the option is granted.

(4) CONSIDERATION. Each optionee, as consideration for the grant of an option, shall remain in the continuous employ of the Company or of one of its Subsidiaries or Affiliates for at least one year from the date of the granting of such option, and no option shall be exercisable until after the completion of such one year period of employment by the optionee.

(5) EXERCISE OF OPTION.

(a) An option shall be exercised by delivering notice to the Company or its designee at such address and in such form as shall be designated by the Committee from time to time or pursuant to such other procedures that may be established by the Committee from time to time for the exercise of options.

(b) The Committee shall have the discretion to establish one or more methods, and the accompanying procedures, that an optionee may use to exercise and pay the option exercise price including, without limitation, the designation of the brokerage firm or firms through which exercises shall be effected. At its discretion, the Committee may modify

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or suspend any method or procedure for the exercise or payment of stock options.

(c) The option exercise price shall be paid in full at the time of exercise, and the Company shall require the optionee to pay the Company at the time of exercise the amount of tax required to be withheld by the Company under applicable foreign, federal, state and local withholding tax laws. This payment may be in paid in U.S. dollars or in any other manner that the Committee in its sole discretion approves including, without limitation, the withholding of shares of Common Stock that would otherwise be distributed; PROVIDED, HOWEVER, in no event may shares of Common Stock be withheld in an amount that exceeds the Company's minimum applicable withholding tax obligation for federal (including FICA), state, foreign and local tax liabilities with respect to the optionee.

(d) Except as provided in subsections (7), (8), (9), and (10), an optionee must be an Employee at the time of exercise of an option.

(e) Notwithstanding anything in the Plan to the contrary, the Committee may, in its sole discretion, allow the exercise of a lapsed grant if the Committee determines that:

(i) the lapse was solely the result of the Company's inability to execute the exercise of an option award due to conditions beyond the Company's control and (ii) the optionee made valid and reasonable efforts to exercise the award. In the event the Committee makes such a determination, the Company shall allow the exercise to occur as promptly as possible following its receipt of exercise instructions subsequent to such determination.

(6) NONTRANSFERABILITY OF OPTIONS. No option granted under the Plan shall be transferable by the optionee otherwise than by will or by the laws of descent and distribution, and such option shall be exercisable, during the optionee's lifetime, only by the optionee.

(7) TERMINATION. An optionee who terminates employment with the Company or any Subsidiary or Affiliate (other than by Retirement, Disability or death) may exercise the vested portion of such option (as such vesting is set forth in the Stock Option Agreement), until the earlier of three months from the optionee's termination date or the expiration of the option period set forth therein. In the case of an optionee who terminates employment prior to the full vesting of the award, the unvested portion of the option will lapse unless the Committee has exercised its discretionary authority to accelerate the vesting of all or part of such option.

If an optionee is laid off or granted a leave of absence under a policy of the Company or any Subsidiary or Affiliate, the optionee's absence from work shall be treated as though the optionee remained in the employ of the Company, Subsidiary or Affiliate, provided that (i) in the case of a leave of absence, the

optionee returns to work at the end of the approved period of absence and (ii) in the case of a layoff, the optionee returns to work within twelve months of the date the period of layoff commenced. An optionee who does not return to work as set forth above shall be treated as if the optionee's employment terminated effective as of (i) the date the optionee was scheduled to return to work, in the case of an approved leave of absence and (ii) the expiration of the twelve month period, in the case of an optionee who is laid off.

(8) RETIREMENT. If an optionee shall cease to be employed by the Company on account of Retirement after the optionee has been continuously employed for one year or more after the grant of the option, or as otherwise determined by the Committee, the option shall be exercisable only to the extent that the optionee was otherwise entitled to exercise it at the time of such cessation of

employment, unless otherwise determined by the Committee, and the option shall remain exercisable for the remainder of the option period set forth therein.

(9) DISABILITY. An optionee who ceases to be actively employed by reason of Disability shall be treated as though the optionee remained in the employ of the Company or a Subsidiary or Affiliate until the earlier of (i) cessation of payments under a disability pay plan of the Company, Subsidiary or Affiliate, (ii) the optionee's death, or (iii) the optionee's 65th birthday.

(10) DEATH. In the event of the death of the optionee

(a) while in the employ of the Company or of any of its Subsidiaries or Affiliates and provided the optionee shall have been continuously employed for one year after the granting of the option, the option shall be exercisable immediately by the executors, administrators, legatees or distributees of the optionee's estate, as the case may be, but in no event after the expiration of the option period set forth therein,

(b) while in the employ of the Company or a Subsidiary or Affiliate but before the first anniversary of the grant, the option will immediately lapse,

(c) after Retirement, as defined in Section 2(i), and provided the optionee shall have been continuously employed for one year after the granting of the option, the option shall be exercisable immediately by the executors, administrators, legatees or distributees of the optionee's estate, as the case may be, but in no event after the expiration of the option period set forth therein,

(d) after termination, but within the three month period indicated in Section 7(b)(7), and provided the optionee shall have been continuously employed for three years after the granting of the option, the option shall be exercisable immediately by the executors, administrators, legatees or distributees of the optionee's estate, as the case may be, until the earlier of

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one year from the date of death or the expiration of the option period set forth therein.

In the event any option is exercised by the executors, administrators, legatees or distributees of the estate of a deceased

optionee, the Company shall be under no obligation to issue stock thereunder unless and until the Company is satisfied that the person or persons exercising the option are the duly appointed legal representatives of the deceased optionee's estate or the proper legatees or distributees thereof.

(11) OPTIONEES WHO BECOME SUBJECT TO SECTION 16 OF THE EXCHANGE ACT. If, subsequent to the grant date, an optionee becomes subject to Section 16 of the Exchange Act, the option and all rights of the optionee thereunder, shall terminate effective as of the day prior to such designation.

8. CHANGE IN CONTROL: In the event of a change in control of the Company prior to the exercise of options granted under this Plan, but after the optionee has completed one year of continuous employment subsequent to the date of the granting of an option, all outstanding options shall become immediately fully vested and exercisable notwithstanding any provisions of the Plan to the contrary.

In addition, in the event of a change in control of the Company, the Committee may (i) determine that outstanding options shall be assumed by, or replaced with comparable options by, the surviving corporation (or a parent or subsidiary of the surviving corporation) or (ii) take such other actions with respect to outstanding options as the Committee deems appropriate.

For the purpose of this Plan, a change in control shall be deemed to have occurred on the earlier of the following dates:

(a) The date any entity or person (including a "group" as defined in Section 13(d)(3) of the Exchange Act) shall have become the beneficial owner of, or shall have obtained voting control over, twenty percent (20%) or more of the outstanding common shares of the Company;

(b) The date the shareholders of the Company approve a definitive agreement (i) to merge or consolidate the Company with or into another corporation, in which the Company is not the continuing or surviving corporation or pursuant to which any common shares of the Company would be converted into cash, securities or other property of another corporation, other than a merger of the Company in which holders of common shares immediately prior to the merger have the same proportionate ownership of Common Stock of the surviving corporation immediately after the merger as immediately before, or (ii) to sell or otherwise dispose of substantially all the assets of the Company; or

(c) The date there shall have been a change in a majority of the Board of Directors of the Company within a twelve (12) month period beginning after the effective date of the Plan, unless the nomination for election by the Company's shareholders of each new director was approved by the vote of three-fourths of the directors then still in office who were in office at the beginning of the twelve (12) month period.

9. DETERMINATION OF BREACH OF CONDITIONS: The determination of the Committee as to whether an event has occurred resulting in a forfeiture or a termination or reduction of the Company's obligations in accordance with the provisions of the Plan shall be conclusive.

10. ADJUSTMENT IN THE EVENT OF CHANGE IN STOCK: In the event of changes in the outstanding Common Stock of the Company by reason of stock dividends, recapitalization, mergers, consolidations, stock splits, combinations or exchanges of shares and the like, the aggregate number and class of shares available under the Plan, the number, class and the price of shares subject to outstanding options and the minimum number of shares that may be exercised (as set forth in Section 7(b)(5)(d)) shall be appropriately adjusted by the Committee, whose determination shall be conclusive.

11. TAXES: In connection with the transfer of shares of Common Stock to an optionee (or at such earlier date as may be required by local law), the Company may require the optionee to pay the amount required by any applicable governmental entity to be withheld or otherwise deducted and paid with respect to such transfer. Subject to Section 12 hereof, an optionee shall satisfy the obligation to pay withholding tax by providing the Company with funds (in U.S. dollars) sufficient to enable the Company to pay such Withholding Tax, or at the Company's discretion, the Company may retain or accept upon delivery thereof by the optionee shares of Common Stock sufficient in value to cover the amount of such withholding tax; provided that shares may not be withheld in excess of the Company's minimum applicable withholding tax for federal (including FICA), state, foreign and local tax liabilities with respect to the optionee.

12. EMPLOYEES BASED OUTSIDE OF THE UNITED STATES: Notwithstanding any provision of the Plan to the contrary, in order to foster and promote achievement of the purposes of the Plan or to comply with provisions of laws in other countries in which the Company, its Affiliates and its Subsidiaries operate or have Employees, the Committee, in its sole discretion, shall have the power and authority to (i) determine which Employees employed outside the United States are eligible to participate in the Plan, (ii) modify the terms and conditions of any options granted to Employees who are employed outside the United States, (iii) establish subplans, modified option exercise procedures and other terms and procedures to the extent such actions may be necessary or advisable, and (iv) grant to Employees employed in countries wherein the granting of stock options is impossible or impracticable, as determined by the Committee, stock appreciation rights with terms and conditions that, to the fullest extent possible, are substantially identical to the stock options granted hereunder. In addition, the Committee may grant such stock appreciation rights to individuals who provide services to the Company and who otherwise would be characterized as employees, but who are not permitted to be Employees of the Company pursuant to local laws of the country wherein the workers are employed.

13. AMENDMENT OF THE PLAN: The Board of Directors may amend or suspend the Plan at any time and from time to time. No such amendment of the Plan may, however, without the written consent of the optionee, alter or impair any option.

14. MISCELLANEOUS: By accepting any benefits under the Plan, each optionee and each person claiming under or through such optionee shall be conclusively deemed to have indicated acceptance and ratification of, and consent to, any action taken or made to be taken or made

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under the Plan by the Company, the Board, the Committee or any other committee appointed by the Board. No participant or any person claiming under or through him or her shall have any right or interest, whether vested or otherwise, in the Plan or in any option thereunder, contingent or otherwise, unless and until all of the terms, conditions and provisions of the Plan and the Agreement that affect such participant or such other person shall have been complied with. Nothing contained in the Plan or in any Agreement shall require the Company to segregate or earmark any cash or other property. Neither the adoption of the Plan nor its operation shall in any way affect the rights and powers of the Company or any of its Subsidiaries or Affiliates to dismiss and/or discharge any Employee at any time.

15. CONDITIONS: The Company shall not be required to issue or deliver any certificate or certificates for shares of Common Stock purchased upon the exercise of any option granted under the Plan prior to (i) the admission of such shares to listing on any stock exchange on which the stock may then be listed, (ii) the completion of any registration or other qualification of such shares under any state or federal law or rulings or regulations of any governmental regulatory body, (iii) the obtaining of any consent or approval or other clearance from any governmental agency, which the Company shall, in its sole discretion, determine to be necessary or advisable, and (iv) the payment to the Company, upon its demand, of any amount requested by the Company for the purpose of satisfying its liability, if any, to withhold federal, state or local income or earnings tax or any other applicable tax or assessment (plus interest or penalties thereon, if any caused by a delay in making such payment) incurred by reason of the exercise of any option granted under the Plan or the transfer of shares thereupon.

16. TERM OF THE PLAN: The Plan shall become effective as of [_____] by action of the Board of Directors. The Plan shall terminate on the date that is five years after the effective date of the Plan, or at such earlier date as may be determined by the Board of Directors. Termination of the Plan, however, shall not affect the rights of optionees under options theretofore granted to them, and all unexpired options shall continue in force and operation after termination of the Plan except as they may lapse or be terminated by their own terms and conditions.

17. GRANTS IN CONNECTION WITH CORPORATE TRANSACTIONS AND OTHERWISE:
Nothing contained in this Plan shall be construed to (i) limit the right of the Committee to make grants under this Plan in connection with the acquisition, by purchase, lease, merger, consolidation or otherwise, of the business or assets of any corporation, firm or association, including grants to employees thereof who become employees of the Company, or for other proper corporate purposes, or (ii) limit the right of the Company to grant options or make other awards outside of this Plan. Without limiting the foregoing, the Committee may make a grant to an employee of another corporation who becomes an employee of the Company by reason of a corporate merger, consolidation, acquisition of stock or property, reorganization or liquidation involving the Company in substitution for an option or award granted by such corporation. The terms and conditions of the substitute grants may vary from the terms and conditions required by the Plan and from those of the substituted stock incentives. The Committee shall prescribe the provisions of the substitute grants. Any options that are converted into Company options as a result of a merger or acquisition will not count against the limitations provided under Section 3.

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18. GOVERNING LAW: This Plan, and the validity and construction of any options granted hereunder, shall be governed by the laws of the State of Indiana.

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ZIMMER HOLDINGS, INC.
EXECUTIVE PERFORMANCE INCENTIVE PLAN

1. PURPOSE: The purpose of the Executive Performance Incentive Plan (the "Plan") is to promote the interests of Zimmer Holdings, Inc. (the "Company") and its stockholders by providing additional compensation as incentive to certain key executives of the Company and its Subsidiaries and Affiliates who contribute materially to the success of the Company and such Subsidiaries and Affiliates.

2. DEFINITIONS: The following terms when used in the Plan shall, for the purposes of the Plan, have the following meanings:

(a) "Affiliate" shall mean any entity in which the Company has an ownership interest of at least 20%.

(b) "Code" shall mean the Internal Revenue Code of 1986, as amended.

(c) "Company" shall mean Zimmer Holdings, Inc., its Subsidiaries and Affiliates.

(d) "Exchange Act" shall mean the Securities Exchange Act of 1934, as amended.

(e) "Retirement" shall mean termination of the employment of an employee with the Company or a Subsidiary or Affiliate on or after

(i) the employee's 65th birthday or

(ii) the employee's 55th birthday having completed 10 years of service with the Company.

(f) "Subsidiary" shall mean any corporation which at the time qualifies as a subsidiary of the Company under the definition of "subsidiary corporation" in Section 424 of the Code.

3. ADMINISTRATION: The Plan shall be administered under the supervision of the Board of Directors of the Company (the "Board") which shall exercise its powers, to the extent herein provided, through the agency of a Compensation and Management Development Committee (the "Committee") which shall be appointed by the Board. The Committee shall consist of not less than three (3) members of the Board who meet the definition of "outside directors" under the provisions of Section 162(m) of the Code and the definition of "non-employee directors" under the provisions of the Exchange Act or the regulations or rules promulgated thereunder.

The Committee, from time to time, may adopt rules and regulations

("Regulations") for carrying out the provisions and purposes of the Plan and make such determinations, not inconsistent with the terms of the Plan, as the Committee shall deem

appropriate. The Committee may alter, amend or revoke any Regulation adopted. The interpretation and construction of any provision of the Plan by the Committee shall, unless otherwise determined by the Board, be final and conclusive.

The Committee may delegate its responsibilities for administering the Plan to a committee of key executives as the Committee deems necessary. Any awards under the Plan to members of this committee and to such other of the Participants as may be determined from time to time by the Board or the Committee shall be referred to the Committee or Board for approval. However, the Committee may not delegate its responsibilities under the Plan relating to any executive who is subject to the provisions of Section 162(m) of the Code or in regard to the issuance of any stock under Section 6(c).

4. PARTICIPATION: "Participants" in the Plan shall be such key executives of the Company as may be designated by the Committee to participate in the Plan with respect to each fiscal year.

5. PERFORMANCE INCENTIVE AWARDS:

(a) For each fiscal year of the Company, the Committee shall determine:

(i) The Company, Subsidiaries and/or Affiliates to participate in the Plan for such fiscal year.

(ii) The names of those key executives whom it considers should participate in the Plan for such fiscal year.

(iii) The basis(es) for determining the amount of the Awards to such Participants, including the extent, if any, to which payment of all or part of an Award will be dependent upon the attainment by the Company or any Subsidiary or Affiliate or subdivision thereof of any specified performance goal or objective. Performance criteria for Awards under the Plan may include one or more of the following operating performance measures:

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|--------------------------------|-----------------------------|
| a. Earnings | d. Financial return ratios |
| b. Revenue | e. Total Shareholder Return |
| c. Operating or net cash flows | f. Market share |

g. For any Participant not subject to Section 162(m) of the Code, other performance measures or objectives, whether quantitative or qualitative, may be established.

The Committee shall establish the specific targets for the selected measures. These targets may be set at a specific level or may be expressed as relative to the comparable measure at comparison companies or a defined index.

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(iv) If a percentage of an Award shall be deferred or if a Participant may request the Committee to approve deferred payment of a percentage (not less than 25%) of an Award (the "Deferred Portion"). Any Award or portion of Award which the Committee does not require deferral of or the Participant does not request deferral of shall be paid subject to the provisions of Section 6 (the "Current Portion"). Any Award which includes a Deferred Portion shall be subject to the terms and conditions stated in Section 10 and in any Regulations established by the Committee.

(b) At any time after the commencement of a fiscal year for which Awards have been determined, but prior to the close thereof, the Committee may, in its discretion, eliminate or add Participants, or increase or decrease the Award of any Participant; but the Committee may not alter any election made relative to establishing a Deferred Portion of an Award. Any changes or additions with respect to Awards of members of any committee established to oversee the Plan shall be referred to the Board or Committee, as appropriate, for approval.

6. PAYMENT OF CURRENT PORTION OF PERFORMANCE INCENTIVE AWARDS:

(a) Subject to such forfeitures of Awards and other conditions as are provided in the Plan, the Awards made to Participants shall be paid to them or their beneficiaries as follows:

(i) As soon as practicable after the end of the fiscal year, the Committee shall determine the extent to which Awards have been earned on the basis of the actual performance in relation to the established performance objectives as established for that fiscal year. Such Awards are only payable to the extent that the Participant has performed their duties to the satisfaction of the Committee.

(ii) While no Participant has an enforceable right to receive a Current Portion until the end of the fiscal year as outlined in (i) above, payments on account of the Current Portion may be provisionally made in accordance with the Regulations, based on tentative estimates of the amount of the Award. A Participant shall be required to refund any portion or all of such payments in order that the total payments may not exceed the Current Portion as finally determined, or if the Participant shall forfeit their Award for any reason during the fiscal year.

(b) There shall be deducted from all payments of Awards any taxes required to be withheld by any government entity and paid over to any such government in respect of any such payment. Unless otherwise elected by the Participant, such deductions shall be at the established withholding tax rate. Participants may elect to have the deduction of taxes cover the amount of any applicable tax (the amount of withholding tax plus the incremental amount

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determined on the basis of the highest marginal tax rate applicable to such Participant).

(c) Form of Payment. The Committee shall determine whether payment with respect to the Current Portion of an Award, or to the payment of a Deferred Portion made under the provisions of Section 10, shall be made entirely in cash, entirely in Common Stock of the Company, or partially in cash and partially in Common Stock. Further, if the Committee determines that payment should be made in the form of Restricted Shares of Common Stock of the Company, the Committee shall designate the restrictions which will be placed upon the Common Stock and the duration of those restrictions. For any fiscal year, the Committee may not cause Awards to be made under this provision which would result in the issuance, either on a current or restricted basis, of more than three-tenths of one percent of the number of shares of Common Stock of the Company issued and outstanding as of January 1 of the fiscal year relating to the payment.

7. MAXIMUM PAYMENTS UNDER THE PLAN: Payments under the Plan shall be subject to the following maximum levels.

(a) Total Payments. The total amount of Awards paid under the Plan relating to fiscal year may not exceed two and one-half percent of the pretax earnings for the Company in that fiscal year.

(b) Maximum Individual Award. The maximum amount which any individual Participant may receive relating to any fiscal year may not exceed 0.625 percent of the pretax earnings for the Company in that fiscal year.

8. CONDITIONS IMPOSED ON PAYMENT OF AWARDS: Payment of each Award to a Participant or to the Participant's beneficiary shall be subject to the following provisions and conditions:

(a) Rights to Awards. No Participant or any person claiming under or through the Participant shall have any right or interest, whether vested or otherwise, in the Plan or in any Award thereunder, contingent or otherwise, unless and until all of the terms, conditions and provisions of the Plan and the Regulations that effect such Participant or such other person shall have been complied with. Nothing contained in the Plan or in

the Regulations shall require the Company to segregate or earmark any cash, shares or stock or other property. Neither the adoption of the Plan nor its operation shall in any way affect the rights and power of the Company or of any Subsidiary or Affiliate to dismiss and/or discharge any employee at any time.

(b) Assignment or Pledge of Rights of Participant. No rights under the Plan, contingent or otherwise, shall be assignable or subject to any encumbrance, pledge or charge of any nature except that a Participant may designate a beneficiary pursuant to the provisions of Section 9 hereof.

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(c) Rights to Payments. No absolute right to any Award shall be considered as having accrued to any Participant prior to the close of the fiscal year with respect to which an Award is made and then such right shall be absolute only with respect to any Current Portion thereof; the Deferred Portion will continue to be forfeitable and subject to all of the conditions of the Plan. No Participant shall have any enforceable right to receive any Award made with respect to a fiscal year or to retain any payment made with respect thereto if for any reason (death included) the Participant, during such entire fiscal year, has not performed their duties to the satisfaction of the Company.

9. DESIGNATION OF BENEFICIARY: A Participant may name a beneficiary to receive any payment to which the Participant may be entitled under the Plan in the event of their death, on a form to be provided by the Committee. A Participant may change their beneficiary from time to time in the same manner.

If no designated beneficiary is living on the date on which any payment becomes payable to a Participant's beneficiary, such payment will be payable to the person or persons in the first of the following classes of successive preference:

- (a) Widow or Widower, if then living
- (b) Surviving children, equally
- (c) Surviving parents, equally
- (d) Surviving brothers and sisters, equally
- (e) Executors or administrators

and the term "beneficiary" as used in the Plan shall include such person or persons.

10. DEFERRAL OF PAYMENTS: Any portion of an Award deemed the Deferred Portion under Section 5(a)(iv) shall be subject to the following:

(a) The Committee will, in its sole discretion, determine whether or not a Deferred Portion may be elected by the Participant under an Award or if a Deferred Portion shall be required. If a Deferred Portion election is

permitted for an Award, the Committee will establish guidelines regarding the date by which such deferral election by the Participant must be made in order to be effective.

(b) Concurrent with the establishment of a Deferred Portion for any Award, the Participant shall determine, subject to the approval of the Committee, the portion of any Participant's Deferred Portion that is to be valued by reference to the Performance Incentive Fixed Income Fund (hereinafter referred to as the "Fixed Income Fund"), the portion that is to be valued by reference to the Performance Incentive Equity Fund (hereinafter referred to as the "Equity Fund"), the portion that is to be valued by reference to the Performance Incentive Company Stock Fund (hereinafter referred to as the "Stock Fund") and the portion that shall be valued by reference to any other fund(s) which may be established by the Committee for this purpose.

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(c) Prior to the beginning of each fiscal year, the Committee shall determine if the Fund(s) used to value the account of any Participant may be changed from the Fund currently used to any other Fund established for use under this Plan. Any such determination relating to an individual who is making determinations under this subsection (c), shall be referred to the Board (or such Committee of the Board as may be designated by the Board) for approval.

(d) Payment of the total amount of a Participant's Deferred Portions shall be made to the Participant, or, in case of the death of the Participant prior to the commencement of payments on account of such total amount, to the Participant's beneficiary, in installments commencing as soon as practical after the Participant shall cease, by reason of death or otherwise, to be an employee of the Company, in case of the death of any Participant after the commencement payments on account of the total of the Deferred Portions, the then remaining unpaid balance thereof shall continue to be paid in installments, at such times and in such manner as if such Participant were living, to the beneficiary(ies) of the Participant. However, the Committee shall possess absolute discretion to accelerate the time of payment of any remaining unpaid balance of the Deferred Portions to any extent that it shall deem equitable and desirable under circumstances where the Participant at the time of payment shall no longer be an employee of the Company or shall have died.

(e) CONDUCT OF PARTICIPANT FOLLOWING TERMINATION OF EMPLOYMENT. If, following date on which a Participant shall cease to be an employee of the Company, the Participant shall at any time either discloses to unauthorized persons confidential information relative to the business of any of the Company or otherwise act or conduct themselves in a manner which the Committee shall determine is inimical or contrary to the best interest of the Company, the Company's obligation to make any further

payment on account of the Deferred Portions of such Participant shall forthwith terminate.

(f) ASSIGNMENT OF RIGHTS BY PARTICIPANT OR BENEFICIARY. If any Participant or beneficiary of a Participant shall attempt to assign their rights under the Plan in violation of the provisions thereof, the Company's obligation to make any further payments to such Participant or beneficiary shall forthwith terminate.

(g) DETERMINATION OF BREACH OF CONDITIONS. The determination of the Committee as to whether an event has occurred resulting in a forfeiture or a termination or reduction of the Company's obligation in accordance with the foregoing provisions of this paragraph 10 shall be conclusive.

(h) FUND COMPOSITION AND VALUATION. Deferred Portions of Awards under the Plan shall be valued and maintained as follows:

(i) In accordance with the provisions, and subject to the conditions, of the Plan and the Regulations, the Deferred Portion as established by the Committee shall be valued in reference to the

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Participant's account(s) in the Equity Fund, in the Fixed Income Fund, in the Company Stock Fund, and in any other Fund established under this Plan. Account balances shall be maintained as dollar values, units or share equivalents as appropriate based upon the nature of the fund. For unit or share-based funds, the number of units or shares credited shall be based upon the established unit or share value as of the last day of the quarter preceding the crediting of the Deferred Portion.

(ii) Investment income credited to Participant's accounts under the Fixed Income Fund shall be determined by the Committee based upon the prevailing rates of return experienced by the Company. The investment income credited to participants under the Equity Fund shall be established based upon an established market index reflecting the rate of return on equity investments. The Company shall advise Participants of the specific measures used and the current valuations of these Funds as appropriate to facilitate deferral decisions, investment choices and to communicate payout levels. The Company Stock Fund shall consist of units valued as one share of Common Stock of the Company (par value \$.01).

(iii) Nothing contained in the Fund definitions in subparagraphs 10(h)(i) and 10(h)(ii) above shall require the Company to segregate or earmark any cash, shares, stock or other property to determine Fund values or maintain Participant account levels.

(iv) ALTERNATIVE FUNDS. The establishment of the "Fixed Income Fund", the "Equity Fund" and the "Stock Fund" as detailed in subparagraphs (i) and (ii) of this paragraph shall not preclude the right of the Committee to direct the establishment of additional investment funds ("Funds").

In establishing such funds, the Committee shall determine the criteria to be used for determining the value of such Funds.

(i) ACCELERATED DISTRIBUTIONS. The Committee may, at its sole discretion, allow for the early payment of a Participant's Deferred Portion(s) in the event of an "unforeseeable emergency". An "unforeseeable emergency" is defined as an unanticipated emergency caused by an event beyond the control of the Participant that would result in severe financial hardship if the distribution were not permitted. Such distributions shall be limited to the amount necessary to sufficiently address the financial hardship. Any distributions under this provision shall be consistent with all rules and regulations established under the Code.

11. MISCELLANEOUS:

(a) By accepting any benefits under the Plan, each Participant and each person claiming under or through him shall be conclusively deemed to have

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indicated acceptance and ratification of, and consent to, any action taken or made to be taken or made under the Plan by the Company, the Board, the Committee or any other committee appointed by the Board.

(b) Any action taken or decision made by the Company, the Board, the Committee, or any other committee appointed by the Board arising out of or in connection with the construction, administration, interpretation or effect of the Plan or of the Regulations shall lie within its absolute discretion, as the case may be, and shall be conclusive and binding upon all Participants and all persons claiming under or through any Participation.

(c) No member of the Board, the Committee, or any other committee appointed by the Board shall be liable for any act or failure to act of any other member, or of any officer, agent or employee of such Board or Committee, as the case may be, or for any act or failure to act, except on account of their own acts done in bad faith. The fact that a member of the Board shall then be, shall theretofore have been or thereafter may be a Participant in the Plan shall not disqualify them from voting at any time as a director with regard to any matter concerning the Awards, or in favor of or against any amendment or alteration of the Plan, provided that such

amendment or alteration shall provide no benefit for directors as such and provided that such amendment or alteration shall be of general application.

(d) The Board, the Committee, or any other committee appointed by the Board may rely upon any information supplied to them by any officer of the Company or any Subsidiary and may rely upon the advice of counsel in connection with the administration of the Plan and shall be fully protected in relying upon information or advice.

(e) Notwithstanding anything to the contrary in the Plan, neither the Board nor the Committee shall have any authority to take any action under the Plan where such action would affect the Company's ability to account for any business combination as a "pooling of interests."

12. AMENDMENT OR DISCONTINUANCE: The Board may alter, amend, suspend or discontinue the Plan, but may not, without approval of the holders of a majority of the Company's Common Stock (\$0.01 par value) make any alteration or amendment thereof which would permit the total payments under the Plan for any year to exceed the limitations provided in paragraph 7 hereof or to allow for the issuance of Company Common Stock in excess of the limitation provided in paragraph 6(c).

13. EFFECTIVE DATE: The Plan will be effective on _____ .

ZIMMER HOLDINGS, INC.
STOCK PLAN
FOR NON-EMPLOYEE DIRECTORS

1. Purpose.

The purpose of the Zimmer Holdings, Inc. Stock Plan for Non-Employee Directors (the "Plan") is to secure for Zimmer Holdings, Inc. (the "Company") and its stockholders the benefits of the incentive inherent in increased Common Stock ownership by the members of the Board of Directors of the Company (the "Board") who are Eligible Directors as defined in the Plan.

2. Administration.

The Plan shall be administered by the Board. The Board shall have all the powers vested in it by the terms of the Plan, such powers to include authority (within the limitations described herein) to prescribe the form of the agreement embodying awards of stock options ("Options"), restricted stock ("Restricted Stock") and restricted stock units ("Restricted Stock Units") made under the Plan (Options, Restricted Stock and Restricted Stock Units, in the aggregate to be "Awards"). The Board shall, subject to the provisions of the Plan, grant Awards under the Plan and shall have the power to construe the Plan, to determine all questions arising thereunder and to adopt and amend such rules and regulations for the administration of the Plan as it may deem desirable. Any decision of the Board in the administration of the Plan, as described herein, shall be final and conclusive. No member of the Board shall be liable for anything done or omitted to be done by such member or by any other member of the Board in connection with the Plan, except for such member's own willful misconduct or as expressly provided by statute.

3. Amount of Stock.

The stock which may be issued and sold under the Plan will be the common stock (par value \$.01 per share) of the Company ("Common Stock"), of a total number not exceeding 2,000,000 shares, subject to adjustment as provided in Section 7 below. The stock to be issued may be either authorized and unissued shares or issued shares acquired by the Company or its subsidiaries. In the event that Awards granted under the Plan terminate or expire (without being exercised, in the case of Options) or are cancelled, forfeited, exchanged or surrendered, new Awards may be granted covering the shares not issued under such lapsed Awards. No more than 25% of the Awards will be in the form of Restricted Stock or Restricted Stock Units.

4. Eligible Directors.

The members of the Board who are eligible to participate in the Plan

("Eligible Directors") are persons who serve as directors of the Company on or after the effective date of the Plan and:

(a) who are not current or former employees of the Company and

(b) who are not and, in the past, have not been eligible to receive Options on Company stock by participation as an employee in another plan sponsored by the Company or under a contractual arrangement with the Company.

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5. Terms and Conditions of Options.

Each Option granted under the Plan shall be evidenced by an agreement in such form as the Board shall prescribe from time to time in accordance with the Plan and shall comply with the following terms and conditions:

(a) The Option exercise price shall be the fair market value of the Common Stock shares subject to such Option on the date the Option is granted, which shall be the average of the high and the low sales prices of a Common Stock share on the date of grant as reported on the New York Stock Exchange Composite Transactions Tape or, if the New York Stock Exchange is closed on that date, on the last preceding date on which the New York Stock Exchange was open for trading.

(b) Each year, as of the date of the annual meeting of the stockholders of the Company ("Annual Meeting"), and at such other dates as the Board deems appropriate, the Board may award Options to purchase shares of Common Stock to Eligible Directors who have been elected or reelected or who are continuing as members of the Board.

(c) For any calendar year, a participant may elect to convert all or any portion of the basic fee payable for services on the Board, except those amounts which are subject to the Mandatory Deferral (as defined in the Zimmer Holdings, Inc. Deferred Compensation Plan for Non-Employee Directors (the "Deferral Plan")), into Options to purchase shares of the Company's Common Stock ("Deferral Options"). The Deferral Options will be granted as of the date of the next Annual Meeting following the election to convert, or at such other time as the Board may determine. The Deferral Options will be issued at a conversion ratio equal to an option to purchase three shares of Common Stock for each Share Unit the participant would be entitled to receive if the participant chose to defer all or any portion of the basic fee payable into Share Units under the Deferral Plan. The Deferral Options will have an exercise price equal to the market value of a share of the Company's Common Stock on the date of grant. The Deferral Options will become fully exercisable on December 31st of the year in which the Deferral Options are granted if the participant continues as an Eligible Director of the Company, or at such earlier time as provided under this Plan. A participant's election to convert all or any portion of the basic fee payable into Deferral Options

shall be made in accordance with the provisions of the Deferral Plan.

(d) Each Eligible Director who is appointed to the Board before the effective date of the spin-off of the Company from Bristol-Myers Squibb Company (the "Distribution Date") shall receive, during the 90-day period commencing on the Distribution Date, Options to purchase a total of 50,000 shares. Each Eligible Director who is appointed to the Board on or after the Distribution Date and before the Company's first Annual Meeting shall receive, during the 90-day period commencing on the director's date of appointment, Options to purchase a total of 50,000 shares. These Options shall be granted by the Board during the applicable 90-day period in three installments of 16,667 shares, 16,667 shares and 16,666 shares. These Options will be collectively referred to herein as "Founder's Options". Except as specifically provided herein, Founder's Options will be subject to the same terms and conditions as all other Options.

(e) No Option granted under the Plan shall be transferable by the optionee other than by will or by the laws of descent and distribution, and such Option shall be exercisable, during the optionee's lifetime, only by the optionee. Notwithstanding the foregoing, the Board may set forth in a Stock Option Agreement, at the time of grant or thereafter, that the Options may be transferred to members of the optionee's immediate family, to trusts solely for the benefit of such immediate family members and to partnerships in which such family members and/or trusts are the only partners. For this purpose, immediate family means the optionee's spouse, parents,

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children, stepchildren, grandchildren and legal dependants. Any transfer of Options made under this provision will not be effective until notice of such transfer is delivered to the Company.

(f) No Option or any part of an Option shall be exercisable:

(i) after the expiration of ten years from the date the Option was granted,

(ii) unless written notice of the exercise is delivered to the Company specifying the number of shares to be purchased and payment in full is made for the shares of Common Stock being acquired thereunder at the time of exercise, such payment shall be made in such form or manner that the Board at its discretion may from time to time designate and that may include, without limitation, payment:

(A) in United States dollars by certified check, or bank draft, or

(B) by tendering to the Company Common Stock shares owned by person exercising the Option and having a fair market

value equal to the cash exercise price applicable to such Option, such fair market value to be the average of the high and low sales prices of a Common Stock share on the date of exercise as reported on the New York Stock Exchange Composite Transactions Tape or, if the New York Stock Exchange is closed on that date, on the last preceding date on which the New York Stock Exchange was open for trading, or

- (C) by a combination of United States dollars and Common Stock shares as aforesaid, and

(iii) unless the person exercising the Option has been, at all times during the period beginning with the date of grant of the Option and ending on the date of such exercise, an Eligible Director of the Company, except that:

- (A) if such a person shall cease to be such an Eligible Director for reasons other than retirement or death, while holding an Option that has not expired and has not been fully exercised, such person, at any time within one year after the date he ceases to be such an Eligible Director (but in no event after the Option has expired under the provisions of Section 5(f)(i) above), may exercise the Option with respect to any Common Stock shares as to which such person has not exercised the Option on the date the person ceased to be such an Eligible Director only to the extent that the Option is exercisable at the time of termination.

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- (B) if such person shall cease to be such an Eligible Director by reason of retirement or death while holding an Option that has not expired and has not been fully exercised, such person, or in the case of death, the executors, administrators or distributees, as the case may be, may at any time following the date of retirement or death (but in no event after the expiration of the Option period set forth in Section 5(f)(i) above), exercise the Option with respect to any shares of Common Stock as to which such person has not exercised the Option on the date the person ceased to be such an Eligible Director, notwithstanding the provisions of Sections 5(c) and 5(g).

- (C) if any person who has ceased to be such an Eligible Director for reasons other than death, shall die holding an Option that has not been fully exercised, such person's executors, administrators, heirs or

distributees, as the case may be, may, at any time within the greater of (1) one year after the date of death or (2) the remainder for the period in which such person could have exercised the Option had the person not died (but in no event under either (1) or (2) after the Option has expired under the provisions of Section 5(f)(i) above), exercise the Option with respect to any shares as to which the decedent could have exercised the Option at the time of death.

In the event any Option is exercised by the executors, administrators, legatees or distributees of the estate of a deceased optionee, the Company shall be under no obligation to issue stock thereunder unless and until the Company is satisfied that the person or persons exercising the Option are the duly appointed legal representatives of the deceased optionee's estate or the proper legatees or distributees thereof.

(g) Except with respect to Founder's Options and Deferral Options, one-quarter (25%) of the total number of shares of Common Stock covered by the Option shall become exercisable on the first anniversary date of the grant of the Option; thereafter an additional one-quarter (25%) of the shares shall become exercisable annually on each subsequent anniversary date of the grant of the Option until the Option is fully exercisable. With respect to Founder's Options, the total number of shares of Common Stock covered by the Founder's Option shall become fully exercisable on the third anniversary date of the date of grant of the first installment of the optionee's Founder's Options.

(h) Notwithstanding anything to the contrary herein, if an Option has been transferred in accordance with Section 5(e), the Option shall be exercisable solely by the transferee. The Option shall remain subject to the provisions of the Plan, including that it will be exercisable only to the extent that the optionee or optionee's estate would have been entitled to exercise it if

the optionee had not transferred the Option. In the event of the death of the transferee prior to the expiration of the right to exercise the Option, the Option shall be exercisable by the executors, administrators, legatees and distributees of the transferee's estate, as the case may be for a period of one year following the date of the transferee's death but in no event shall the Option be exercisable after the expiration of the Option period set forth in the Stock Option Agreement. The Option shall be subject to such other rules as the Board shall determine.

6. Terms and Conditions of Restricted Stock and Restricted Stock Units.

Restricted Stock Awards under the Plan shall consist of grants of shares of Common Stock of the Company. The conditional grant of a Restricted Stock Unit

to a participant will entitle the participant to receive a specified number of shares of Common Stock, if the objectives specified in the Award, if any, are achieved and the other terms and conditions thereof are satisfied. Each Award will be subject to the following terms and conditions:

(a) The Board shall (i) select the members to whom Restricted Stock and Restricted Stock Unit Awards may from time to time be granted, (ii) determine the number of shares to be covered by each Award granted, (iii) determine the terms and conditions (not inconsistent with the Plan) of any Award granted hereunder, and (iv) prescribe the form of the agreement, legend or other instrument necessary or advisable in the administration of Awards under the Plan.

(b) Any Restricted Stock and Restricted Stock Unit Award granted under the Plan shall be evidenced by an agreement executed by the Company and the recipient, in such form as the Board shall approve, and with such terms and conditions as the Board shall prescribe.

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(c) The shares of Restricted Stock awarded pursuant to the Plan shall be subject to the following restrictions and conditions:

(i) During the restriction period, the participant will not be permitted to sell, transfer, pledge or assign Restricted Stock awarded under this Plan.

(ii) Except as the Board may otherwise determine, a participant holding Restricted Stock shall have all of the rights of a stockholder of the Company, including the right to vote the shares and receive dividends and other distributions provided that distributions in the form of stock shall be subject to the same restrictions as the underlying Restricted Stock.

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7. Adjustment in the Event of Change in Stock.

In the event of changes in the outstanding Common Stock by reason of stock dividends, recapitalizations, mergers, consolidations, stock splits, combinations or exchanges of shares and the like, the aggregate number and class of shares available under the Plan, the number, class and the price of shares subject to outstanding Options and Awards of Restricted Stock and Restricted Stock Units shall be appropriately adjusted by the Board, whose determination shall be conclusive.

8. Miscellaneous Provisions.

(a) Except as expressly provided for in the Plan, no Eligible Director or

other person shall have any claim or right to be granted an Award under the Plan. Neither the Plan nor any action taken hereunder shall be construed as giving any Eligible Director any right to be retained in the service of the Company.

(b) Except as provided for under Section 5(e), a participant's rights and interest under the Plan may not be assigned or transferred in whole or in part either directly or by operation of law or otherwise (except in the event of a participant's death, by will or the laws of descent and distribution), including, but not by way of limitations, execution, levy, garnishment, attachment, pledge, bankruptcy or in any other manner, and no such right or interest of any participant in the Plan shall be subject to any obligation or liability of such participant.

(c) No Common Stock shares shall be issued hereunder unless counsel for the Company shall be satisfied that such issuance will be in compliance with applicable federal, state and other securities laws and regulations.

(d) It shall be a condition to the obligation of the Company to issue Common Stock shares upon exercise of an Option or with respect to any other Award, that the participant (or any beneficiary or person entitled to receive the benefit of an Award) pay to the Company, upon its demand, such amount as may be requested by the Company for the purpose of satisfying any liability to withhold federal, state, local or foreign income or other taxes. If the amount requested is not paid, the Company may refuse to issue Common Stock shares.

(e) The expenses of the Plan shall be borne by the Company.

(f) The Plan shall be unfunded. The Company shall not be required to establish any special or separate fund or to make any other segregation of assets to assure the issuance of shares in connection with an Award under the Plan and issuance of shares in connection with Awards shall be subordinate to the claims of the Company's general creditors.

(g) By accepting any Award or other benefit under the Plan, each participant and each person claiming under or through such person shall be conclusively deemed to have indicated his acceptance and ratification of, and consent to, any action taken under the Plan by the Company or the Board.

9. Amendment or Discontinuance.

The Plan may be amended at any time and from time to time by the Board as the Board shall deem advisable, including, but not limited to amendments necessary to qualify for any exemption or to comply with applicable law or regulations; PROVIDED, HOWEVER, that except as provided in Section 7 above, the Board may not, without further approval by the stockholders of the

Company, increase the maximum number of shares of Common Stock as to which Awards may be granted under the Plan, reduce the minimum Option exercise price described in Section 5(a) above, extend the period during which Awards may be granted or exercised under the Plan or change the class of persons eligible to receive Awards under the Plan. No amendment of the Plan shall materially and adversely affect any right of any participant with respect to any Award theretofore granted without such participant's written consent.

10. Termination.

This Plan shall terminate upon the earlier of the following dates or events to occur:

(a) upon the adoption of a resolution of the Board terminating the Plan;
or

(b) ten years from the date the Plan is initially approved and adopted by the stockholders of the Company, in accordance with Section 11 below.

11. Effective Date of Plan.

The Plan shall become effective as of [], 2001 or such later date as the Board may determine, provided that Bristol-Myers Squibb Company in its capacity as the Company's sole stockholder shall have adopted the Plan.

12. Governing Law.

The validity, construction, interpretation and effect of the Plan and agreements issued under the Plan shall be governed and construed by and determined in accordance with the laws of the State of Indiana, without giving effect to the conflict of laws provisions thereof.

ZIMMER HOLDINGS, INC.
DEFERRED COMPENSATION PLAN
FOR NON-EMPLOYEE DIRECTORS

Section 1. Effective Date.

The effective date of this Zimmer Holdings, Inc. Deferred Compensation Plan for Non-Employee Directors (the "Plan") is [], 2001 (the "Effective Date").

Section 2. Eligibility.

Any member of the Board of Directors (the "Board") of Zimmer Holdings, Inc. (the "Company") who is not an officer or employee of the Company or a subsidiary thereof is eligible to participate in the Plan.

Section 3. Deferred Compensation Account.

There shall be established on the books of the Company for each participant a deferred compensation account in the participant's name.

Section 4. Amount of Deferral.

Fifty percent of the basic fee payable to a participant for membership on the Board (the "Mandatory Deferral") shall be deferred and credited to such participant's deferred compensation account as Share Units equal to the number of shares of the Company's common stock which could have been purchased with the amounts deferred, determined by dividing the dollar value of the amounts deferred by the fair market value of a share of the Company's common share as reported in The Wall Street Journal on the effective date of such deferral until such time as the participant meets a guideline level of Share Unit or Company common stock ownership established by the Board. In addition, at each annual meeting of the stockholders of the Company ("Annual Meeting"), each participant will receive 500 deferred Share Units (the "Annual Deferred Share Units"). The value of each Annual Deferred Share Unit will be equal to a share of the Company's common stock as reported in the Wall Street Journal on the date of grant. For any calendar year, a participant may elect to defer receipt of compensation in excess of the participant's Mandatory Deferral (the "Elective Deferral") by filing the appropriate form pursuant to Section 9 and requesting deferral of: (1) all of the compensation in excess of the participant's Mandatory Deferral payable to the participant for serving on the Board and any committee thereof; or (2) any percentage specified by the participant of the compensation specified in clause (1) that is in excess of the participant's Mandatory Deferral.

Section 5. Form and Computation of Deferred Amounts.

Effective with respect to Elective Deferral amounts deferred after the Effective Date of the Plan and subject to Section 4, a participant, at the time he elects to participate in the Plan, shall elect to have the amounts deferred credited to such participant's deferred compensation account as Treasury Units or Dollar Units (each an "Investment Option") equal to the number of shares of the Company's common stock which could have been purchased with the amounts deferred determined by dividing the dollar value of the amounts deferred by the fair market value of a share of the Company's common share as reported in The Wall Street Journal on the

effective date of such deferral. Such deferrals shall be allocated to Treasury Units, Dollar Units and/or Share Units in increments of 0%, 33 1/3%, 50%, 66 2/3% or 100%. The amount credited to a participant's deferred compensation account as Treasury Units shall be credited with interest at a rate to be set by the Board in January of each year after a review of the six-month United States Treasury bill discount rates for the preceding year. The amount credited to a participant's deferred compensation account as Dollar Units shall be credited with interest at a rate to be set by the Board in January of each year after a review of investment return on the invested cash of the Company. Upon payment by the Company of dividends on its common stock, the amount credited to a participant's deferred compensation account as Share Units shall be credited with an amount equal to the number of Share Units multiplied by a fraction the numerator of which is the amount of such dividend and the denominator of which is the fair market value of a Share of the Company's common stock as reported in The Wall Street Journal on the day such dividend is payable. The amount of Share Units in a participant's deferred compensation account shall be adjusted in the discretion of the Board to take into account a merger, consolidation, reorganization, recapitalization, stock split or other change in corporate structure of capitalization affecting the Company's common stock. At its discretion, the Board may discontinue, modify or offer additional Investment Options.

Section 6. Period of Deferral.

Subject to Section 4, a participant may elect to defer receipt of amounts attributable to Elective Deferrals (1) until a specified year in the future, (2) until the cessation of the participant's service as a Director or (3) until the end of the calendar year in which the cessation of the participant's service as a Director occurs. If alternative (1) is elected, payment will be made or will commence within sixty days after the beginning of the year specified; if alternative (2) is elected, payment will be made or will commence within sixty days after the cessation of the participant's service as a Director; and if alternative (3) is elected, payment will be made or will commence within sixty days after the end of the calendar year in which the cessation of the participant's service as a Director occurs. If a participant fails to make an election, payment will be made or will commence within sixty days after the cessation of the participant's service as a Director. Mandatory Deferrals and Annual Deferred Share Units will be paid within sixty days after the cessation

of the participant's service as a Director.

Section 7. Form of Payment.

A participant may elect to receive Elective Deferrals under the Plan in either (1) a lump sum in cash or (2) a number of installments in cash, not more than ten, as specified by the participant. If installment payments are elected, the amount of each installment shall be equal to the balance in the participant's deferred compensation account divided by the number of installments remaining to be paid (including the installment in question). If a participant fails to make an election, payment will be made in a lump sum in cash. Mandatory Deferrals and Annual Deferred Share Units will be paid in shares of the Company's common stock.

Section 8. Death Prior to Receipt.

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A participant may elect that, in the event he or she dies prior to receipt of any or all of the amounts payable pursuant to this Plan, any amounts remaining in the participant's deferred compensation account attributable to Elective Deferrals shall be paid to the participant's estate in cash in either (1) a lump sum within sixty days following notification to the Company of the participant's death or (2) a number of annual installments, not more than ten, as specified by the participant. If alternative (2) is elected and payment to the participant pursuant to clause (2) of Section 7 has not commenced prior to death, the initial installment payment hereunder shall be made sixty days after notification to the Company of the participant's death, and the amount of each such installment shall be determined as provided in the last sentence of Section 7. If alternative (2) is elected and payment to the participant pursuant to clause (2) of Section 7 had commenced prior to death, the installment payments to the participant's estate shall be made at the same time and in the same amount as such payments would have been made to the participant had he or she survived. For purposes of this Section 8, any amounts deferred as Share Units shall be converted to Dollar Units by multiplying the number of Share Units credited to a participant's deferred compensation account on the date of his death by the fair market value of a share of the Company's common stock on such date as reported in The Wall Street Journal. Mandatory Deferrals and Annual Deferred Share Units will be paid within sixty days after the participant's death in shares of the Company's common stock.

Section 9. Time of Election of Deferral.

An election to defer compensation may be made by (i) a nominee for election as a Director prior to his/her election for the calendar year in which he/she is being elected (except that a person elected a Director by the Board may make an election to defer compensation within 30 days after his/her election as a Director, in which event such election to defer compensation shall be effective only with respect to compensation paid after the election

to defer compensation is made) and (ii) a person then currently serving as a Director for the next succeeding calendar year no later than the preceding November 30th. This election will be deemed to be an election to defer compensation under this Plan for each succeeding calendar year, unless (1) the participant elects, in accordance with Section 11, to discontinue the deferral, (2) the Company discontinues the Plan, or (3) the election is stated, in writing, to apply only to the current calendar year.

Section 10. Manner of Electing Deferral.

A participant may elect to defer compensation by giving written notice to the Board on a form provided by the Company, which notice shall include the amount to be deferred, the form in which the amount deferred is to be credited, whether the deferral will be converted into options to purchase shares of the Company's common stock pursuant to Section 13, the period of deferral, the form of payment, including the number of installments, if any.

Section 11. Effect of Election.

An election to defer compensation including the form of deferral shall be irrevocable by the participant once the calendar year to which it applies has commenced. An election may be discontinued or modified by the participant with respect to calendar years not yet begun by notifying the Board in writing no later than November 30th of the preceding year.

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Section 12. Further Election.

Prior to the commencement of the year in which a participant has elected to commence receipt of payment of amounts deferred, the participant shall have the one-time right with regard to funds previously deferred to elect a further deferral of the payment of such funds by delivering to the Board a written statement in a form provided by the Company specifying the further period of deferral and the form of payment, including the number of installments, if any.

In the event, however, there is a final determination by a court of appropriate jurisdiction that the further deferral was ineffective for the purpose of deferring tax obligations on the deferred amounts, then all amounts on which the further deferral was determined to be ineffective shall be paid to the participant within 15 days of such final determination being made, such payment to be made pursuant to the previously elected deferral.

Section 13. Conversion into Options.

For any calendar year, a participant may elect to convert all or any portion of the basic fee payable for services on the Board, except amounts that would otherwise be subject to Mandatory Deferral into options to purchase shares of the Company's common stock. The options will be issued

pursuant to a stock option plan of the Company in which the participant is eligible to participate and will be granted as of the date of the next Annual Meeting following the election to convert, or at such other time as the Board may determine. The options will be issued at a conversion ratio of an option to purchase three shares of common stock for each Share Unit that the participant would be entitled to receive if the participant chose to defer all or any portion of the basic fee payable into Share Units. The options will have an exercise price equal to the market value of a share of the Company's common stock on the date of grant. The options will become fully exercisable on December 31st of the calendar year in which the options are granted if the participant continues as a non-employee director of the Company, or at such earlier time as provided in the stock option plan. A participant's election to convert all or any portion of the basic fee payable into stock options must be made in accordance with Sections 9 and 10.

Section 14. Participant's Rights Unsecured.

The right of any participant to receive future payments under the provisions of the Plan shall be an unsecured claim against the general assets of the Company.

Section 15. Statement of Account.

A statement will be sent to each participant each year as to the value of his/her deferred compensation account as of the end of the preceding year.

Section 16. Assignability.

No right to receive payments hereunder shall be transferable or assignable by a participant, except by will or under the laws of descent and distribution.

-4-

Section 17. Administration.

This Plan will be administered by the Board, which shall have the authority to adopt rules and regulations to carry out the Plan and to interpret, construe and implement the provisions of the Plan.

Section 18. Amendment.

This Plan may at any time or from time to time be amended, modified or terminated by the Board. No amendment, modification or termination shall, without the consent of the participant, adversely affect such participant's accruals in his/her deferred compensation account of the date of amendment, modification or termination.

Section 19. Governing Law.

The validity, construction, interpretation and effect of the Plan and agreements issued under the Plan shall be governed and construed by and determined in accordance with the laws of the State of Indiana, without giving effect to the conflict of laws provisions thereof.

SUBSIDIARIES OF THE REGISTRANT

<TABLE>

<CAPTION>

NAME	JURISDICTION
<S>	<C>
Zimmer, Inc.	Delaware
Zimmer of Canada Limited	Canada
Zimmer Caribe, Inc.	Delaware
Zimmer N.V./S.A.	Belgium
Zimmer S.A.S.	France
Zimmer Chirurgie G.m.b.H.	Germany
Zimmer S.r.L.	Italy
Zimmer B.V.	The Netherlands
Zimmer S.A.	Spain
Zimmer Limited	U.K.
Zimmer Pty., Ltd.	Australia
Zimmer K.K.	Japan
Zimmer Pte, Ltd.	Singapore
Zimmer Taiwan Co., Ltd.	Taiwan
Bristol-Myers Squibb Korea Ltd. (to be renamed after contribution to the registrant)	Korea

</TABLE>

[LOGO]

, 2001

Dear Stockholder:

I am pleased to report that the previously announced spinoff of Bristol-Myers Squibb's orthopaedics business is expected to become effective on August 6, 2001. Zimmer Holdings, Inc., a recently formed Delaware corporation that will own the orthopaedics business, will commence operation on that day as an independent public company. Zimmer has been authorized to list its shares of common stock on the New York Stock Exchange under the symbol "ZMH."

Holders of record of Bristol-Myers Squibb common stock as of the close of business on July 27, 2001, which will be the record date, will receive one share of Zimmer common stock for every ten shares of Bristol-Myers Squibb common stock held. No action is required on your part to receive your Zimmer shares. You will not be required either to pay anything for the new shares or to surrender any shares of Bristol-Myers Squibb common stock.

No fractional shares of Zimmer common stock will be issued. If you otherwise would be entitled to a fractional share you will receive a check for the cash value thereof, which will generally be taxable to you. Bristol-Myers Squibb will receive a ruling from the Internal Revenue Service to the effect that, for U.S. Federal income tax purposes, the distribution of Zimmer common stock is tax-free to Bristol-Myers Squibb and to you to the extent that you receive Zimmer common stock. In due course, you will be provided with information to enable you to compute your tax bases in both Bristol-Myers Squibb and Zimmer common stock and other information you will need to report the receipt of the Zimmer common stock on your U.S. Federal income tax return as a tax-free transaction.

The enclosed information statement describes the distribution of shares of Zimmer common stock and contains important information about Zimmer, including financial statements. I suggest that you read it carefully. If you have any questions regarding the distribution, please contact Bristol-Myers Squibb's transfer agent, Mellon Investor Services, P.O. Box 3315, South Hackensack, New Jersey, 07606, telephone 1-888-552-8493 (Domestic) or (201) 329-8660 (International), TDD or TTY: 1-800-231-5469 (Domestic) or (201) 329-8354 (International), or send an e-mail to Mellon Investor Services at shareholderrelations@chasemellon.com.

Sincerely,
Peter R. Dolan
CHIEF EXECUTIVE OFFICER

[ZIMMER HOLDINGS, INC. LETTERHEAD]

, 2001

Dear Zimmer Holdings, Inc. Stockholder,

It is my pleasure to welcome you as a stockholder of Zimmer Holdings, Inc., which will be publicly traded for the first time on or about August 7, 2001. Zimmer is a global leader in the design, development, manufacturing and marketing of orthopaedic reconstructive implants and fracture management products. Since 1927, when our predecessor, Zimmer, Inc., was founded, we have been a leader in the orthopaedics industry. I invite you to learn more about Zimmer and our opportunities as an independent public company in the attached information statement.

We believe that as an independent public company Zimmer will be positioned to continue to increase market shares, target strategically important geographic regions and selectively expand our offerings to cover high-growth categories in our industry on which we currently do not focus. We believe that we will be able to make decisions more quickly, deploy resources more rapidly and efficiently and operate with more agility. Ultimately, we anticipate that our transition to an independent company will lead to innovative and improved treatment options for patients.

Our experienced management team is eager to distinguish Zimmer through continued strong leadership and financial performance. We are pleased that you, as a stockholder of Zimmer, will participate in our mission and will share in this exciting opportunity.

Sincerely,
J. Raymond Elliott
PRESIDENT AND CHIEF EXECUTIVE OFFICER
ZIMMER HOLDINGS, INC.

PRELIMINARY AND SUBJECT TO COMPLETION, DATED JULY 6, 2001

INFORMATION STATEMENT

ZIMMER HOLDINGS, INC. LOGO

ZIMMER HOLDINGS, INC.

Distribution of Approximately 193,831,693 Shares of Common Stock

This information statement is being furnished in connection with the distribution of all the outstanding shares of Zimmer Holdings, Inc. common stock by Bristol-Myers Squibb Company to holders of its common stock. Bristol-Myers Squibb has transferred or will transfer to us its orthopaedics business described in this information statement.

Shares of our common stock will be distributed to holders of Bristol-Myers Squibb common stock of record as of the close of business on July 27, 2001, which will be the record date. These stockholders will receive one share of our common stock for every ten shares of Bristol-Myers Squibb common stock held on the record date. The distribution will be effective at 11:59 p.m. on August 6, 2001. Stockholders will receive cash in lieu of fractional shares, which generally will be taxable.

NO STOCKHOLDER APPROVAL OF THE DISTRIBUTION IS REQUIRED OR SOUGHT. WE ARE NOT ASKING YOU FOR A PROXY AND YOU ARE REQUESTED NOT TO SEND US A PROXY. Bristol-Myers Squibb stockholders will not be required to pay for the shares of our common stock to be received by them in the distribution, or to surrender or to exchange shares of Bristol-Myers Squibb common stock in order to receive our common stock or to take any other action in connection with the distribution. Each share of our common stock distributed will be accompanied by one preferred stock purchase right. There is no current trading market for our common stock. We have been authorized to list our common stock on the New York Stock Exchange under the symbol "ZMH."

IN REVIEWING THIS INFORMATION STATEMENT, YOU SHOULD CAREFULLY CONSIDER THE MATTERS DESCRIBED UNDER THE CAPTION "RISK FACTORS" BEGINNING ON PAGE 14.

NEITHER THE SECURITIES AND EXCHANGE COMMISSION NOR ANY STATE SECURITIES COMMISSION HAS APPROVED OR DISAPPROVED THESE SECURITIES OR DETERMINED IF THIS INFORMATION STATEMENT IS TRUTHFUL OR COMPLETE. ANY REPRESENTATION TO THE CONTRARY IS A CRIMINAL OFFENSE.

THIS INFORMATION STATEMENT DOES NOT CONSTITUTE AN OFFER TO SELL OR THE SOLICITATION OF AN OFFER TO BUY ANY SECURITIES.

Stockholders of Bristol-Myers Squibb with inquiries related to the distribution should contact Bristol-Myers Squibb's transfer agent, Mellon Investor Services, P.O. Box 3315, South Hackensack, New Jersey, 07606, telephone 1-888-552-8493 (Domestic) or (201) 329-8660 (International), TDD or TTY: 1-800-231-5469 (Domestic) or (201) 329-8354 (International), or send an e-mail to Mellon Investor Services at shareholderrelations@chasmellon.com.

The date of this information statement is , 2001.

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SUMMARY

The following is a summary of some of the information contained in this information statement. In addition to this summary, we urge you to read the entire information statement carefully, especially the risks of investing in our common stock discussed under "Risk Factors" and our financial statements.

We describe in this information statement the orthopaedics business to be contributed to us by Bristol-Myers Squibb Company prior to the distribution, described under "--The Distribution," as if it was our business for all historical periods described. Following the distribution, we will be an independent public company and Bristol-Myers Squibb will have no continuing stock ownership in us. Accordingly, our historical financial results as part of Bristol-Myers Squibb contained herein may not reflect our financial results in the future as an independent company or what our financial results would have been had we been a stand-alone company during the periods presented.

OUR COMPANY

We are a global leader in the design, development, manufacturing and marketing of orthopaedic reconstructive implants and fracture management products. Orthopaedic reconstructive implants restore joint function lost due to disease or trauma in joints such as knees, hips, shoulders and elbows. Fracture management products are devices used primarily to reattach or stabilize damaged bone and tissue to support the body's natural healing process. We also manufacture and market other products relating to orthopaedic and general surgery.

Since 1927, when our predecessor, Zimmer, Inc., was founded, we have been a leader in the orthopaedics industry. With a reputation for product quality and service built over almost 75 years, we believe that our Circle Blue Z logo is one of our industry's most trusted and recognized brands and we believe that we have one of the most informed and effective salesforces in our industry worldwide. We also enjoy long-standing relationships with many leading orthopaedic surgeons around the world. We have capitalized on our strong brand name and our other competitive strengths to establish a leadership position in global reconstructive implant sales. Based on independent industry sources, our NexGen-Registered Trademark-, VerSys-Registered Trademark- and Trilogy-Registered Trademark- brand families are among the leading knee, hip stem and acetabular cup brands in the world based on 2000 sales revenue. We also continue to build a strong presence in the fracture management category with the growth of sales of products such as our M/DN-Registered Trademark- nail and the Zimmer ECT-Registered Trademark- internal fracture fixation system.

We believe we are one of the largest, fastest growing and most profitable of the major companies focused on orthopaedic reconstructive implants. In 2000, we had net sales of \$1,041 million and net earnings of \$176 million. Since 1998, we have experienced a compound annual sales growth rate of approximately 10 percent. Increased global demand for our reconstructive implants and fracture management products has driven most of this growth.

We have operations in approximately 20 countries and market our products in approximately 70 countries. The Americas is our largest region, accounting for approximately 63 percent of 2000 sales, with the United States accounting for approximately 95 percent of sales in this region. The Asia Pacific region, our next largest region, accounted for approximately 25 percent of our 2000 sales, with Japan accounting for approximately 78 percent of sales in this region. Europe, our third largest region, accounted for approximately 12 percent of 2000 sales with the United Kingdom, Germany, Spain, France and Italy accounting for approximately 75 percent of sales in this region.

Our strategic objective is to become the leader in the design, development, manufacturing and marketing of orthopaedic reconstructive implants and fracture management products. Our goals are to:

- increase market share in our product categories by offering innovative new products and striving to provide comprehensive solutions in these product categories;

- target strategically important geographic regions and develop products that correspond to the surgical philosophies common to those regions;
- expand our product and service offerings to cover high-growth categories

in our industry on which we do not currently focus; and

- continue our efforts to offer alternative therapies for patients with arthritis, including co-marketing drug therapies and developing and marketing biological therapies and minimally invasive surgical procedures.

As key elements in the execution of our strategy, we intend to continue to strive for:

- rapid commercialization of new products;
- innovation within our strategically chosen product and service categories;
- acquisitions of complementary businesses and technologies to expand our product and service offerings and leverage our brand name and salesforce; and
- flawless, metric-based execution of our operations and continued improvement of productivity.

THE DISTRIBUTION

Please see "The Distribution" for a more detailed description of the matters described below.

<TABLE>

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DISTRIBUTING COMPANY.....	Bristol-Myers Squibb Company, which, through its divisions and subsidiaries, is a major producer and distributor of pharmaceuticals, consumer medicines, nutritionals, medical devices and beauty care products.
DISTRIBUTED COMPANY.....	Zimmer Holdings, Inc., which will own the orthopaedics business formerly conducted by Bristol-Myers Squibb as part of its medical devices business and described in this information statement. Please see "Management's Discussion and Analysis of Financial Condition and Results of Operations" and "Business" for a description of this business.
DISTRIBUTION RATIO.....	Each holder of Bristol-Myers Squibb common stock will receive a dividend of one share of our common stock, and the associated preferred stock purchase right, for every ten shares of Bristol-Myers Squibb common stock held on the record date.
SECURITIES TO BE DISTRIBUTED.....	Based on shares of Bristol-Myers Squibb common stock outstanding on June 25, 2001, excluding treasury stock and assuming no exercise of outstanding options, approximately 193,831,693 shares of our common stock together with the associated preferred stock purchase rights will be distributed. The shares of our common stock to be distributed will constitute all of the outstanding shares of our common stock immediately after the distribution. Bristol-Myers Squibb stockholders will not be required to pay for the shares of our common stock to be received by them in the distribution or to surrender or exchange shares of Bristol-Myers Squibb common stock in order to receive our common stock or to take any other action in connection with the distribution.
FRACTIONAL SHARES.....	Fractional shares of our common stock will not be distributed. Fractional shares to which Bristol-Myers Squibb stockholders of record are entitled will be aggregated and sold in the public market by the distribution agent. The aggregate net cash proceeds of these sales will be distributed ratably to those stockholders who would otherwise have received fractional shares of our common stock. These sale proceeds generally will be taxable to those stockholders.
DISTRIBUTION AGENT, TRANSFER AGENT AND REGISTRAR FOR THE SHARES.....	Mellon Investor Services LLC will be the distribution agent, transfer agent and registrar for the shares of our common stock.
RECORD DATE.....	The record date is the close of business on July 27, 2001.
DISTRIBUTION DATE.....	11:59 p.m. on August 6, 2001.

FEDERAL INCOME TAX
CONSEQUENCES OF THE
DISTRIBUTION.....

Bristol-Myers Squibb will receive a ruling from the Internal

</TABLE>

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Revenue Service to the effect that the transfer to us of its orthopaedics business and the distribution will qualify as a tax-free transaction under Sections 355 and 368(a)(1)(D) of the Internal Revenue Code of 1986.

STOCK EXCHANGE LISTING.....

There is not currently a public market for our common stock. We have been authorized to list our common stock on the New York Stock Exchange under the symbol "ZMH." We anticipate that trading will commence on a when-issued basis prior to the distribution. When-issued trading refers to a transaction made conditionally because the security has been authorized but not yet issued. On the first trading day following the distribution date, when-issued trading in respect of our common stock will end and regular-way trading will begin. Regular-way trading refers to trading after a security has been issued and typically involves a transaction that settles on the third full business day following the date of the transaction. We cannot predict the trading prices for our common stock before or after the distribution date; however, we believe the presence of a when-issued trading market prior to the distribution may have a stabilizing effect on the price of our common stock following the distribution.

ASSUMPTION OF BRISTOL-MYERS
SQUIBB CREDIT FACILITY.....

In connection with our separation from Bristol-Myers Squibb, we expect to assume or incur approximately \$500 million in debt under a senior unsecured credit facility that Bristol-Myers Squibb will enter into prior to the distribution date. Of this amount, we expect that Bristol-Myers Squibb will incur approximately \$380 million under this credit facility that we will assume on the distribution date. In addition, we expect to borrow under the credit facility an additional amount of approximately \$120 million on the distribution date of which approximately \$70 million will be used to fund costs and expenses expected to be incurred in connection with the separation and approximately \$50 million will be retained as working capital. The debt we will assume from Bristol-Myers Squibb represents the portion of Bristol-Myers Squibb's liabilities that we and Bristol-Myers Squibb determined would result, together with the planned additional borrowings under the credit facility, in the most appropriate capital structure for us as a stand-alone entity. Please see "Management's Discussion and Analysis of Financial Condition and Results of Operations" for a more detailed discussion of the senior unsecured credit facility and our liquidity needs following the separation.

</TABLE>

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RELATIONSHIP BETWEEN BRISTOL-
MYERS SQUIBB AND US AFTER THE
DISTRIBUTION.....

Following the distribution, we will be an independent public company and Bristol-Myers Squibb will have no continuing stock ownership interest in us. Prior to the distribution, we and Bristol-Myers Squibb will enter into a Contribution and Distribution Agreement and several ancillary agreements for the purpose of accomplishing the contribution of Bristol-Myers Squibb's orthopaedics business to us and the distribution of our common stock to Bristol-Myers Squibb's stockholders. These agreements also will govern our relationship with Bristol-Myers Squibb subsequent to the distribution and provide for the allocation of employee benefits, tax and some other liabilities and obligations attributable to periods prior to and, in some cases, after the distribution. These agreements also include arrangements with respect to interim services. The Contribution and

Distribution Agreement includes an agreement that we generally will indemnify Bristol-Myers Squibb against liabilities arising out of its orthopaedics business being transferred to us and that Bristol-Myers Squibb generally will indemnify us against liabilities arising out of Bristol-Myers Squibb's retained businesses. Please see "Arrangements Between Bristol-Myers Squibb and Zimmer" for a more detailed description of these agreements.

POST-DISTRIBUTION

DIVIDEND POLICY..... We do not anticipate paying any dividends on our common stock in the foreseeable future. The payment and amount of dividends by us after the distribution, however, will be subject to the discretion of our board of directors.

ANTI-TAKEOVER EFFECTS..... Our obligation to indemnify Bristol-Myers Squibb, under the tax sharing agreement we will enter into in connection with the separation, for the tax resulting from any acquisition or issuance of our stock that triggers the application of Section 355(e) of the Internal Revenue Code could discourage, delay or prevent a change of control. Some provisions of our certificate of incorporation and by-laws and provisions of Delaware law as each will be in effect following the distribution may have the effect of making more difficult an acquisition of control of us in a transaction not approved by our board of directors. Our rights agreement also will make more difficult an acquisition of control of us in a transaction not approved by our board of directors.

RISK FACTORS..... Stockholders should carefully consider the matters discussed under "Risk Factors."

OUR PRINCIPAL EXECUTIVE OFFICES..... 345 East Main Street,
Warsaw, IN 46580
(219) 267-6131

</TABLE>

SUMMARY HISTORICAL AND PRO FORMA FINANCIAL INFORMATION

The following table sets forth our summary historical and pro forma financial information derived from our combined financial statements for the years ended and as of December 31, 2000, 1999 and 1998, our unaudited interim combined financial statements for the three months ended March 31, 2001 and 2000 and as of March 31, 2001 and our unaudited pro forma combined financial statements for the three months ended and as of March 31, 2001 and for the year ended December 31, 2000. The summary financial information may not be indicative of our future performance as an independent company. It should be read in conjunction with "Management's Discussion and Analysis of Financial Condition and Results of Operations," the unaudited pro forma combined financial statements and corresponding notes, the combined financial statements and corresponding notes and the unaudited interim combined financial statements and corresponding notes included elsewhere in this information statement.

The pro forma adjustments are based upon available information and assumptions that we believe are reasonable. Please see the notes to the unaudited pro forma combined financial statements included elsewhere in this information statement for a discussion of how these adjustments are presented in the pro forma combined financial statements.

<TABLE>
<CAPTION>

	FOR THE THREE MONTHS ENDED MARCH 31,			FOR THE YEARS ENDED DECEMBER 31,			
	PRO FORMA 2001	2001	2000	PRO FORMA 2000	2000	1999	1998
	(DOLLARS IN MILLIONS, EXCEPT PER SHARE AMOUNTS)						
<S>	<C>	<C>	<C>	<C>	<C>	<C>	<C>
Combined Statement of Earnings Data:							
Net sales.....	\$ 286	\$286	\$254	\$1,041	\$1,041	\$939	\$861
Expenses							
Cost of products sold.....	82	82	70	291	291	269	265
Selling.....	60	60	52	207	207	182	165
Marketing, promotion and distribution.....	44	44	42	153	153	143	115
Research and development.....	18	18	12	52	52	45	36

General and administrative.....	25	25	19	70	70	69	69
Interest expense.....	7	--	--	29	--	--	--
	-----	-----	-----	-----	-----	-----	-----
	236	229	195	802	773	708	650
	-----	-----	-----	-----	-----	-----	-----
Earnings before income taxes.....	50	57	59	239	268	231	211
Provision for income taxes.....	19	21	20	82	92	81	66
	-----	-----	-----	-----	-----	-----	-----
Net earnings.....	\$ 31	\$ 36	\$ 39	\$ 157	\$176	\$150	\$145
	=====	=====	=====	=====	=====	=====	=====
Earnings Per Common Share:							
Basic.....	\$0.16	n/a	n/a	\$ 0.81	n/a	n/a	n/a
Diluted.....	0.16	n/a	n/a	0.81	n/a	n/a	n/a
Average Common Shares Outstanding							
(in millions):							
Basic.....	194	n/a	n/a	194	n/a	n/a	n/a
Diluted.....	195	n/a	n/a	195	n/a	n/a	n/a
Combined Balance Sheet Data:							
Total assets.....	\$ 669	\$619	n/a	n/a	\$597	\$606	\$579
Due to Bristol-Myers Squibb.....	--	190	n/a	n/a	144	41	50
Long-term debt.....	500	--	n/a	n/a	--	--	--

</TABLE>

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THE DISTRIBUTION

GENERAL

The board of directors of Bristol-Myers Squibb intends to approve the distribution of all of the outstanding shares of our common stock to the holders of Bristol-Myers Squibb common stock. In the distribution, each holder of Bristol-Myers Squibb common stock will receive as a dividend one share of our common stock and an associated preferred stock purchase right for every ten shares of Bristol-Myers Squibb common stock held on July 27, 2001, which will be the record date. Please see "Description of Capital Stock--Rights Agreement" for a description of our preferred stock purchase rights.

MANNER OF EFFECTING THE DISTRIBUTION

The general terms and conditions relating to the distribution will be set forth in the Contribution and Distribution Agreement between us and Bristol-Myers Squibb. Under the Contribution and Distribution Agreement, the distribution will be effective at 11:59 p.m. on the distribution date, August 6, 2001. For most Bristol-Myers Squibb stockholders who own Bristol-Myers Squibb common stock in registered form on the record date, our transfer agent will credit their shares of Zimmer common stock to book entry accounts established to hold their Zimmer common stock. Our distribution agent will send these stockholders a statement reflecting their Zimmer common stock ownership. Book entry refers to a method of recording stock ownership in our records in which no physical certificates are used. For stockholders who own Bristol-Myers Squibb common stock through a broker or other nominee, their shares of Zimmer common stock will be credited to these stockholders' accounts by the broker or other nominee. As further discussed below, fractional shares will not be distributed. A delivery of a share of our common stock in connection with the distribution also will constitute the delivery of the preferred stock purchase right associated with such share. These rights are intended to have anti-takeover effects. The existence of the rights may deter a potential acquiror from making a takeover proposal or a tender offer. For a more detailed discussion of these rights, please see "Description of Capital Stock--Rights Agreement." Following the distribution, stockholders whose shares are held in book entry form may request that their shares of our common stock be transferred to a brokerage or other account at any time as well as delivery of physical stock certificates for their shares, in each case without charge.

BRISTOL-MYERS SQUIBB STOCKHOLDERS WILL NOT BE REQUIRED TO PAY FOR SHARES OF OUR COMMON STOCK RECEIVED IN THE DISTRIBUTION OR TO SURRENDER OR EXCHANGE SHARES OF BRISTOL-MYERS SQUIBB COMMON STOCK IN ORDER TO RECEIVE OUR COMMON STOCK OR TO TAKE ANY OTHER ACTION IN CONNECTION WITH THE DISTRIBUTION. NO VOTE OF BRISTOL-MYERS SQUIBB STOCKHOLDERS IS REQUIRED OR SOUGHT IN CONNECTION WITH THE DISTRIBUTION, AND BRISTOL-MYERS SQUIBB STOCKHOLDERS HAVE NO APPRAISAL RIGHTS IN CONNECTION WITH THE DISTRIBUTION.

Fractional shares of our common stock will not be issued to Bristol-Myers Squibb stockholders as part of the distribution nor credited to book entry accounts. Instead, the distribution agent will as soon as practicable on or after the distribution date aggregate fractional shares of our common stock held by holders of record into whole shares, sell them in the open market at the prevailing market prices and then distribute the aggregate sale proceeds ratably to Bristol-Myers Squibb stockholders who would otherwise be entitled to receive fractional shares. The amount of this payment will depend on the prices at which

the aggregated fractional shares of our common stock are sold by the distribution agent in the open market shortly after the distribution date. We will be responsible for any payment of brokerage fees. The amount of these brokerage fees is not expected to be material to us. The receipt of cash in lieu of fractional shares of our common stock will generally be taxable to the recipient stockholder. For an explanation of the Federal income tax consequences of the distribution, please see "--U.S. Federal Income Tax Consequences of the Distribution."

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In addition, at the time of the distribution, each outstanding option to purchase Bristol-Myers Squibb common stock and each share of outstanding Bristol-Myers Squibb restricted stock held by our employees on the distribution date will be converted into a similar option for our common stock or share of our restricted stock, except in certain foreign jurisdictions where applicable laws, rules or regulations make it inadvisable to convert.

In order to be entitled to receive shares of our common stock in the distribution, Bristol-Myers Squibb stockholders must be stockholders at the close of business on the record date, July 27, 2001.

The chart set forth below illustrates the distribution ratio by showing the number of our shares and/or the amount of cash that a Bristol-Myers Squibb stockholder would receive pursuant to the distribution for varying amounts of Bristol-Myers Squibb shares held as of the record date for the distribution using the distribution ratio of one share of our common stock for every ten shares of Bristol-Myers Squibb common stock held.

<S>	<C>	<C>	<C>	<C>
SHARES OF BRISTOL-MYERS SQUIBB COMMON STOCK	5 shares	10 shares	15 shares	40 shares
SHARES OF OUR COMMON STOCK TO BE RECEIVED UPON DISTRIBUTION	0 shares of our common stock and cash for 0.5 fractional share	1 share of our common stock and no cash	1 share of our common stock and cash for 0.5 fractional share	4 shares of our common stock and no cash

Because the distribution will be effected in the manner described above, many of our stockholders may hold odd lots or blocks of less than 100 of our shares. An investor selling an odd lot may be required to pay a higher commission rate than an investor selling round lots or blocks of 100 shares.

REASONS FOR THE DISTRIBUTION

Bristol-Myers Squibb's board of directors has determined that the separation of our business from Bristol-Myers Squibb's other businesses is in the best interests of Bristol-Myers Squibb and its stockholders. Both we and Bristol-Myers Squibb believe that our separation from Bristol-Myers Squibb will provide both companies with the opportunity to expand their business prospects and improve their operations. In deciding how to achieve Bristol-Myers Squibb's business purpose of separating our business from Bristol-Myers Squibb's other businesses, Bristol-Myers Squibb determined that a nontaxable spin-off of our business was the transaction that provided the greatest value to its stockholders. In making these determinations, Bristol-Myers Squibb considered the potential negative effect of restrictions on large transactions in our common stock due to tax considerations caused by the distribution. These tax considerations are more fully discussed under "--U.S. Federal Income Tax Consequences of the Distribution."

The key benefits of the separation include:

GREATER STRATEGIC FOCUS FOR MANAGEMENT'S EFFORTS AND FINANCIAL RESOURCES

Both Bristol-Myers Squibb and Zimmer expect to have a sharper focus on their respective businesses and strategic opportunities as a result of their board of directors and management team focusing only on their businesses. Both companies will also have greater ability to modify their business processes to better fit the needs of their customers, businesses and employees. For example, the separation will allow us to focus greater management attention and resources on opportunities for our business in the market for orthopaedic products and to focus on more actively managing our cost structure. Bristol-Myers Squibb will similarly benefit by being able to focus on its retained businesses and their growth opportunities.

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DIFFERENT BUSINESSES. Bristol-Myers Squibb, through its divisions and subsidiaries, currently operates four major businesses: medicines, beauty care, nutritional and medical devices. Bristol-Myers Squibb's medicines business

produces and sells pharmaceutical prescription and consumer medicines, such as cardiovascular, anti-cancer, anti-infective and central nervous drugs, other pharmaceutical products, analgesics, skin care products and cough and cold remedies. Bristol-Myers Squibb's beauty care business produces and sells haircoloring and hair care preparations, among other beauty care products. Bristol-Myers Squibb's nutritional business produces and sells infant formula and other nutritional products. Bristol-Myers Squibb's medical devices business, which includes Zimmer, produces and sells orthopaedic products and ostomy and wound care products.

Our business has exhibited different growth characteristics, customers, distribution channels and technological evolution than Bristol-Myers Squibb's other businesses. Because Bristol-Myers Squibb's management expects these differences to continue in the future, it believes that our business and Bristol-Myers Squibb's other businesses will require inherently different strategies in order to maximize their long-term value. Consequently, it has determined that Bristol-Myers Squibb's current structure, which involves the overall management and control of each of these businesses under a single corporate entity, is not the most effective structure to design and implement the distinct strategies necessary to operate our business and Bristol-Myers Squibb's other businesses successfully in a manner that maximizes their long-term value.

GROWTH RATES. The orthopaedics industry has grown, and is projected to continue to grow, at different rates than the areas of the pharmaceutical industry in which Bristol-Myers Squibb primarily competes. Bristol-Myers Squibb and we believe that our separation from Bristol-Myers Squibb will allow both companies to focus their management and research and development investments on higher growth areas in their respective markets, without distraction from investment opportunities in other industries, while better managing their cost structure.

CUSTOMERS AND DISTRIBUTION CHANNELS. Our customers generally include hospitals, orthopaedic surgeons and healthcare buying groups. Because these customers rely on our highly trained sales personnel who have detailed knowledge of and experience in the orthopaedics industry, we maintain a distribution network, including dedicated distributors and dealers, separate and independent from Bristol-Myers Squibb's other businesses. Similarly, the customers of Bristol-Myers Squibb's other businesses rely on the expertise of sales personnel with specific knowledge of Bristol-Myers Squibb's medicines, beauty care, nutritional and ostomy and wound care products. As a result, Bristol-Myers Squibb and we believe that our separation from Bristol-Myers Squibb will allow both companies to focus greater attention and financial resources on developing new sales techniques specifically tailored to our respective businesses, without distraction from the customer and distribution demands of other industries.

TECHNOLOGY. The technology we use is different from the technology used by the other Bristol-Myers Squibb businesses and technological evolution in our markets is of a different type. Key technology developments for us will include, for example, development of new materials, product designs and surgical techniques specifically tailored to orthopaedic surgical procedures. Our research and development spending will be focused on these development areas in higher growth categories of our industry. The focus of technological change in Bristol-Myers Squibb's medicines business, for example, is on developing new medicines. As a result, we believe that our separation from Bristol-Myers Squibb will allow both companies to focus greater attention and financial resources on the technologies most important to the long-term growth of their respective businesses, without distraction from research and development needs and technological changes in other industries.

MORE TARGETED INCENTIVES FOR EMPLOYEES AND GREATER ACCOUNTABILITY

The distribution will permit Bristol-Myers Squibb and us to implement employee compensation and benefit programs, including stock-based and other incentive programs that reward employees of

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each company based on the success of the individual company's operations, more appropriate to their respective operations, unique needs and competitive environments. Both companies expect the motivation of their employees and the focus of their management to be strengthened by incentive compensation programs tied to their core businesses' financial results and the market performance of their common stock without regard to the performance of the other's businesses that are largely dependent on different growth and performance profiles, among other differentiating factors. As a result, both companies expect the separation to enhance their ability to attract and retain qualified personnel.

INCREASED SPEED AND RESPONSIVENESS

Both Bristol-Myers Squibb and we believe our respective businesses will be able to make decisions more quickly, deploy resources more rapidly and efficiently and operate with more agility than they could as part of a larger

organization. The distribution will provide Bristol-Myers Squibb and us with the opportunity to adopt resource allocation and acquisition criteria policies that best reflect the cash flow, investment requirements, competitive environment, corporate strategy and business objectives of our respective businesses. In particular, the separation will give us the flexibility in resource allocation, including both capital and management time and attention, to pursue potential transactions in the orthopaedics industry, including acquisitions and joint ventures, that we believe are strategically or financially desirable without being required to satisfy the acquisition criteria of Bristol-Myers Squibb's other businesses. In addition, Bristol-Myers Squibb and Zimmer expect the separation to enhance their responsiveness to customers and companies with whom they have strategic relationships, enhance their competitiveness in their respective industries and enhance their success in product initiatives.

DIRECT ACCESS TO CAPITAL MARKETS

As a separate company, we will be able to access the capital markets directly to issue debt or equity securities. After the separation, Bristol-Myers Squibb's other businesses and Zimmer will no longer need to compete with each other for limited capital resources. In addition, Bristol-Myers Squibb and we expect our ability to pursue acquisitions and other investment opportunities to be enhanced by providing differentiated access to the capital markets for a transaction. Bristol-Myers Squibb and we believe that the distribution will permit each company to use its stock as a more attractive currency with which to pursue acquisitions because each will be focused solely on its own industry. Bristol-Myers Squibb and we believe that stockholders in potential target companies often prefer to receive stock in a corporation focused solely on the industry in which the target is engaged, as consideration in an acquisition. Bristol-Myers Squibb and we will therefore be able to create more focused acquisition strategies that meet the different needs of the businesses as set forth above.

ENABLE INVESTORS TO MAKE INVESTMENT DECISIONS BASED ON THE SEPARATE OPERATIONS OF THE COMPANIES

After the separation, investors should be able to evaluate better the financial performances of Bristol-Myers Squibb and Zimmer and their respective strategies within the context of their respective industries, thereby enhancing the likelihood that they will achieve appropriate market valuations. As a result, management of both companies will be able to adjust goals and evaluate strategic opportunities in light of investor expectations within their respective industries, without undue attention to investor expectations in other industries. In addition, each company will be able to focus its public relations efforts on cultivating its own separate identity.

RESULTS OF THE DISTRIBUTION

After the distribution, we will be an independent public company owning and operating what has previously been Bristol-Myers Squibb's orthopaedics business. Immediately after the distribution, we expect to have approximately 1.1 million holders of shares of our common stock and approximately 193,831,693 shares of our common stock outstanding based on the number of beneficial stockholders

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and outstanding shares of Bristol-Myers Squibb common stock on June 25, 2001, excluding treasury stock and assuming no exercise of outstanding options. The actual number of shares to be distributed will be determined on the record date.

For information regarding options to purchase our common stock that will be outstanding after the distribution, please see "Arrangements Between Bristol-Myers Squibb and Zimmer--Employee Benefits Agreement" and "Management." Prior to the distribution, we will enter into several agreements with Bristol-Myers Squibb in connection with, among other things, interim services. For a more detailed description of these agreements, please see "Arrangements Between Bristol-Myers Squibb and Zimmer."

The distribution will not affect the number of outstanding shares of Bristol-Myers Squibb common stock or any rights of Bristol-Myers Squibb stockholders.

The chart below sets forth the businesses of Bristol-Myers Squibb before and after the distribution:

[GRAPHICS OMITTED]

Bristol-Myers Squibb has entered into an agreement to divest its beauty care business.

ASSUMPTION OF BRISTOL-MYERS SQUIBB CREDIT FACILITY

In connection with our separation from Bristol-Myers Squibb, we expect to assume or incur approximately \$500 million in debt under a senior unsecured

credit facility that Bristol-Myers Squibb will enter into prior to the distribution date. Of this amount, we expect that Bristol-Myers Squibb will incur approximately \$380 million under this credit facility that we will assume on the distribution date. In addition, we expect to borrow under the credit facility an additional amount of approximately \$120 million on the distribution date of which approximately \$70 million will be used to fund costs and expenses expected to be incurred in connection with the separation and approximately \$50 million will be retained as working capital. The debt we will assume from Bristol-Myers Squibb represents the portion of Bristol-Myers Squibb's liabilities that we and Bristol-Myers Squibb determined would result, together with the planned additional borrowings under the credit facility, in the most appropriate capital structure for us as a stand-alone entity. We and Bristol-Myers Squibb determined the amount of debt that we would assume after considering our ability to service the initial level of debt, our ability to finance current and future growth initiatives and the capital structure of comparable companies. Upon the distribution, Bristol-Myers Squibb will be relieved of all obligations under the credit facility and we will become obligated to satisfy all payments and other terms of this credit facility. We expect that the credit facility will contain customary restrictions, covenants and events of default for an unsecured financing. We do not expect compliance with these restrictions and covenants to materially affect our operations. Please see "Management's Discussion and Analysis of Financial Condition and Results of Operations" for a more detailed discussion of the senior unsecured credit facility and our liquidity needs following the separation.

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U.S. FEDERAL INCOME TAX CONSEQUENCES OF THE DISTRIBUTION

Bristol-Myers Squibb has requested a ruling from the Internal Revenue Service or the IRS to the effect that the transfer to us of its orthopaedics business and the distribution will qualify as a tax-free transaction under Sections 355 and 368(a)(1)(D) of the Internal Revenue Code. The requested ruling would provide that for U.S. Federal income tax purposes:

- Bristol-Myers Squibb will not recognize any gain or loss upon the transfer or the distribution;
- no gain or loss will be recognized by or be included in the income of a holder of Bristol-Myers Squibb common stock solely as the result of the receipt of our common stock in the distribution;
- the basis of the Bristol-Myers Squibb common stock and our common stock in the hands of Bristol-Myers Squibb's stockholders immediately after the distribution will be the same as the basis of the Bristol-Myers Squibb common stock immediately before the distribution, allocated between the common stock of Bristol-Myers Squibb and us in proportion to their relative fair market values on the date of the distribution;
- the holding period of our common stock received by Bristol-Myers Squibb stockholders will include the holding period of their Bristol-Myers Squibb common stock, provided that such Bristol-Myers Squibb common stock is held as a capital asset on the date of the distribution; and
- stockholders of Bristol-Myers Squibb who receive cash from the distribution agent in respect of fractional shares will recognize gain or loss on the sale of the fractional share interest equal to the difference between the cash received and the stockholder's basis in such fractional share interest. Such gain or loss will be capital gain or loss to such stockholder provided the fractional share interest is a capital asset in the hands of such stockholder.

Although the requested ruling relating to the qualification of Bristol-Myers Squibb's transfer to us of its orthopaedics business and distribution as a tax-free transaction would be generally binding on the IRS, the continuing validity of the requested ruling would be subject to factual representations and assumptions. Neither we nor Bristol-Myers Squibb are aware of any facts or circumstances that would cause such representations and assumptions to be untrue.

If the distribution were not to qualify as a tax-free transaction, Bristol-Myers Squibb would recognize taxable gain equal to the excess of the fair market value of our common stock distributed to Bristol-Myers Squibb stockholders over Bristol-Myers Squibb's tax basis in our common stock. In addition, each stockholder who receives our common stock in the distribution would generally be treated as receiving a taxable distribution in an amount equal to the fair market value of our common stock received.

Even if the distribution otherwise qualifies for tax-free treatment under Sections 355 and 368(a)(1)(D) of the Internal Revenue Code, it may be disqualified as tax-free to Bristol-Myers Squibb under Section 355(e) of the Internal Revenue Code if 50 percent or more of the stock of Bristol-Myers Squibb or us is acquired or issued as part of a plan or series of related transactions

that includes the distribution. For this purpose any acquisitions or issuances of our stock or Bristol-Myers Squibb's stock within two years before or after the distribution generally are presumed to be part of such a plan although Bristol-Myers Squibb or we may be able to rebut that presumption. If such an acquisition or issuance of our stock or Bristol-Myers Squibb's stock triggers the application of Section 355(e), Bristol-Myers Squibb would recognize taxable gain as described above but the distribution would generally be tax-free to each Bristol-Myers Squibb stockholder. Under the tax sharing agreement between Bristol-Myers Squibb and us, we would be required to indemnify Bristol-Myers Squibb against that taxable gain if it were triggered by an acquisition or issuance of our stock. Please see "Arrangements Between Bristol-Myers Squibb and Zimmer--Tax Sharing Agreement" for a more detailed discussion of the tax sharing agreement between Bristol-Myers Squibb and us.

Current U.S. Treasury regulations require each Bristol-Myers Squibb stockholder who receives shares of our common stock in the distribution to attach to his or her U.S. Federal income tax return

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for the year in which the distribution occurs a detailed statement setting forth such data as may be appropriate to show the applicability of Section 355 of the Internal Revenue Code to the distribution. Within a reasonable period of time after the distribution, Bristol-Myers Squibb will provide its stockholders who receive our common stock pursuant to the distribution with the information necessary to comply with such requirement.

EACH BRISTOL-MYERS SQUIBB STOCKHOLDER SHOULD CONSULT HIS OR HER TAX ADVISER ABOUT THE PARTICULAR CONSEQUENCES OF THE DISTRIBUTION TO SUCH STOCKHOLDER, INCLUDING THE APPLICATION OF STATE, LOCAL AND FOREIGN TAX LAWS, AND POSSIBLE CHANGES IN LAWS THAT MAY AFFECT THE TAX CONSEQUENCES DESCRIBED ABOVE.

LISTING AND TRADING OF OUR COMMON STOCK

There is not currently a public market for our common stock. We have been authorized to list our common stock on the New York Stock Exchange under the symbol "ZMH." We anticipate that trading will commence on a when-issued basis prior to the distribution. When-issued trading refers to a transaction made conditionally because the security has been authorized but not yet issued. On the first trading day following the distribution date, when-issued trading in our common stock will end and regular-way trading will begin. Regular-way trading refers to trading after a security has been issued and typically involves a transaction that settles on the third full business day following the date of a transaction.

We cannot assure you as to the price at which our common stock will trade before, on or after the distribution date. Although the price at which our stock trades may fluctuate significantly until our common stock is fully distributed and an orderly market develops, we believe the presence of a when-issued trading market may have a stabilizing effect on the price of our common stock following the distribution. In addition, the combined trading prices of our common stock and Bristol-Myers Squibb common stock held by stockholders after the distribution may be less than, equal to or greater than the trading price of Bristol-Myers Squibb common stock prior to the distribution.

The shares distributed to Bristol-Myers Squibb stockholders will be freely transferable except for shares received by people who may have a special relationship or affiliation with us. People who may be considered our affiliates after the distribution generally include individuals or entities that control, are controlled by or are under common control with us. This may include some or all of our officers and directors. Persons who are our affiliates will be permitted to sell their shares only pursuant to an effective registration statement under the Securities Act of 1933, as amended, or an exemption from the registration requirements of the Securities Act, such as exemptions afforded by Section 4(2) of the Securities Act or Rule 144 thereunder.

REASON FOR FURNISHING THIS INFORMATION STATEMENT

This information statement is being furnished by Bristol-Myers Squibb solely to provide information to stockholders of Bristol-Myers Squibb who will receive shares of our common stock in the distribution. It is not and is not to be construed as an inducement or encouragement to buy or sell any of our securities. The information contained in this information statement is believed by us to be accurate as of the date set forth on its cover. Changes may occur after that date and we will not update the information except in the normal course of our respective public disclosure obligations and practices.

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RISK FACTORS

YOU SHOULD CAREFULLY CONSIDER THE FOLLOWING RISK FACTORS AND ALL THE OTHER INFORMATION CONTAINED IN THIS INFORMATION STATEMENT IN EVALUATING US AND OUR

RISKS RELATED TO OUR SEPARATION FROM BRISTOL-MYERS SQUIBB

OUR HISTORICAL FINANCIAL INFORMATION MAY NOT BE REPRESENTATIVE OF OUR HISTORICAL RESULTS AS AN INDEPENDENT COMPANY AND, THEREFORE, MAY NOT BE INDICATIVE OF OUR FUTURE RESULTS.

The historical combined financial information we have included in this information statement may not reflect what our results of operations, financial position and cash flows would have been had we been an independent company during the periods presented or what our results of operations, financial position and cash flows will be in the future. Therefore, our historical combined financial statements may not be indicative of our future performance as an independent company. This is primarily a result of the two factors described below:

- First, our historical combined financial statements reflect allocations for services provided to us by Bristol-Myers Squibb. These allocations may be different from the costs we will incur for these services as an independent company.
- Second, the information does not reflect some fundamental changes that we expect to occur in the future as a result of our separation from Bristol-Myers Squibb, including changes in our capital structure.

In addition, we have not made adjustments to our historical financial information to reflect changes that will occur in our cost structure, financing and operations as a result of our separation from Bristol-Myers Squibb. These changes include potentially increased costs associated with reduced economies of scale. Neither our historical financial information nor our unaudited pro forma combined financial statements reflect any increased costs associated with being a publicly traded, independent company. For additional information about our past financial performance and the basis of presentation of our historical combined financial statements and our unaudited pro forma combined financial statements, please see "Selected Financial Information," "Unaudited Pro Forma Combined Financial Statements," "Management's Discussion and Analysis of Financial Condition and Results of Operations" and our historical combined financial statements and the accompanying notes included elsewhere in this information statement.

We also will be responsible for our own financing and in the future we may need to incur debt or issue equity in order to fund our working capital, capital expenditure and research and development requirements, as well as to make acquisitions and other investments. We cannot assure you that debt or equity financing will be available to us on acceptable terms or at all in the future. For a more detailed discussion of the limitations on our ability to finance future capital requirements, please see "--Risks Related to Our Business--We may not have financing for future capital requirements, which may prevent us from addressing gaps in our product offerings, improving our technology or increasing our manufacturing capacity."

WE HAVE NO RECENT HISTORY OPERATING AS AN INDEPENDENT COMPANY AND WE MAY BE UNABLE TO MAKE THE CHANGES NECESSARY TO OPERATE AS AN INDEPENDENT COMPANY, OR WE MAY INCUR GREATER COSTS AS AN INDEPENDENT COMPANY THAT MAY CAUSE OUR PROFITABILITY TO DECLINE.

Prior to the separation, our business was operated by Bristol-Myers Squibb as a division of its broader corporate organization rather than as a stand-alone company. Bristol-Myers Squibb performed various corporate functions for us, including the following:

- insurance administration;
- treasury administration;
- payroll administration;
- employee compensation and benefits administration;
- travel and meeting planning services;
- public and investor relations;
- real estate services;
- internal audit;
- corporate aviation and related services;
- telecommunications;

- computing services;
- corporate income tax administration; and
- selected legal functions.

Prior to the separation, Bristol-Myers Squibb performed all corporate functions, including complete operational support, for our operations in many of the countries in which we conduct business outside of the United States. Following the separation, Bristol-Myers Squibb will have no obligation to provide these functions to us other than the interim services that will be provided by Bristol-Myers Squibb and that are described in "Arrangements Between Bristol-Myers Squibb and Zimmer." If we do not have in place our own systems and business functions, or if we do not have agreements with other providers of these services once our interim services agreement with Bristol-Myers Squibb expires, we may not be able to operate our business effectively and our profitability may decline. In addition, if Bristol-Myers Squibb does not perform the interim services they have agreed to provide us at the same level as when we were part of Bristol-Myers Squibb, these services may not be sufficient to meet our needs and we may not be able to operate our business effectively after the separation. We are in the process of creating our own, or engaging third parties to provide, systems and business functions to replace many of the systems and business functions Bristol-Myers Squibb currently provides us. We may not be successful in implementing these systems and business functions or in transitioning data from Bristol-Myers Squibb's systems to ours. In addition, we may incur costs for these functions that are higher than the amounts reflected in our historical combined financial statements.

WE COULD INCUR SIGNIFICANT U.S. FEDERAL INCOME TAX LIABILITY IF ACQUISITIONS OR ISSUANCES OF OUR STOCK CAUSED THE DISTRIBUTION TO BE TAXABLE.

Under Section 355(e) of the Internal Revenue Code, Bristol-Myers Squibb will recognize taxable gain on the distribution if there are one or more acquisitions or issuances of our stock representing 50 percent or more of our stock, measured by vote or value, and such stock acquisitions or issuances are part of a plan or series of related transactions that includes the distribution. In addition, any shares of our stock acquired or issued within two years before or after the distribution generally are presumed to be part of such a plan unless we can rebut that presumption. Thus, Bristol-Myers Squibb will recognize taxable gain on the distribution if any shares of our stock acquired or issued that are considered part of a plan that includes the distribution represent 50 percent or more, measured by vote or value, of our stock outstanding after the distribution and such acquisitions or issuances. If the acquisition or issuance of our stock causes the distribution to be taxable to Bristol-Myers Squibb under Section 355(e), we would be required to indemnify Bristol-Myers Squibb against that tax under the tax sharing agreement.

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AS PART OF THE SEPARATION, WE WILL ASSUME A SIGNIFICANT AMOUNT OF DEBT, WHICH WILL SUBJECT US TO VARIOUS RESTRICTIONS AND HIGHER INTEREST COSTS AND DECREASE OUR PROFITABILITY, AND WE MAY SUBSTANTIALLY INCREASE OUR DEBT IN THE FUTURE.

In connection with our separation from Bristol-Myers Squibb, we expect to assume or incur approximately \$500 million in debt under a \$600 million senior unsecured credit facility that Bristol-Myers Squibb will enter into prior to the distribution date. Of this amount, we expect that Bristol-Myers Squibb will incur approximately \$380 million under this credit facility that we will assume on the distribution date. In addition, we expect to borrow under the credit facility an additional amount of approximately \$120 million on the distribution date of which approximately \$70 million will be used to fund costs and expenses expected to be incurred in connection with the separation and approximately \$50 million will be retained as working capital. The debt we will assume from Bristol-Myers Squibb represents the portion of Bristol-Myers Squibb's liabilities that we and Bristol-Myers Squibb determined would result, together with the planned additional borrowings under the credit facility, in the most appropriate capital structure for us as a stand-alone entity. We and Bristol-Myers Squibb determined the amount of debt that we would assume after considering our ability to service the initial level of debt, our ability to finance current and future growth initiatives and the capital structure of comparable companies. Upon the distribution, Bristol-Myers Squibb will be relieved of all obligations under the credit facility and we will become obligated to satisfy all payments and other terms of this credit facility. After the distribution date we may incur up to \$100 million of additional debt under this credit facility, or enter into a separate revolving credit facility, to fund our capital expenditure requirements and provide additional working capital. We expect that the senior unsecured credit facility will contain customary restrictions, covenants and events of default for an unsecured financing. We do not expect compliance with these restrictions and covenants to materially affect our operations. Please see "Management's Discussion and Analysis of Financial Condition and Results of Operations" for a more detailed

discussion of the senior unsecured credit facility and our liquidity needs following the separation.

The terms of the debt we assume or incur as part of our separation from Bristol-Myers Squibb will, and of future indebtedness may, impose various restrictions and covenants on us that could limit our ability to respond to market conditions, to provide for unanticipated capital investments or to take advantage of business opportunities. For purposes of including in our unaudited pro forma combined financial statements an estimated amount of interest expense that we might have incurred as a stand-alone company, we have made assumptions regarding the average debt balances outstanding and the interest rates for this debt. Please see "Unaudited Pro Forma Combined Financial Statements" for details about these assumptions. These assumptions may not reflect the interest rates we will obtain as a stand-alone company and our interest expense as a stand-alone company may be higher or lower than that reflected in our unaudited pro forma combined financial statements.

We may substantially increase our debt in the future. We are currently evaluating our capital structure and have not yet determined the amount of financing we will have in the future. If our cash flow from operations is less than we expect, we may require more financing. We may from time to time issue additional debt, borrow funds under revolving credit facilities or issue other debt.

AFTER WE SEPARATE FROM BRISTOL-MYERS SQUIBB, WE MAY EXPERIENCE INCREASED COSTS RESULTING FROM DECREASED PURCHASING POWER, WHICH COULD DECREASE OUR OVERALL PROFITABILITY.

Prior to our separation from Bristol-Myers Squibb, we took advantage of Bristol-Myers Squibb's size and purchasing power in procuring goods, services, such as travel, and technology, such as computer software licences. As a separate, stand-alone entity, we may be unable to obtain goods, services and technology at prices and on terms as favorable as those we obtained prior to the separation, which could decrease our overall profitability.

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MANY OF OUR EXECUTIVE OFFICERS AND SOME OF OUR DIRECTORS MAY HAVE CONFLICTS OF INTEREST BECAUSE OF THEIR OWNERSHIP OF BRISTOL-MYERS SQUIBB COMMON STOCK AND OTHER TIES TO BRISTOL-MYERS SQUIBB.

Many of our executive officers and some of our directors have a portion of their personal financial portfolios in Bristol-Myers Squibb common stock or vested options to purchase Bristol-Myers Squibb common stock or are employees or former employees of Bristol-Myers Squibb. Following the distribution, after giving effect to the conversion of all outstanding:

- options to purchase Bristol-Myers Squibb common stock held by our executive officers into options to purchase our common stock, and
- shares of Bristol-Myers Squibb restricted stock held by our executive officers into shares of our restricted stock,

we expect our directors and executive officers to beneficially own approximately 125,206 shares of Bristol-Myers Squibb common stock in aggregate, based on their holdings as of June 25, 2001, which represents less than one percent of the outstanding Bristol-Myers Squibb common stock. Please see "Ownership of Stock" for detail regarding our directors' and executive officers' beneficial ownership of our common stock after the distribution. Ownership of Bristol-Myers Squibb common stock by our directors and officers or the employment by Bristol-Myers Squibb of some of our directors after our separation from Bristol-Myers Squibb could create, or appear to create, potential conflicts of interest for these directors and officers when faced with decisions that could have disparate implications for Bristol-Myers Squibb and us.

RISKS RELATING TO OUR INDUSTRY

WE FACE INTENSE COMPETITION AND OUR FAILURE TO COMPETE EFFECTIVELY COULD HAVE A MATERIAL ADVERSE EFFECT ON OUR PROFITABILITY AND RESULTS OF OPERATIONS.

The orthopaedics industry is highly competitive. We compete with many companies ranging from small start-up enterprises to multinational companies that are larger and have access to greater financial, marketing, technical and other resources. Our present or future products could be rendered obsolete or uneconomical by technological advances by one or more of our present or future competitors or by other therapies, including biological therapies. To remain competitive, therefore, we must continue to develop and acquire new products and technologies.

The orthopaedics industry has undergone significant consolidation over the past few years, as the leading players have sought to build complete product lines and gain economies of scale. Because we only produce and market products in selected product categories of the orthopaedics industry, we may not be able

to compete successfully with our competitors in the future, especially those that offer customers a broader range of orthopaedic, as well as other medical equipment and supplies.

In the global markets for reconstructive implants, fracture management and other orthopaedic products, a handful of competitors, including Biomet, DePuy (a Johnson & Johnson company), Smith & Nephew, Stryker, Sulzer Medica and Synthes-Stratec, compete with us for the majority of product sales, particularly in the Americas and the Asia Pacific region, primarily on the basis of technology, quality, reputation, relationships with customers and service. In local markets outside of the United States, other factors, including local distribution systems, complex regulatory environments and differing medical philosophies and product preferences, influence competition as well. Some of our competitors have, and in the future these and other competitors may have, significantly greater financial, marketing and other resources than us. Our competitors may be in a stronger position to respond quickly to new or emerging technologies, may be able to undertake more extensive marketing campaigns, may adopt more aggressive pricing policies and may be more successful in attracting potential customers, employees and strategic partners.

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WE ARE SUBJECT TO COST-CONTAINMENT EFFORTS OF MANAGED CARE AND HOSPITAL BUYING GROUPS IN THE UNITED STATES AND GOVERNMENT ORGANIZATIONS IN EUROPE AND THE ASIA PACIFIC REGION, WHICH MAY HAVE A MATERIAL ADVERSE EFFECT ON OUR PROFITABILITY AND RESULTS OF OPERATIONS.

The development of managed care programs in which health care providers contract to provide comprehensive health care to a patient population at a fixed cost per person has caused, and we expect will continue to cause, pressures on health care providers to lower costs. For example, managed care programs often prescribe only those orthopaedic recovery products that match a patient as to age, need for mobility and other parameters in an effort to provide more cost-effective care. We cannot assure you that such policies will not have a material adverse effect on our operating results.

Many existing and potential customers for our products have combined to form group purchasing organizations in an effort to lower costs as well. Group purchasing organizations negotiate pricing arrangements with medical supply manufacturers and distributors, and these negotiated prices are made available to a group purchasing organization's affiliated hospitals and other members. Strict compliance arrangements require the affiliated hospitals and other members of the group purchasing organization to purchase specified products from a given manufacturer or distributor. In contrast, voluntary compliance arrangements allow members to choose between the products covered by the arrangement and another manufacturer's products, whether or not purchased under a negotiated arrangement. If we are not one of the providers selected by a group purchasing organization, affiliated hospitals and other members may be less likely to purchase our products, and if the group purchasing organization has negotiated a strict compliance contract for another manufacturer's products, we may be precluded from making sales to members of the group purchasing organization for the duration of the contractual arrangement. Even if we are one of the selected providers, because we only compete in selected product categories of the orthopaedics industry, we may be at a disadvantage relative to other providers that are able to offer volume discounts based on purchases of a broader range of medical equipment and supplies, including from more orthopaedics industry product categories. Further, our failure to offer reduced prices to group purchasing organizations may cause us to lose market share to our competitors and could have a material adverse effect on our sales, business, financial condition and results of operations.

In international markets, where the movement toward health care reform and the development of managed care are generally not as advanced as in the United States, we have experienced downward pressure on product pricing and other effects of health care reform similar to what we have experienced in the United States. In Japan, for example, in both 1998 and 2000, the Japanese Ministry of Health, Labor and Welfare implemented plans to reduce reconstructive implant and fracture management product prices. We expect health care reform and managed care to continue to develop in our primary international markets, including the Asia Pacific region and Europe, which may result in further downward pressure in product pricing. The timing and the effects on us of health care reform and the development of managed care in international markets cannot currently be predicted.

IF THIRD-PARTY PAYORS DECLINE TO REIMBURSE OUR CUSTOMERS FOR OUR PRODUCTS OR REDUCE REIMBURSEMENT LEVELS, OUR ABILITY TO SELL PROFITABLY OUR PRODUCTS WILL BE HARMED.

We sell our products and services to hospitals, doctors and other health care providers, all of which receive reimbursement for the health care services provided to their patients from third-party payors, such as domestic and international government programs, private insurance plans and managed care programs. These third-party payors may deny reimbursement if they determine that

a device used in a procedure was not in accordance with cost-effective treatment methods, as determined by the third-party payor, or was used for an unapproved indication. Third-party payors may also decline to reimburse for experimental procedures and devices. If our products are not considered cost-effective by third-party payors, our customers may not be reimbursed for our products.

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In addition, third-party payors are increasingly attempting to contain health care costs by limiting both coverage and the level of reimbursement for medical products and services. We cannot assure you that levels of reimbursement, if any, will not be decreased in the future, or that future legislation, regulation or reimbursement policies of third-party payors will not otherwise adversely affect the demand for and price levels of our products. In Japan, a government-operated insurance system reimburses customers for our products. Under this system, the Japanese government periodically reviews and reduces the reimbursement levels for products. If the Japanese government continues to reduce reimbursement levels for orthopaedic products, industry product margins may be adversely affected.

WE AND OUR CUSTOMERS ARE SUBJECT TO VARIOUS GOVERNMENTAL REGULATIONS AND WE MAY INCUR SIGNIFICANT EXPENSES TO COMPLY WITH THESE REGULATIONS AND DEVELOP PRODUCTS COMPATIBLE WITH THESE REGULATIONS.

The medical devices we design, develop, manufacture and market are subject to rigorous regulation by the Food and Drug Administration and numerous other Federal, state and foreign governmental authorities. The process of obtaining regulatory approvals to market a medical device, particularly from the Food and Drug Administration and certain foreign governmental authorities, can be costly and time consuming and approvals might not be granted for future products on a timely basis, if at all. Delays in receipt of, or failure to obtain, approvals for future products could result in delayed realization of product revenues or in substantial additional costs which could have a material adverse effect on our business or results of operations.

In addition, we cannot assure you that we will be or will continue to be in compliance with applicable Food and Drug Administration and other material regulatory requirements once we have obtained clearance or approval for a product. These requirements include, among other things, the Quality System Regulation, recordkeeping regulations, labeling requirements and adverse event reporting regulations. Failure to comply with applicable Food and Drug Administration medical device regulatory requirements could result in, among other things, warning letters, fines, injunctions, civil penalties, repairs, replacements, refunds, recalls or seizures of products, total or partial suspension of production, the Food and Drug Administration's refusal to grant future premarket clearances or approvals, withdrawals or suspensions of current product applications and criminal prosecution. Any of these actions, in combination or alone, could have a material adverse effect on our business, financial condition and results of operations.

In many of the foreign countries in which we market our products, we are subject to regulations affecting, among other things, product standards, packaging requirements, labeling requirements, import/export restrictions, tariff regulations, duties and tax requirements. Many of the regulations applicable to our devices and products in such countries, such as the European Medical Devices Directive, are similar to those of the Food and Drug Administration. In addition, in many countries the national health or social security organizations require our products to be qualified before they can be marketed with the benefit of reimbursement eligibility. Failure to receive, or delays in the receipt of, relevant foreign qualifications also could have a material adverse effect on our business, financial condition and results of operations. Due to the movement towards harmonization of standards in the European Union, we expect a changing regulatory environment in Europe characterized by a shift from a country-by-country regulatory system to a single European Union regulatory system. The timing of this harmonization and its effect on us cannot currently be predicted. Any such developments could have a material adverse effect on our business, financial condition and results of operations.

As both the Food and Drug Administration and foreign government regulators have become increasingly stringent, we may be subject to more rigorous regulation by governmental authorities in the future. Our products and operations are also often subject to the rules of industrial standards bodies, such as the International Standards Organization. If we fail to adequately address any of these regulations, our business will be harmed.

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WE ARE SUBJECT TO HEALTH CARE FRAUD AND ABUSE REGULATIONS THAT COULD REQUIRE US TO CHANGE OUR BUSINESS PRACTICES AND RESTRICT OUR OPERATIONS IN THE FUTURE.

Our industry is subject to various Federal and state laws pertaining to

health care fraud and abuse, including anti-kickback laws and physician self-referral laws. Violations of these laws are punishable by criminal and/or civil sanctions, including, in some instances, imprisonment and exclusion from participation in Federal and state health care programs, including Medicare, Medicaid, VA health programs and CHAMPUS. The scope and enforcement of these laws and regulations are uncertain and subject to rapid change, especially in light of the lack of applicable precedent and regulations. We believe that our operations are in material compliance with these laws. However, because of the far-reaching and uncertain nature of these laws, we may be required to alter one or more of our practices to be in compliance with these laws. In addition, we cannot assure you that the occurrence of one or more violations of these laws would not result in a material adverse effect on our business, financial condition and results of operations. If there is a change in law, regulation or administrative or judicial interpretations, some of our existing business practices could be challenged as unlawful and, as a result, we may have to change those practices, which could have a material adverse effect on our business, financial condition and results of operations.

WE MAY INCUR PRODUCT LIABILITY LOSSES, AND INSURANCE COVERAGE MAY BE INADEQUATE OR UNAVAILABLE TO COVER THESE LOSSES.

Our business is subject to potential product liability risks that are inherent in the design, development, manufacture and marketing of medical devices. Our products are often used in surgical and intensive care settings. In addition, some of the medical devices we manufacture and sell are designed to be implanted in the human body for long periods of time. In the ordinary course of business, we are the subject of product liability suits alleging that component failures, manufacturing flaws, design defects or inadequate disclosure of product-related risks or product-related information could result in an unsafe condition or injury to patients. Product liability lawsuits and claims, safety alerts or product recalls, regardless of their ultimate outcome, could have a material adverse effect on our business and reputation and on our ability to attract and retain customers.

Upon our separation from Bristol-Myers Squibb, we generally will assume the defense of any litigation involving claims related to our business and will indemnify Bristol-Myers Squibb for all related losses, costs and expenses. As part of our risk management policy, we intend to seek third-party product liability insurance coverage. However, we cannot assure you that we will be able to obtain product liability insurance on commercially reasonable terms, if at all. Furthermore, product liability claims against us may exceed the coverage limits of any insurance policies or cause us to record a self-insured loss. Even if any product liability loss is covered by an insurance policy, these policies may have substantial retentions or deductibles that provide that we will not receive insurance proceeds until the losses incurred exceed the amount of those retentions or deductibles. To the extent that any losses are below these retentions or deductibles, we will be responsible for paying these losses. A product liability claim in excess of applicable insurance could have a material adverse effect on our business, financial position and results of operations.

RISKS RELATING TO OUR BUSINESS

IF WE FAIL TO ATTRACT, HIRE AND RETAIN QUALIFIED PERSONNEL, WE MAY NOT BE ABLE TO DESIGN, DEVELOP, MARKET OR SELL OUR PRODUCTS OR SUCCESSFULLY MANAGE OUR BUSINESS.

Our ability to attract new customers, retain existing customers and pursue our strategic objectives depends on the continued services of our current management, sales, product development and technical personnel and our ability to identify, attract, train and retain similar personnel.

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Competition for top management personnel is intense and we may not be able to recruit and retain the personnel we need. The loss of any one of our management personnel, or our inability to identify, attract, retain and integrate additional qualified management personnel, could make it difficult for us to manage our business successfully and pursue our strategic objectives. We do not carry key person life insurance on any of our employees.

Similarly, competition for skilled sales, product development and technical personnel is intense and we may not be able to recruit and retain the personnel we need. The loss of the services of any key sales, product development and technical personnel, or our inability to hire new personnel with the requisite skills, could restrict our ability to develop new products or enhance existing products in a timely manner, sell products to our customers or manage our business effectively.

We may not be able to hire or retain qualified personnel if we are unable to offer competitive salaries and benefits, or if our stock does not perform well. In addition, as an independent company, separate from Bristol-Myers Squibb, we may find it more difficult to attract personnel. We may have to increase our salaries and benefits, which would increase our expenses and reduce our

profitability.

IF WE FAIL TO MAINTAIN OUR RELATIONSHIPS WITH, AND THE SUPPORT OF, ORTHOPAEDIC SURGEONS, CUSTOMERS MAY NOT BUY OUR PRODUCTS AND OUR REVENUE AND PROFITABILITY MAY DECLINE.

We have developed and maintain close relationships with a number of widely recognized orthopaedic surgeons who assist in product research and development and advise us on how to satisfy the full range of surgeon and patient needs. These professionals often become product "champions," speaking about our products at medical seminars, assisting in the training of other professionals in the use of our products and providing us with feedback on the industry's acceptance of our new products. The failure of our products to retain the support of orthopaedic surgeons, who frequently recommend products or influence product selection decisions, or the failure of our new products to secure and retain similar support from leading surgeons, could have a material adverse effect on our business, financial condition and results of operations.

IF WE FAIL TO RETAIN THE INDEPENDENT AGENTS AND DISTRIBUTORS UPON WHOM WE RELY HEAVILY TO MARKET OUR PRODUCTS, CUSTOMERS MAY NOT BUY OUR PRODUCTS AND OUR REVENUE AND PROFITABILITY MAY DECLINE.

Our marketing success in the United States and abroad depends largely upon our agents' and distributors' sales and service expertise and relationships with the customers in the marketplace. Many of these agents have developed strong ties to existing and potential customers because of their detailed knowledge of products and instruments and commonly provide operating room personnel with implant and instrument product training as well as product support in the operating room. A significant loss of these agents could have a material adverse effect on our business, financial condition and results of operations.

IF WE DO NOT INTRODUCE NEW PRODUCTS IN A TIMELY MANNER, OUR PRODUCTS MAY BECOME OBSOLETE OVER TIME, CUSTOMERS MAY NOT BUY OUR PRODUCTS AND OUR REVENUE AND PROFITABILITY MAY DECLINE.

Demand for our products may change, in certain cases, in ways we may not anticipate because of:

- evolving customer needs;
- the introduction of new products and technologies;
- evolving surgical philosophies; and
- evolving industry standards.

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Without the timely introduction of new products and enhancements, our products may become obsolete over time, in which case our revenue and operating results would suffer. The success of our new product offerings will depend on several factors, including our ability to:

- properly identify and anticipate customer needs;
- commercialize new products in a timely manner;
- manufacture and deliver products in sufficient volumes on time;
- differentiate our offerings from competitors' offerings;
- achieve positive clinical outcomes for new products;
- satisfy the increased demands by healthcare payors, providers and patients for shorter hospital stays, faster post-operative recovery and lower-cost procedures;
- innovate and develop new materials, product designs and surgical techniques; and
- provide adequate medical education relating to new products and attract key surgeons to advocate these new products.

In addition, new materials, product designs and surgical techniques that we develop may not be accepted quickly, in some or all markets, because of, among other factors:

- entrenched patterns of clinical practice;
- the need for regulatory clearance; and
- uncertainty over third-party reimbursement.

Moreover, innovations generally will require a substantial investment in research and development before we can determine the commercial viability of these innovations and we may not have the financial resources necessary to fund these innovations. In addition, even if we are able to successfully develop enhancements or new generations of our products, these enhancements or new generations of products may not produce revenue in excess of the costs of development and they may be quickly rendered obsolete by changing customer preferences or the introduction by our competitors of products embodying new technologies or features.

WE CONDUCT A SIGNIFICANT AMOUNT OF OUR SALES ACTIVITY OUTSIDE OF THE UNITED STATES, WHICH SUBJECTS US TO ADDITIONAL BUSINESS RISKS AND MAY CAUSE OUR PROFITABILITY TO DECLINE DUE TO INCREASED COSTS.

Because we sell our products in a number of foreign countries, our business is subject to risks associated with doing business internationally. In 2000, we derived approximately \$420 million, or 40 percent of our total revenue, from sales of our products outside of the United States. We intend to continue to pursue growth opportunities in sales internationally, which could expose us to greater risks associated with international sales and operations. Our international operations are, and will continue to be, subject to a number of risks and potential costs, including:

- changes in foreign medical reimbursement policies and programs;
 - unexpected changes in foreign regulatory requirements;
 - differing local product preferences and product requirements;
 - fluctuations in foreign currency exchange rates;
 - diminished protection of intellectual property in some countries outside of the United States;
 - trade protection measures and import or export licensing requirements;
 - difficulty in staffing and managing foreign operations;
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- differing labor regulations;
 - potentially negative consequences from changes in tax laws; and
 - political and economic instability.

Any of these factors may, individually or as a group, have a material adverse effect on our business and results of operations.

As we expand our international operations, we may encounter new risks. For example, as we focus on building our international sales and distribution networks in new geographic regions, we must continue to develop relationships with qualified local distributors and trading companies. If we are not successful in developing these relationships, we may not be able to grow sales in these geographic regions. These or other similar risks could adversely affect our revenue and profitability.

WE ARE SUBJECT TO RISKS ARISING FROM CURRENCY EXCHANGE RATE FLUCTUATIONS, WHICH COULD INCREASE OUR COSTS AND MAY CAUSE OUR PROFITABILITY TO DECLINE.

In 2000, we derived approximately \$420 million, or 40 percent of our total revenues, from sales of our products outside of the United States. Measured in local currency, a substantial portion of our business' foreign generated revenues were generated in Japan and in Europe. The United States dollar value of our foreign-generated revenues varies with currency exchange rate fluctuations. Significant increases in the value of the United States dollar relative to the Japanese Yen or the Euro, as well as other currencies, could have a material adverse effect on our results of operations. Currency risk management for our business has historically been considered in Bristol-Myers Squibb's overall treasury operations. As part of this strategy, Bristol-Myers Squibb has used financial instruments to reduce its exposure to adverse movements in currency exchange rates. As an independent company, we plan to implement a hedging policy that will attempt to manage currency exchange rate risks to an acceptable level based on management's judgment of the appropriate trade-off between risk, opportunity and cost; however, this hedging policy may not successfully eliminate the effects of currency exchange rate fluctuations.

WE MAY ACQUIRE OTHER BUSINESSES OR FORM JOINT VENTURES THAT COULD NEGATIVELY AFFECT OUR PROFITABILITY, DILUTE YOUR OWNERSHIP OF OUR COMPANY, INCREASE OUR DEBT OR CAUSE US TO INCUR SIGNIFICANT EXPENSE.

As part of our business strategy, we intend to pursue acquisitions of other complementary businesses and technology licensing arrangements. We also intend

to pursue strategic alliances that leverage our brand name and salesforce to expand our product offerings and geographic presence. As a result, we may enter markets in which we have no or limited prior experience. If we were to make any acquisitions, we may not be able to integrate these acquisitions successfully into our existing business and we could assume unknown or contingent liabilities or experience negative effects on our reported results of operations from acquisition-related charges and of amortization of acquired technology, goodwill and other intangibles. Integration of an acquired company also may require management resources that otherwise would be available for ongoing development of our existing business. We may not identify or complete these transactions in a timely manner, on a cost-effective basis or at all, and we may not realize the benefits of any acquisition, technology license or strategic alliance. In addition, to finance any acquisitions, it may be necessary for us to raise additional funds through public or private financings. Additional funds may not be available on terms that are favorable to us and, in the case of equity financings, may result in dilution to our stockholders. Furthermore, U.S. Federal income tax considerations may limit our ability to issue stock prior to and after the distribution. See "--Risks Related to Our Separation from Bristol-Myers Squibb--We could incur significant U.S. Federal income tax liability if acquisitions or issuances of our stock caused the distribution to be taxable." Any future acquisitions by us could also result in large and immediate write-offs, the incurrence of debt and contingent liabilities or amortization of expenses related to goodwill and other intangibles, any of which could harm our operating results.

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IF WE ARE UNABLE TO PROTECT OUR INTELLECTUAL PROPERTY RIGHTS, OUR BUSINESS AND PROSPECTS MAY BE HARMED.

Our failure to protect our intellectual property could seriously harm our business and prospects because we believe that developing new products and technology that are unique is critical to our success. Our efforts to protect our intellectual property through patents, trademarks, service marks, domain names, trade secrets, copyrights, confidentiality and nondisclosure agreements and other measures may not be adequate to protect our proprietary rights. Patent filings by third parties, whether made before or after the date of our filings, could render our intellectual property less valuable. Disputes may arise as to ownership of our intellectual property or as to whether products designed by our competitors infringe our intellectual property rights. In addition, intellectual property rights may be unavailable or limited in some foreign countries, which could make it easier for competitors to capture market position. Competitors may also capture market share from us by designing products that mirror the capabilities of our products or technology without infringing our intellectual property rights. If we do not obtain sufficient international protection for our intellectual property, our competitiveness in international markets could be impaired, which would limit our growth and future revenue.

WE MAY BE SUBJECT TO INTELLECTUAL PROPERTY LITIGATION AND INFRINGEMENT CLAIMS, WHICH COULD CAUSE US TO INCUR SIGNIFICANT EXPENSES OR PREVENT US FROM SELLING OUR PRODUCTS.

A successful claim of patent or other intellectual property infringement against us could adversely affect our growth and profitability, in some cases materially. We cannot assure you that others will not claim that our proprietary or licensed products are infringing their intellectual property rights or that we do not in fact infringe those intellectual property rights. From time to time, we receive notices from third parties of potential infringement and receive claims of potential infringement. We may be unaware of intellectual property rights of others that may cover some of our technology. If someone claims that our products infringed their intellectual property rights, any resulting litigation could be costly and time consuming and would divert the attention of management and key personnel from other business issues. The complexity of the technology involved and the uncertainty of intellectual property litigation increase these risks. Claims of intellectual property infringement also might require us to enter into costly royalty or license agreements. However, we may be unable to obtain royalty or license agreements on terms acceptable to us or at all. We also may be subject to significant damages or an injunction preventing us from manufacturing, selling or using some of our products in the event of a successful claim of patent or other intellectual property infringement. Any of these adverse consequences could have a material adverse effect on our business and profitability.

WE MAY NOT HAVE FINANCING FOR FUTURE CAPITAL REQUIREMENTS, WHICH MAY PREVENT US FROM ADDRESSING GAPS IN OUR PRODUCT OFFERINGS, IMPROVING OUR TECHNOLOGY OR INCREASING OUR MANUFACTURING CAPACITY.

If we cannot incur additional debt or issue equity or are limited with respect to incurring additional debt or issuing equity, we may be unable to address gaps in our product offerings, improve our technology or increase our manufacturing capacity, particularly through strategic acquisitions or investments. Although historically our cash flow from operations has been sufficient to satisfy working capital, capital expenditure and research and

development requirements, in the future we may need to incur additional debt or issue equity in order to fund these requirements as well as to make acquisitions and other investments. For example, we may have to incur additional debt or issue equity if we choose to exercise our exclusive right to initiate negotiations during the third quarter of 2003 to purchase specified assets and proprietary rights of Implex Corp., from whom we currently license rights to sell reconstructive implants and fracture management products utilizing trabecular metal. We cannot assure you that debt or equity financing will be available to us on acceptable terms or at all. If we raise funds through the issuance of debt or equity, any debt securities or preferred stock issued will have rights and preferences and privileges senior to those of holders of our common stock in the event of a liquidation. The terms of the debt securities may impose restrictions on our operations. If we raised funds through the issuance of equity, this issuance would dilute your ownership of us.

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We expect to fund future acquisitions in part by issuing additional equity. If the price of our equity is low or volatile, we may not be able to acquire other companies. Also, regardless of the volatility of the price of our equity, we may be limited in the amount of our stock that we can issue because the issuance of our stock may cause the distribution to be taxable under Section 355(e) of the Internal Revenue Code and under the tax sharing agreement we could be required to indemnify Bristol-Myers Squibb for that tax. Please see "The Distribution--U.S. Federal Income Tax Consequences of the Distribution."

Our ability to make payments on and to refinance our indebtedness, including the debt incurred under the credit facility we will assume from Bristol-Myers Squibb and future indebtedness, and to fund working capital, capital expenditures and strategic acquisitions and investments will depend on our ability to generate cash in the future. Our ability to generate cash is subject to general economic, financial, competitive, legislative, regulatory and other factors that are beyond our control.

AS WE REPLACE OUR LEGACY INFORMATION TECHNOLOGY INFRASTRUCTURE AND TRANSITION OUR DATA TO OUR OWN SYSTEMS, WE MAY EXPERIENCE TEMPORARY BUSINESS INTERRUPTIONS AND INCUR SUBSTANTIAL ADDITIONAL COSTS, AND WE MAY NOT BE ABLE TO IMPLEMENT OUR NEW SYSTEMS SUCCESSFULLY, WHICH MAY HAVE A MATERIAL ADVERSE EFFECT ON OUR BUSINESS AND RESULTS OF OPERATIONS.

We are in the process of installing and implementing new information technology infrastructure to support our critical business functions in North America, including accounting and reporting, manufacturing process control, customer service, inventory control and distribution. We may incur temporary interruptions in business operations if we cannot transition effectively from our existing legacy operating systems, databases and programming languages that support these functions as we replace these systems during approximately the next two years. Our existing systems, installed in the late 1980's, have limitations that create operating inefficiencies, hinder productivity improvements and constrain e-business efforts. In addition, these existing systems pose significant operating risks as external technical support resources at the operating system level become increasingly unavailable.

In international markets, we intend to replace the existing Bristol-Myers Squibb information technology operating systems that we currently utilize. We may incur temporary interruptions in our international business operations as we transition data from Bristol-Myers Squibb's technology infrastructure to our own.

We may not be successful in implementing our new systems and transitioning our data and may incur substantially higher costs for implementation than currently anticipated. Our failure to avoid operational interruptions as we implement the new systems and transition our data or our failure to implement the new systems and transition our data successfully could have a material adverse effect on our business and results of operations.

RISKS RELATED TO OWNERSHIP OF OUR COMMON STOCK

BECAUSE THERE HAS NOT BEEN ANY PUBLIC MARKET FOR OUR COMMON STOCK, THE MARKET PRICE AND TRADING VOLUME OF OUR COMMON STOCK MAY BE VOLATILE AND YOU MAY NOT BE ABLE TO RESELL YOUR SHARES AT OR ABOVE THE INITIAL MARKET PRICE OF OUR STOCK FOLLOWING THE DISTRIBUTION.

Prior to the distribution, there will have been no trading market for our common stock. We cannot predict the extent to which investors' interest will lead to a liquid trading market or whether the market price of our common stock will be volatile. The market price of our common stock could fluctuate significantly for many reasons, including in response to the risk factors listed in this information statement or for reasons unrelated to our specific performance, such as reports by industry analysts, investor perceptions, or negative announcements by our customers, competitors or suppliers regarding their own performance, as well as general economic and industry conditions. For example, to the extent that other large companies within our industry experience

may decline as well. In addition, when the market price of a company's common stock drops significantly, stockholders often institute securities class action lawsuits against the company. A lawsuit against us could cause us to incur substantial costs and could divert the time and attention of our management and other resources.

BECAUSE OUR QUARTERLY REVENUE AND OPERATING RESULTS MAY VARY SIGNIFICANTLY IN FUTURE PERIODS, OUR STOCK PRICE MAY DECLINE.

Our revenue and operating results may vary significantly from quarter to quarter. A high proportion of our costs are fixed, due in part to significant selling, research and development and manufacturing costs. Thus, small declines in revenue could disproportionately affect operating results in a quarter and the price of our common stock may fall. Other factors that could affect quarterly operating results include:

- demand for and clinical acceptance of products;
- the timing and execution of customer contracts;
- the timing of sales of products;
- changes in foreign currency exchange rates;
- unanticipated delays or problems in introducing new products;
- competitors' announcements of new products, services or technological innovations;
- changes in our pricing policies or the pricing policies of our competitors;
- the failure of third-party payors to reimburse our surgeons and patients or changes in reimbursement levels;
- increased expenses, whether related to sales and marketing, raw materials or supplies, product development or administration;
- adverse changes in the level of economic activity in the United States and other major regions in which we do business;
- costs related to possible acquisitions of technologies or businesses;
- an increase in the number or magnitude of product liability claims;
- our ability to expand our operations; and
- the amount and timing of expenditures related to expansion of our operations.

A NUMBER OF OUR SHARES ARE OR WILL BE ELIGIBLE FOR FUTURE SALE, WHICH MAY CAUSE OUR STOCK PRICE TO DECLINE.

Any sales of substantial amounts of our common stock in the public market or the exercise of substantial amounts of options or warrants or the perception that such sales or exercises might occur, whether as a result of the distribution or otherwise, may cause the market price of our common stock to decline. Upon completion of the distribution, we will have outstanding an aggregate of 193,831,693 shares of our common stock based upon the shares of Bristol-Myers Squibb common stock outstanding on June 25, 2001, excluding treasury stock and assuming no exercise of options. All of these shares will be freely tradeable without restriction or further registration under the Securities Act unless the shares are owned by one of our "affiliates," as that term is defined in Rule 405 under the Securities Act. We are unable to predict whether large amounts of common stock will be sold in the open market following the distribution. We are also unable to predict whether a sufficient number of buyers would be in the market at that time. A portion of Bristol-Myers Squibb's common stock is held by index funds tied to the Standard & Poor's 500 Index, the Dow Jones Industrial Average or other stock indices. If we are not included in these indices at the time of Bristol-Myers Squibb's distribution of our common

stock, these index funds will be required to sell our stock. Similarly, other institutional stockholders may not be allowed by their charters to hold the stock of companies that do not pay dividends. Because we currently do not intend to pay dividends, we expect that these stockholders will sell the shares of our common stock distributed to them.

Many of our employees have options to purchase Bristol-Myers Squibb common stock that will convert into options to purchase our common stock, except in certain foreign jurisdictions where applicable laws, rules or regulations make it inadvisable to convert. As of June 25, 2001, options to purchase approximately 4,260,799 shares of Bristol-Myers Squibb common stock were outstanding and held by Bristol-Myers Squibb employees who are expected to become our employees as of the distribution. This concentration of stock options relative to the amount of our common stock outstanding will have a dilutive effect on our earnings per share, which could adversely affect the market price of our common stock. From time to time, we will issue additional options to our employees under our existing and future employee benefits plans. In addition, as of June 25, 2001, approximately 27,334 shares of restricted stock were held by Bristol-Myers Squibb employees who are expected to become our employees as of the distribution. These shares of restricted stock will be converted into shares of restricted stock of our company.

THE TERMS OF OUR SEPARATION FROM BRISTOL-MYERS SQUIBB, ANTI-TAKEOVER PROVISIONS OF OUR CERTIFICATE OF INCORPORATION AND BY-LAWS, OUR RIGHTS AGREEMENT AND PROVISIONS OF DELAWARE LAW COULD DELAY OR PREVENT A CHANGE OF CONTROL THAT YOU MAY FAVOR.

The terms of our separation from Bristol-Myers Squibb, anti-takeover provisions of our certificate of incorporation and by-laws, our rights agreement and provisions of Delaware law could delay or prevent a change of control that you may favor. An acquisition or further issuance of our stock could trigger the application of Section 355(e) of the Internal Revenue Code. For a discussion of Section 355(e), please see "The Distribution--U.S. Federal Income Tax Consequences of the Distribution." Under the tax sharing agreement we would be required to indemnify Bristol-Myers Squibb for the resulting tax and this indemnity obligation might discourage, delay or prevent a change of control that you may consider favorable.

Provisions of our certificate of incorporation and by-laws and our rights agreement, which will be in effect after the separation, also may discourage, delay or prevent a merger or other change of control that stockholders may consider favorable or may impede the ability of the holders of our common stock to change our management. The provisions of our certificate of incorporation and by-laws, among other things, will:

- divide our board of directors into three classes, with members of each class to be elected for staggered three-year terms;
- limit the right of stockholders to remove directors;
- regulate how stockholders may present proposals or nominate directors for election at annual meetings of stockholders; and
- authorize our board of directors to issue preferred stock in one or more series, without stockholder approval.

In addition, because we have not chosen to be exempt from Section 203 of the Delaware General Corporation Law, this provision could also delay or prevent a change of control that you may favor. Section 203 provides that, subject to limited exceptions, persons that acquire, or are affiliated with a person that acquires, more than 15 percent of the outstanding voting stock of a Delaware corporation shall not engage in any business combination with that corporation, including by merger, consolidation or acquisitions of additional shares, for a three-year period following the date on which that person or its affiliate crosses the 15 percent stock ownership threshold.

Please see "Arrangements Between Bristol-Myers Squibb and Zimmer--Contribution and Distribution Agreement" and "Description of Capital Stock" for a more detailed description of these agreements and provisions.

FORWARD-LOOKING STATEMENTS

This information statement contains forward-looking statements that are based on current expectations, estimates, forecasts and projections about the industry in which we operate, management's beliefs and assumptions made by management. Such statements include, in particular, statements about our plans, strategies and prospects under the headings "Summary," "Risk Factors," "Management's Discussion and Analysis of Financial Condition and Results of Operations" and "Business." Words such as "expects," "anticipates," "intends," "plans," "believes," "seeks," "estimates," variations of such words and similar expressions are intended to identify such forward-looking statements. These statements are not guarantees of future performance and involve risks, uncertainties and assumptions that are difficult to predict. Therefore, actual outcomes and results may differ materially from what is expressed or forecasted in such forward-looking statements. Except as required under the Federal securities laws and the rules and regulations of the Securities and Exchange Commission, we do not have any intention or obligation to update publicly any

forward-looking statements after we distribute this information statement, whether as a result of new information, future events or otherwise.

This information statement contains information concerning our markets and products generally which is forward-looking in nature and is based on a variety of assumptions regarding the ways in which these markets and product categories will develop. These assumptions have been derived from information currently available to us and to the third party industry analysts quoted herein. They include the following general underlying expectations:

- new materials, product designs and innovative surgical techniques will continue to be developed and drive industry growth;
- surgeons and buying groups will increasingly look to industry participants to provide cost-effective comprehensive solutions for orthopaedic surgical procedures;
- demographic changes will continue to drive demand for orthopaedic procedures;
- supply and prices of raw materials will not vary dramatically from historical trends;
- reimbursement levels from third-party payors for orthopaedic products will not be materially decreased in the future and future legislation, regulations or reimbursement policies of third-party payors will not otherwise adversely affect the demand for, and price levels of, orthopaedic products;
- no additional government regulation will be enacted that will materially adversely affect our industry; and
- no significant increase in the number or magnitude of product liability claims will occur.

If any one or more of the foregoing assumptions are incorrect, actual market results may differ from those predicted. While we do not know what impact any of these differences may have on our business, our results of operations, financial condition and the market price of shares of our common stock may be materially adversely affected.

DIVIDEND POLICY

We do not anticipate paying any dividends on our common stock in the foreseeable future because we expect to retain our future earnings for use in the operation and expansion of our business. Our payment and amount of dividends, however, will be subject to the discretion of our board of directors and will depend, among other things, upon our results of operations, financial condition, cash requirements, prospects and other factors that our board of directors may deem relevant.

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CAPITALIZATION

The following table sets forth our combined capitalization as of March 31, 2001 on a historical and pro forma basis to give effect to the distribution and the transactions related to the distribution. This table should be read in conjunction with "Management's Discussion and Analysis of Financial Condition and Results of Operations" and the unaudited pro forma combined financial statements and corresponding notes included elsewhere in this information statement. For an explanation of the pro forma adjustments made to our historical combined financial statements for the distribution and the transactions related to the distribution to derive the pro forma capitalization described below, please see "Unaudited Pro Forma Combined Financial Statements."

<TABLE>
<CAPTION>

	AS OF MARCH 31, 2001	
	HISTORICAL	PRO FORMA (UNAUDITED)
	(DOLLARS IN MILLIONS)	
<S>	<C>	<C>
Due to Bristol-Myers Squibb.....	\$190	\$ --
Long-term debt.....	--	500
	----	----
Total debt.....	190	500
Other Comprehensive Income.....	5	5
Net Investment in Zimmer.....	207	--
Net Equity.....	--	(53)
	----	----

Total stockholder's equity.....	212	(48)
	----	----
Total capitalization.....	\$402	\$452
	====	====

</TABLE>

On a historical basis, the \$190 million due to Bristol-Myers Squibb represents intercompany financing to certain international Zimmer legal entities. Any outstanding obligations due Bristol-Myers Squibb as of the distribution date are expected to be either forgiven or repaid with proceeds from the \$500 million of debt that Zimmer will assume or incur under a senior unsecured credit facility that Bristol-Myers Squibb will enter into prior to the distribution date. The amount of Bristol-Myers Squibb's net investment in us, totaling \$207 million, was recorded as Net Investment in Zimmer in our historical combined financial statements.

The pro forma debt of approximately \$500 million reflects our assumption or incurrence of debt under the senior unsecured credit facility. Of this amount, we expect that Bristol-Myers Squibb will incur approximately \$380 million under this credit facility for which we will not receive any proceeds. In addition, we expect to borrow under the credit facility an additional amount of approximately \$120 million on the distribution date of which approximately \$70 million will be used to fund costs and expenses expected to be incurred in connection with the separation and approximately \$50 million will be retained as working capital. The debt we will assume from Bristol-Myers Squibb represents the portion of Bristol-Myers Squibb's liabilities that we and Bristol-Myers Squibb determined would result, together with the planned additional borrowings under the credit facility, in the most appropriate capital structure for us as a stand-alone entity. The pro forma net equity debit balance of \$53 million is the result of the reclassification of Bristol-Myers Squibb's remaining net investment in us after giving effect to the incremental borrowings described above and the separation costs and expenses expected to be incurred in connection with the separation.

We would have had, on a pro forma basis, 193,831,693 shares of stock outstanding as of June 25, 2001 based on each holder of Bristol-Myers Squibb common stock receiving a dividend of one share of our common stock for every ten shares of Bristol-Myers Squibb common stock, there being 1,938,316,933 shares of Bristol-Myers Squibb common stock outstanding on such date, excluding treasury stock and assuming no exercise of outstanding options.

Our ability to issue additional equity is constrained because our issuance of additional stock may cause the distribution to be taxable to Bristol-Myers Squibb under Section 355(e) of the Internal Revenue Code and under the tax sharing agreement we would be required to indemnify Bristol-Myers Squibb against that tax. See "The Distribution--U.S. Federal Income Tax Consequences of the Distribution" and "Arrangements Between Bristol-Myers Squibb and Zimmer--Tax Sharing Agreement" for a more detailed discussion of Section 355(e) and the tax sharing agreement between Bristol-Myers Squibb and us.

SELECTED FINANCIAL INFORMATION

The following table sets forth our selected financial information derived from our (i) unaudited combined financial statements as of December 31, 1998, 1997 and 1996 and for the years ended December 31, 1997 and 1996, which are not included in this information statement; (ii) audited combined financial statements as of December 31, 2000 and 1999 and for the years ended December 31, 2000, 1999 and 1998, which are included elsewhere in this information statement and (iii) unaudited interim combined financial statements as of March 31, 2001 and for the three months ended March 31, 2001 and 2000, which are also included elsewhere in this information statement. In our opinion, all adjustments that consist only of normal and recurring accruals considered necessary for a fair presentation have been included in our unaudited combined financial statements. The historical financial information presented may not be indicative of the results of operations or financial position that would have been obtained if we had been an independent company during the periods shown or of our future performance as an independent company.

Net earnings in 1997 were reduced due to pretax charges of \$104 million (\$64 million after taxes) as further described in notes to the combined financial statements enclosed elsewhere in this information statement.

The selected financial information should be read in conjunction with "Management's Discussion and Analysis of Financial Condition and Results of Operations," the unaudited pro forma combined financial statements and the corresponding notes, the combined financial statements and the corresponding notes and the unaudited interim combined financial statements and the corresponding notes included elsewhere in this information statement.

<TABLE>
<CAPTION>

	FOR THE THREE MONTHS ENDED MARCH 31,		FOR THE YEARS ENDED DECEMBER 31,				
	2001	2000	2000	1999	1998	1997	1996
	(DOLLARS IN MILLIONS)						
<S>	<C>	<C>	<C>	<C>	<C>	<C>	<C>
Combined Statement of Earnings Data:							
Net sales.....	\$286	\$254	\$1,041	\$939	\$861	\$850	\$888
Net earnings.....	36	39	176	150	145	62	150

</TABLE>
<CAPTION>

	AS OF MARCH 31,		AS OF DECEMBER 31,				
	2001	2000	2000	1999	1998	1997	1996
<S>	<C>	<C>	<C>	<C>	<C>	<C>	<C>
Combined Balance Sheet Data:							
Total assets.....	\$619	n/a	\$ 597	\$606	\$579	\$612	\$700
Due to Bristol-Myers Squibb.....	190	n/a	144	41	50	87	129

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UNAUDITED PRO FORMA COMBINED FINANCIAL STATEMENTS

The unaudited pro forma combined financial statements reported below consist of unaudited pro forma combined statements of earnings for the three months ended March 31, 2001 and for the year ended December 31, 2000 and an unaudited pro forma combined balance sheet as of March 31, 2001. The unaudited pro forma combined financial statements reported below should be read in conjunction with our "Management's Discussion and Analysis of Financial Condition and Results of Operations," the combined financial statements and the corresponding notes and the unaudited interim combined financial statements and the corresponding notes included elsewhere in this information statement. The following unaudited pro forma combined financial statements have been prepared giving effect to the distribution, the assumption of debt under Bristol-Myers Squibb's senior unsecured credit facility and the incurrence of additional debt under this facility as if these transactions occurred as of March 31, 2001 for the unaudited pro forma combined balance sheet and as of January 1, 2000 for the unaudited pro forma combined statements of earnings.

In connection with our separation from Bristol-Myers Squibb, we expect to assume or incur approximately \$500 million in debt under a \$600 million senior unsecured credit facility that Bristol-Myers Squibb will enter into prior to the distribution date. Of this amount, we expect that Bristol-Myers Squibb will incur approximately \$380 million under this credit facility that we will assume on the distribution date. In addition, we expect to borrow under the credit facility an additional amount of approximately \$120 million on the distribution date of which approximately \$70 million will be used to fund costs and expenses expected to be incurred in connection with the separation and approximately \$50 million will be retained as working capital. The debt we will assume from Bristol-Myers Squibb represents the portion of Bristol-Myers Squibb's liabilities that we and Bristol-Myers Squibb determined would result, together with the planned additional borrowings under the credit facility, in the most appropriate capital structure for us as a stand-alone entity. After the distribution date we may incur up to \$100 million of additional debt under this credit facility, or enter into a separate revolving credit facility, to fund our capital expenditure requirements and provide additional working capital. Please see "Management's Discussion and Analysis of Financial Condition and Results of Operations" for a more detailed discussion of the senior unsecured credit facility and our liquidity needs following the separation.

The unaudited pro forma combined balance sheet and statements of earnings included in this information statement have been derived from the combined financial statements and the unaudited interim combined financial statements included elsewhere in this information statement and do not purport to represent what our financial position and results of operations actually would have been had the distribution and related transactions occurred on the dates indicated or to project our financial performance for any future period. Bristol-Myers Squibb did not account for us as, and we were not operated as, a separate, stand-alone entity for the periods presented.

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ZIMMER
UNAUDITED PRO FORMA COMBINED STATEMENT OF EARNINGS
FOR THE THREE MONTHS ENDED MARCH 31, 2001
(DOLLARS IN MILLIONS, EXCEPT PER SHARE AMOUNTS)

<TABLE>
<CAPTION>

	HISTORICAL	PRO-FORMA ADJUSTMENTS	PRO FORMA
<S>	<C>	<C>	<C>
Net Sales.....	\$286	\$--	\$ 286
Expenses			
Cost of products sold.....	82	--	82
Selling.....	60	--	60
Marketing, promotion and distribution.....	44	--	44
Research and development.....	18	--	18
General and administrative.....	25	--	25
Interest expense.....	--	7 (A)	7
	----	----	----
	229	7	236
	----	----	----
Earnings before income taxes.....	57	(7)	50
Provision for income taxes.....	21	(2) (B)	19
	----	----	----
Net Earnings.....	\$ 36	\$ (5)	\$ 31
	=====	====	=====
Unaudited pro forma net earnings per share:			
Basic (C).....			\$0.16
Diluted (D).....			\$0.16
Average shares used in computing unaudited pro forma net earnings per share (in millions):			
Basic (C).....			194
Diluted (D).....			195

</TABLE>

SEE ACCOMPANYING NOTES TO UNAUDITED PRO FORMA COMBINED FINANCIAL STATEMENTS.

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ZIMMER

UNAUDITED PRO FORMA COMBINED STATEMENT OF EARNINGS

FOR THE YEAR ENDED DECEMBER 31, 2000
(DOLLARS IN MILLIONS, EXCEPT PER SHARE AMOUNTS)

<TABLE>
<CAPTION>

	HISTORICAL	PRO FORMA ADJUSTMENTS	PRO FORMA
<S>	<C>	<C>	<C>
Net sales.....	\$1,041	\$ --	\$1,041
Expenses:			
Cost of products sold.....	291	--	291
Selling.....	207	--	207
Marketing, promotion and distribution.....	153	--	153
Research and development.....	52	--	52
General and administrative.....	70	--	70
Interest expense.....	--	29 (A)	29
	----	----	----
	773	29	802
	----	----	----
Earnings before income taxes.....	268	(29)	239
Provision for income taxes.....	92	(10) (B)	82
	----	----	----
Net earnings.....	\$ 176	\$ (19)	\$ 157
	=====	====	=====
Unaudited pro forma net earnings per share:			
Basic (C).....			\$ 0.81
Diluted (D).....			\$ 0.81
Average shares used in computing unaudited pro forma net earnings per share (in millions):			
Basic (C).....			194
Diluted (D).....			195

</TABLE>

SEE ACCOMPANYING NOTES TO UNAUDITED PRO FORMA COMBINED FINANCIAL STATEMENTS.

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ZIMMER
 UNAUDITED PRO FORMA COMBINED BALANCE SHEET
 MARCH 31, 2001
 (DOLLARS IN MILLIONS)

<TABLE>
 <CAPTION>

	HISTORICAL	PRO FORMA ADJUSTMENTS	PRO FORMA
	-----	-----	-----
<S>	<C>	<C>	<C>
Assets:			
Cash.....	\$ --	\$ 50 (E)	\$ 50
Receivables, net.....	196	--	196
Inventories.....	160	--	160
Prepaid expenses.....	42	--	42
Deferred income taxes.....	39	--	39
	----	----	----
Total current assets.....	437	50	487
Property, plant and equipment, net.....	122	--	122
Other assets, net.....	60	--	60
	----	----	----
Total assets.....	\$619	\$ 50	\$669
	====	=====	=====
Liabilities and Net Investment in Zimmer:			
Accounts payable.....	\$63	\$ --	\$63
Accrued expenses.....	142	--	142
Foreign taxes payable.....	12	--	12
Due to Bristol-Myers Squibb.....	190	(190) (F)	--
	----	-----	----
Total current liabilities.....	407	(190)	217
Long-term debt.....	--	500 (E)	500
	----	-----	----
Total liabilities.....	407	310	717
Other comprehensive income.....	5	--	5
Net Investment in Zimmer.....	207	(207) (G)	--
Net Equity.....	--	(53) (H)	(53)
	----	-----	----
Total Liabilities and Net Investment in Zimmer.....	\$619	\$ 50	\$669
	====	=====	=====

</TABLE>

SEE ACCOMPANYING NOTES TO UNAUDITED PRO FORMA COMBINED FINANCIAL STATEMENTS.

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NOTES TO
 UNAUDITED PRO FORMA COMBINED FINANCIAL STATEMENTS

The accompanying unaudited pro forma combined financial statements have been prepared giving effect to the distribution, the assumption of debt under Bristol-Myers Squibb's senior unsecured credit facility and the incurrence of additional debt under this facility as if these transactions had occurred as of March 31, 2001 for the unaudited pro forma combined balance sheet and as of January 1, 2000 for the unaudited pro forma combined statements of earnings. These unaudited pro forma combined financial statements reflect all adjustments that, in the opinion of management, are necessary to present fairly the pro forma results of operations and financial position. This information should be read in conjunction with our historical financial statements and corresponding notes included elsewhere in this information statement. The pro forma adjustments to the accompanying historical financial information as of and for the three months ended March 31, 2001 and for the year ended December 31, 2000 are described below:

- (A) Reflects interest expense related to approximately \$500 million in debt that we expect to assume or incur under a senior unsecured credit facility described below in Note (E). For our current expected investment grade rating from Standard and Poor's and from Moody's, the applicable interest rate under the credit facility is expected to be the applicable LIBOR rate plus 125 basis points. Interest expense was calculated using an annual interest rate of 5.7 percent and assumes constant debt levels throughout the year. Our interest expense may be lower or higher if LIBOR rates or our credit rating changes. A 1/8% change to the annual interest rate would change net earnings by \$0.4 million on an annual basis.
- (B) Reflects the tax effect of the pro forma adjustment to interest expense using a combined U.S. Federal and state tax rate.
- (C) The number of shares used to compute basic earnings per share is based on the number of shares of Zimmer common stock assumed to be outstanding on the distribution date (based on the number of shares of Bristol-Myers Squibb common stock outstanding on June 25, 2001, excluding treasury

stock and assuming no exercise of outstanding options) assuming a distribution ratio of one share of Zimmer common stock for every ten shares of Bristol-Myers Squibb common stock.

(D) The number of shares used to compute diluted earnings per share is based on the number of shares of common stock for Zimmer determined as described in Note (C), plus the incremental shares outstanding assuming the exercise of dilutive stock options and restricted stock, including Bristol-Myers Squibb stock options and restricted stock held by Zimmer employees converted into Zimmer stock options and restricted stock in connection with the divestiture. The actual number of Bristol-Myers Squibb stock options and shares of restricted stock we will assume will not be determined until after the distribution, when the actual ratio for the conversion of Bristol-Myers Squibb stock options and restricted stock into our stock options and restricted stock, respectively, will be determined as described under "Arrangements between Bristol-Myers Squibb and Zimmer--Employee Benefits Agreement" and "Management--Retention Agreements."

(E) Reflects our assumption or incurrence of debt of approximately \$500 million under a senior unsecured credit facility that Bristol-Myers Squibb will enter into prior to the distribution date, presented on our unaudited pro forma combined balance sheet as long-term debt. Of this amount, we expect that Bristol-Myers Squibb will incur approximately \$380 million under this credit facility that we will assume on the distribution date and for which we will not

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receive any proceeds. The following outlines the allocation of the \$500 million of debt we will assume or incur:

<TABLE>	
<CAPTION>	
AMOUNT	
DEBIT/(CREDIT)	

(IN MILLIONS)	(MILLIONS)
<C>	<S>
\$ (500)	Represents the incurrence of long-term debt.
207	Represents Bristol-Myers Squibb's net investment in us as described in (G) below.
190	Represents the satisfaction of amounts due to Bristol-Myers Squibb as noted in (F) below.
70	Represents amounts to fund costs and expenses that are expected to be incurred in connection with the separation. For purposes of the unaudited pro forma combined balance sheet, these costs and expenses have been reflected as a component of net equity, as noted in (H) below.
50	Represents cash retained as working capital.

\$ (17)	Represents the reclassification of Bristol-Myers Squibb's remaining net investment in us as net equity, after giving effect to the assumption by us of certain debt from Bristol-Myers Squibb and the satisfaction of amounts due to Bristol-Myers Squibb as described in this note (E).

</TABLE>	

We expect that \$190 million of amounts due to Bristol-Myers Squibb as of the distribution date either will be forgiven by Bristol-Myers Squibb under the terms of the Contribution and Distribution Agreement or repaid with proceeds from additional debt that we borrow under the senior unsecured credit facility. To the extent that we incur additional debt under the credit facility to repay obligations due to Bristol-Myers Squibb as of the distribution date, the amount of debt that we assume from Bristol-Myers Squibb will be reduced by a corresponding amount so that the total amount of debt outstanding under the credit facility after giving effect to our separation from Bristol-Myers Squibb will not exceed approximately \$500 million. The approximately \$380 million in debt we will assume from Bristol-Myers Squibb, or incur to the extent we repay the \$190 million of amounts due to Bristol-Myers Squibb as described above, represents the portion of Bristol-Myers Squibb's liabilities that we and Bristol-Myers Squibb determined would result, together with the planned additional borrowings of \$120 million under the credit facility, in the most appropriate capital structure for us as a stand-alone entity. We and Bristol-Myers Squibb determined the amount of debt that we would assume after considering our ability to service the initial level of debt, our ability to finance current and future growth initiatives and

the capital structure of comparable companies.

- (F) Reflects the satisfaction of \$190 million of amounts due to Bristol-Myers Squibb.
- (G) Reflects the elimination of Bristol-Myers Squibb's net investment in Zimmer and the issuance of Zimmer stock.
- (H) Reflects the reclassification of Bristol-Myers Squibb's remaining net investment in us of \$17 million as net equity, as described in (E) above, less \$70 million of separation costs and expenses. Except for \$14 million of these costs and expenses reflected in our results of operations for the first quarter of 2001, these costs and expenses have not been reflected in the unaudited pro forma combined income statements.

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MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

You should read the following discussion in conjunction with the combined financial statements and the corresponding notes and the unaudited pro forma combined financial statements and the corresponding notes included elsewhere in this information statement. This Management's Discussion and Analysis of Financial Condition and Results of Operations contains forward looking statements. Please see "Forward Looking Statements" for a discussion of the uncertainties, risks and assumptions associated with these statements.

OVERVIEW

We are a global leader in the design, development, manufacturing and marketing of orthopaedic reconstructive implants and fracture management products. Orthopaedic reconstructive implants restore joint function lost due to disease or trauma in joints such as knees, hips, shoulders and elbows. Fracture management products are devices used primarily to reattach or stabilize damaged bone and tissue to support the body's natural healing process. We also manufacture and market other products relating to orthopaedic and general surgery. With operations in approximately 20 countries and our products marketed in approximately 70 countries, we manage our operations by three geographic regions--the Americas, Asia Pacific and Europe.

SEPARATION FROM BRISTOL-MYERS SQUIBB

We were incorporated under the laws of the state of Delaware on January 12, 2001 as a wholly owned subsidiary of Bristol-Myers Squibb. We have not commenced operations, only have nominal assets and liabilities and have no contingent liabilities or commitments. We will have no material assets, liabilities or activities as a separate corporate entity until the contribution to us by Bristol-Myers Squibb of the orthopaedics business described in this information statement, which is expected to occur prior to the distribution. Bristol-Myers Squibb conducted this business through a division comprised of Zimmer, Inc., a Delaware corporation and a wholly owned subsidiary of Bristol-Myers Squibb, Zimmer, Inc.'s wholly owned subsidiaries and certain other Bristol-Myers Squibb-owned Zimmer operations. Following the distribution, we will be an independent public company and Bristol-Myers Squibb will have no continuing stock ownership in us.

Prior to the distribution, we will enter into several agreements with Bristol-Myers Squibb in connection with, among other things, interim services. Pursuant to the interim services agreement that we will enter into prior to the distribution, Bristol-Myers Squibb will agree to provide us, on an interim, transitional basis, with various services, which include, but are not limited to, employee benefits administration and information technology services.

The interim services agreement will set forth charges generally intended to allow Bristol-Myers Squibb to recover fully the allocated costs of providing the services, plus all out-of-pocket costs and expenses. With limited exceptions, these interim services are not expected to extend beyond the 12 month period following the distribution. We cannot assure you that the interim services agreement will reflect the costs of providing these services internally or of obtaining the services from unrelated third parties under new agreements. For a more detailed discussion of the interim services agreement, please see "Arrangements between Bristol-Myers Squibb and Zimmer." The interim services agreement, along with other arrangements with Bristol-Myers Squibb described under "Arrangements between Bristol-Myers Squibb and Zimmer", are not expected to have a material impact on our operating results.

We estimate that we will incur approximately \$70 million in costs, fees and expenses relating to our separation from Bristol-Myers Squibb and the distribution. These costs, fees and expenses will be primarily related to retention bonuses, legal separation matters, professional expenses and costs of producing, printing, mailing and otherwise distributing this information statement. Except for these

anticipated \$70 million of costs related to the separation and the distribution and the ongoing interest cost associated with debt incurred as of the distribution date, we do not currently anticipate that the costs resulting from our separation from Bristol-Myers Squibb will materially impact our cost structure as reflected in our historical combined results.

Our combined financial statements, which are discussed below, reflect the historical financial position, results of operations and cash flows of the business to be transferred to us from Bristol-Myers Squibb as part of the separation. The financial information discussed below and included in this information statement, however, may not necessarily reflect our financial position, results of operations and cash flows in the future or what our financial position, results of operations and cash flows would have been had we been a stand-alone company during the periods presented. Because prior to the separation a direct ownership relationship did not exist among all our various units, Bristol-Myers Squibb's net investment in us is shown in lieu of stockholders' equity in the combined financial statements.

The combined financial statements include allocations of Bristol-Myers Squibb's expenses, assets and liabilities, including the items described below.

SHARED SERVICES. Bristol-Myers Squibb historically has provided us with various shared services, which include, but are not limited to:

<TABLE>	<C>
<S>	
- insurance administration;	- internal audit;
- treasury administration;	- corporate aviation and related services;
- payroll administration;	- telecommunications;
- employee compensation and benefits administration;	- computing services;
- travel and meeting planning services;	- corporate income tax administration; and
- public and investor relations;	- selected legal functions.
- real estate services;	
</TABLE>	

Allocations of expenses for these services are reflected in the general and administrative line item in our combined statements of earnings and amounted to \$30 million, \$29 million and \$27 million for the years ended December 31, 2000, 1999 and 1998, respectively. The cost of these services could be different if obtained from other sources and our combined financial statements do not necessarily include all the expenses that would have been incurred had we been a separate, stand-alone entity for the periods presented. We believe, however, that the methods used to allocate the expenses of these shared services to us are reasonable and that the total amount of expense charged to us for these services is a reasonable representation of the expenses we would have incurred if we had performed these functions as a stand-alone company.

RETIREMENT PLANS AND OTHER POSTRETIREMENT BENEFIT PLANS. Historically all of our employees were covered under Bristol-Myers Squibb's retirement plans and other postretirement benefit plans which primarily provide medical and group life insurance benefits. Included in our combined financial statements are allocations for expenses attributed to Zimmer employees participating in these plans. Assets and liabilities associated with these Bristol-Myers Squibb plans have not been included in our financial statements.

INCOME TAXES. Our income tax expense has been recorded as if we filed tax returns separate from Bristol-Myers Squibb notwithstanding that some of our operations were historically included in the consolidated income tax returns filed by Bristol-Myers Squibb and that most of the related income taxes were paid by Bristol-Myers Squibb. Bristol-Myers Squibb was managing its tax position for the

benefit of its entire portfolio of businesses. Bristol-Myers Squibb's tax strategies are not necessarily reflective of the tax strategies that we would have followed or will follow as a stand-alone company.

CASH. Bristol-Myers Squibb has managed cash and the financing of its operations on a centralized basis. Our cash earnings, net of capital and other cash requirements, are generally transferred to Bristol-Myers Squibb on a regular basis and are generally netted against the owner's net investment account. As a result, none of Bristol-Myers Squibb's cash or cash equivalents

was allocated to us in our combined financial statements.

REVENUE

We derive our revenue from sales of reconstructive implants, fracture management products and other products. We market our products globally, primarily through a network of approximately 1,100 sales and service associates, approximately 750 of whom are employed by independent distributors and approximately 350 of whom we employ directly. We recognize revenue when we ship products to customers.

COSTS AND OPERATING EXPENSES

Our cost of products sold consists primarily of costs for materials, labor and manufacturing overhead. Our selling expenses and marketing, promotion and distribution expenses consist primarily of salaries, commissions, benefits, shipping, customer service, brand management, market research, instruments, samples and promotional materials and other miscellaneous items. Instruments are hand-held surgical tools used by orthopaedic surgeons during total joint and other surgical procedures. Instruments are important surgical support tools and are often a critical factor in influencing a surgeon's choice of implant. Our research and development expenses consist primarily of costs for new product development. Our general and administrative expenses consist primarily of salaries, benefits and allocations of costs for shared services.

SEASONALITY

Seasonal variations in elective surgeries, which tend to slow in summer months in most markets and during January in Asia, may cause modest fluctuations in revenue.

OPERATING TRENDS

We believe that technological advances will continue to make joint replacement a more attractive option for patients considering whether to have a procedure performed. For example, because of improvements in implant fixation, surgical technique and prosthetic component wear characteristics, reconstructive implants are more widely used and more clinically successful today than ever before. We anticipate that more reproducible surgical procedures, improved instrumentation systems and greater wear resistance of the prosthetic joint surfaces will expand the future success of, and stimulate growth for, joint reconstruction.

In addition, we believe that the aging baby boom population in the United States and around the world, the large number of patients with aging primary total joint implants and the use of joint replacement in more active, younger patients will help drive growth for reconstructive implants over the next decade. We also expect the clinical success of knee implants in the United States, the recent clinical success of these implants in Europe and the Asia Pacific region, as well as improved training of orthopaedic surgeons and access to orthopaedic healthcare in developing economies, to increase the incidence of reconstructive knee surgery outside of the United States.

Demand for our products may change, in certain cases, in ways we may not anticipate because of evolving surgical philosophies, industry standards and customer needs, as well as the introduction of

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new products and technologies. Without the timely introduction of new products and enhancements to existing products, our products may become obsolete over time, in which case our revenue and operating results would suffer. The success of our new product offerings will depend on several factors, including our ability to:

- properly identify and anticipate customer needs;
- commercialize new products in a timely manner;
- manufacture and deliver products in sufficient volumes on time;
- differentiate our offerings from competitors' offerings;
- achieve positive clinical outcomes and effectively address customer and patient needs;
- satisfy the increased demands by healthcare payors, providers and patients for shorter hospital stays, faster post-operative recovery and lower cost-procedures.
- innovate and develop new materials, product designs and surgical techniques; and

- provide adequate medical education relating to new products and attract key surgeons to advocate these new products.

New materials, product designs and surgical techniques that we develop may not be accepted quickly in some or all markets because of, among other factors:

- entrenched patterns of clinical practice;
- the need for regulatory clearance; and
- uncertainty over third-party reimbursement.

In addition, ongoing cost-containment pressures from managed care and hospital buying groups in the United States and government organizations in Europe and the Asia Pacific region have generated over the past decade industry-wide net declines in base prices for reconstructive implants, fracture management products and other related products. Base prices, however, generally have stabilized in more recent years in the United States and some of these other regions.

IMPACT OF FOREIGN EXCHANGE RATES

We sell our products in many countries and a portion of our sales, costs and expenses is denominated in foreign currencies, primarily in the Japanese Yen and the Euro. In 2000 as compared to 1999, foreign exchange rate fluctuations caused minor effects on our sales and earnings. In 1999 as compared to 1998, foreign exchange rate fluctuations positively affected our sales and earnings. Our currency exposures historically have been at least partially hedged with derivatives as part of Bristol-Myers Squibb's global hedging program, which is designed to minimize exposure to foreign exchange rate fluctuations. Please see "Market Risk" for more information on our exposure to foreign exchange rate fluctuations.

SEGMENTS

We manage our operations by three geographic areas--the Americas, which is comprised principally of the United States and includes the remaining countries in the Western Hemisphere; Asia Pacific, which is comprised principally of Japan and includes other Asian and Pacific markets; and Europe, which is comprised principally of Europe and includes the Middle East and Africa.

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RESULTS OF OPERATIONS

The following table sets forth our combined results from operations for the periods indicated:

RESULTS OF OPERATIONS

DOLLARS IN MILLIONS

<TABLE>

<CAPTION>

	THREE MONTHS ENDED MARCH 31,		PERCENTAGE INCREASE (DECREASE) OVER			PERCENTAGE INCREASE (DECREASE)		
			FIRST QUARTER 2001 OVER FIRST QUARTER 2000			YEAR ENDED DECEMBER 31,		
	2001	2000	2000	1999	1998	2000 VS. 1999	1999 VS. 1998	
	(UNAUDITED)							
<S>	<C>	<C>	<C>	<C>	<C>	<C>	<C>	<C>
NET SALES.....	\$286	\$254	13%	\$1,041	\$939	\$861	11%	9%
EXPENSES:								
Cost of products sold.....	82	70	17	291	269	265	8	2
Selling.....	60	52	15	207	182	165	14	10
Marketing, promotion and distribution.....	44	42	5	153	143	115	7	24
Research and development....	18	12	50	52	45	36	16	25
General and administrative.....	25	19	32	70	69	69	1	--
	---	---	--	---	---	---	--	--
	229	195	17	773	708	650	9	9
	----	----	--	----	----	----	--	--
EARNINGS BEFORE INCOME								
TAXES.....	57	59	(3)	268	231	211	16	10
Provision for income taxes....	21	20	5	92	81	66	14	23
	----	----	--	----	----	----	--	--
NET EARNINGS.....	\$ 36	\$ 39	(8)%	\$ 176	\$150	\$145	17%	3%
	=====	=====	==	=====	=====	=====	==	==

</TABLE>

THREE MONTHS ENDED MARCH 31, 2001 COMPARED TO THREE MONTHS ENDED MARCH 31, 2000

NET SALES

Net sales grew by 13 percent for the three months ended March 31, 2001 compared to the same period in 2000. Sales growth reflected strong demand for our reconstructive implants, which was aided in part by the introduction of new products. This increase was comprised of a 15 percent increase due to volume and changes in the mix of our product sales, a one percent increase due to higher average selling prices and a three percent decrease due to foreign exchange rate fluctuations. Geographically, growth was driven by a 19 percent increase in sales in the Americas and a 10 percent increase in sales in Europe.

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The following tables set forth our sales by geographic region and product category for the three months ended March 31, 2001 and 2000:

NET SALES BY GEOGRAPHIC REGION

DOLLARS IN MILLIONS

<TABLE>

<CAPTION>

GEOGRAPHIC REGION	THREE MONTHS ENDED MARCH 31,		PERCENTAGE INCREASE (DECREASE)
	-----		-----
	2001	2000	FIRST QUARTER 2001 OVER FIRST QUARTER 2000
<S>	<C>	<C>	<C>
Americas.....	\$193	\$162	19%
Asia Pacific.....	61	63	(3)
Europe.....	32	29	10
	----	----	
Total.....	\$286	\$254	13%
	====	====	==

</TABLE>

NET SALES BY PRODUCT CATEGORY

DOLLARS IN MILLIONS

<TABLE>

<CAPTION>

PRODUCT CATEGORY	THREE MONTHS ENDED MARCH 31,		PERCENTAGE INCREASE (DECREASE)
	-----		-----
	2001	2000	FIRST QUARTER 2001 OVER FIRST QUARTER 2000
<S>	<C>	<C>	<C>
Reconstructive implants.....	\$213	\$187	14%
Fracture management.....	33	32	3
Other.....	40	35	14
	----	----	
Total.....	\$286	\$254	13%
	====	====	==

</TABLE>

Net sales in the Americas increased 19 percent to \$193 million in the three months ended March 31, 2001 compared to the same period in 2000, led by growth in the southeast region of the United States and at targeted teaching hospitals throughout the United States. This increase was comprised of a 16 percent increase due to volume and changes in the mix of our product sales, together with a three percent increase due to higher average selling prices. Knee sales increased 21 percent led by growth in sales of the NexGen-Registered Trademark- Legacy-Registered Trademark- Posterior Stabilized knee, as well as the recently introduced NexGen-Registered Trademark- Legacy-Registered Trademark- Posterior Stabilized Flex knee, a product designed to accommodate deeper flexion than standard knee implants. Growth in sales of the M/G-TM- Uni knee, which increased 400 percent during this period compared to the same period in 2000 as a result of the introduction of a new system of less invasive instrumentation to address the growing market interest in less invasive approaches to orthopaedic procedures, also contributed to this increase in knee sales. Hip sales increased 26 percent, driven by strong sales of our VerSys-Registered Trademark- porous hip stems, the continuing introduction of ZMR-Registered Trademark-, our modular revision hip product, the initial launch of the Implex line of trabecular metal acetabular cups and increased sales of Trilogy-Registered Trademark- cups

incorporating Longevity-Registered Trademark-, our highly cross-linked polyethylene liners. Fracture management product sales increased seven percent primarily due to higher average selling prices.

Net sales in the Asia Pacific region decreased three percent to \$61 million in the three months ended March 31, 2001 compared to the same period in 2000. This decrease was comprised of an eight percent increase due to volume and changes in the mix of our product sales, a two percent decrease due to lower average selling prices and a nine percent decrease due to foreign exchange rate fluctuations. The lower average selling prices were the result of expected reductions in Japan in government reimbursement prices for reconstructive implants, which went into effect during 2000. Knee

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sales decreased nine percent, or one percent excluding foreign exchange rate fluctuations. Hip sales decreased six percent, or increased three percent excluding foreign exchange rate fluctuations, driven primarily by strong sales of VerSys-Registered Trademark- porous hip stems and Trilogy-Registered Trademark- cups. Fracture management product sales decreased three percent, or increased six percent excluding foreign exchange rate fluctuations, reflecting continuing strong M/DN-Registered Trademark- nail sales which were partially offset by lower sales of compression hip screws compared to the prior year.

Net sales in Europe increased ten percent to \$32 million in the three months ended March 31, 2001 compared to the same period in 2000, driven by higher sales in the United Kingdom, Germany, Spain, France and Italy. This increase was comprised of a 19 percent increase due to volume and changes in the mix of our product sales offset by a nine percent decrease due to foreign exchange rate fluctuations. Knee sales increased 14 percent, or 24 percent excluding foreign exchange rate fluctuations, driven by strong sales of the NexGen-Registered Trademark- Legacy-Registered Trademark- system of knee prostheses. Hip sales increased eight percent, or 17 percent excluding foreign exchange rate fluctuations, supported by the introduction of ZMR-Registered Trademark- and our offering of specialized hip products that appeal to European surgical philosophies, such as CPT-Registered Trademark-, SKF/SKT-Registered Trademark- and the Mercure-Registered Trademark- hip. Fracture management product sales decreased seven percent but remained unchanged excluding foreign exchange rate fluctuations.

Overall, our worldwide reconstructive implant sales increased by 14 percent to \$213 million, or 17 percent excluding foreign exchange rate fluctuations, in the three months ended March 31, 2001 compared to the same period in 2000. Overall knee sales increased by 13 percent to \$114 million, or 17 percent excluding foreign exchange rate fluctuations, driven primarily by strong sales of NexGen-Registered Trademark- Legacy-Registered Trademark- knee prostheses across all regions. Hip sales increased by 15 percent to \$92 million, or 18 percent excluding foreign exchange rate fluctuations, reflecting increased market penetration of our porous hip stems and Trilogy-Registered Trademark- cups in the Americas and the Asia Pacific region.

Our fracture management product sales increased worldwide by three percent to \$33 million, or six percent excluding foreign exchange rate fluctuations, in the three months ended March 31, 2001 compared to the same period in 2000. This increase was due to continuing strong sales of our M/DN-Registered Trademark- nail and higher average selling prices in all regions. Our other sales increased by 14 percent overall to \$40 million in the three months ended March 31, 2001 compared to the same period in 2000. This increase was driven primarily by sales of distributed powered instruments and arthroscopy products in the Asia Pacific region and the introduction of new orthopaedic blood management systems in the Americas.

EXPENSES

Total costs and expenses as a percentage of net sales were 80 percent in the three months ended March 31, 2001, or 75 percent excluding \$14 million of separation costs for professional fees and an employee retention program, as compared to 77 percent in the three months ended March 31, 2000.

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The following table sets forth our expenses as a percentage of net sales for the three months ended March 31, 2001 and 2000:

EXPENSES AS A PERCENTAGE OF NET SALES

<TABLE>
<CAPTION>

THREE MONTHS ENDED MARCH 31,	
2001	2000
-----	-----

<u><S></u>	<u><C></u>	<u><C></u>
NET SALES.....	100%	100%
EXPENSES:		
Cost of products sold.....	29	28
Selling.....	21	21
Marketing, promotion, and distribution.....	15	16
Research and development.....	6	5
General and administrative.....	9	7
	---	---
	80	77
	---	---
EARNINGS BEFORE INCOME TAXES.....	20	23
Provision for Income Taxes.....	7	8
	---	---
NET EARNINGS.....	13%	15%
	===	===

</TABLE>

COST OF PRODUCTS SOLD. Cost of products sold as a percentage of net sales increased to 29 percent and remained at 28 percent, excluding separation costs of \$3 million, in the three months ended March 31, 2001 compared to the three months ended March 31, 2000, with savings from productivity and higher volumes offset by the impact of lower revenues from foreign exchange rate fluctuations.

SELLING. Selling expenses as a percentage of net sales remained at 21 percent in the three months ended March 31, 2001 as compared to the three months ended March 31, 2000.

MARKETING, PROMOTION AND DISTRIBUTION. Marketing, promotion and distribution expenses as a percentage of net sales decreased to 15 percent in the three months ended March 31, 2001 as compared with 16 percent for the three months ended March 31, 2000. This decline relates to lower distribution expenses in the Americas where for the three months ended March 31, 2000, \$6 million of costs, or 2 percent of net sales, were incurred in connection with the termination of a distribution agreement and associated reductions in workforce.

RESEARCH AND DEVELOPMENT. Research and development as a percentage of net sales in the three months ended March 31, 2001 increased to six percent from five percent in the three months ended March 31, 2000. The increase was due to higher spending on research and development activities as we focused on broadening our product offerings. In the three months ended March 31, 2001, we increased spending on development of surgical techniques and innovative instrumentation designed for less invasive approaches to orthopaedic procedures. We also increased spending on development of products incorporating trabecular metal. The increase was also due, in part, to higher spending on surgeon consulting in support of design and concept testing of new products, greater demand for post-market clinical studies and prospective and retrospective clinical evaluations.

GENERAL AND ADMINISTRATIVE. General and administrative expenses as a percentage of net sales increased to nine percent in the three months ended March 31, 2001 from seven percent in the three months ended March 31, 2000 due primarily to costs associated with our separation from Bristol-Myers Squibb. Excluding \$7 million of separation costs for professional fees and an employee retention program, general and administrative expenses as a percentage of net sales decreased to six percent in the three months ended March 31, 2001 as a result of workforce reductions in 2000 in the Asia Pacific region and strict expense controls across all regions.

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CHANGES IN STRATEGY AND ORGANIZATIONAL STRUCTURE. During the three months ended March 31, 2000, we terminated a license and distribution agreement and committed to reduce the size of our organization in areas affected by these changes. As a result, in the first quarter 2000, we recorded pretax charges of \$6 million in marketing, promotion and distribution for employee severance and costs associated with terminating the distribution agreement.

NET EARNINGS

Net earnings decreased eight percent to \$36 million in the three months ended March 31, 2001 from \$39 million in the three months ended March 31, 2000 due primarily to costs associated with our separation from Bristol-Myers Squibb. Excluding \$14 million of pretax, or \$10 million of after tax, separation costs for professional fees and an employee retention program, our net earnings increased 18 percent in the three months ended March 31, 2001 compared to the same period in 2000. This 18 percent increase in net earnings in the three months ended March 31, 2001 was driven by growth of 13 percent in net sales combined with a decrease in our total expenses, excluding separation costs, as a percentage of net sales, which were partially offset by an increase in our effective tax rate. Total expenses as a percentage of net sales, excluding the separation costs, decreased to 75 percent in the three months ended March 31,

2001 from 77 percent in the three months ended March 31, 2000. This decrease is attributable to reductions in marketing, promotion and distribution and general and administrative expenses, excluding separation costs, relative to net sales in the three months ended March 31, 2001. The effective tax rate increased from 34 percent to 37 percent as a result of lower tax credits and the non-deductibility of certain separation costs.

Net earnings in periods subsequent to the distribution will be reduced by the cost of interest expense associated with the approximately \$500 million in debt to be assumed or incurred as of the distribution date. See "Unaudited Pro Forma Combined Financial Statements" for a more detailed discussion of this interest cost and the associated debt.

OPERATING PROFIT

The following table sets forth our operating profit by segment for the three months ended March 31, 2001 and 2000:

OPERATING PROFIT BY SEGMENT

PERCENT OF NET SALES

<TABLE>

<CAPTION>

SEGMENT	THREE MONTHS ENDED MARCH 31,	
	2001	2000
Americas.....	49%	49%
Asia Pacific.....	41	40
Europe.....	13	17

Operating profit for the Americas as a percent of net sales remained at 49 percent in the three months ended March 31, 2001 as compared with the three months ended March 31, 2000, reflecting the favorable effects of increased sales of higher margin products and higher average selling prices which were partially offset by higher marketing, promotion and distribution costs.

Operating profit for the Asia Pacific region as a percent of net sales increased to 41 percent in the three months ended March 31, 2001 from 40 percent in the three months ended March 31, 2000 due to reduced operating expenses driven by reductions in workforce in the region.

Operating profit for Europe as a percent of net sales decreased to 13 percent in the three months ended March 31, 2001 from 17 percent in the three months ended March 31, 2000, due principally to unfavorable foreign exchange rate fluctuations.

YEAR ENDED DECEMBER 31, 2000 COMPARED TO YEAR ENDED DECEMBER 31, 1999 AND YEAR ENDED DECEMBER 31, 1999 COMPARED TO YEAR ENDED DECEMBER 31, 1998

NET SALES

Net sales grew by 11 percent in 2000. Sales growth reflected strong demand for our reconstructive implants and fracture management products, which was aided in part by the introduction of new products. This increase was comprised of a 10 percent increase due to volume and changes in the mix of our product sales, a one percent increase due to higher average selling prices and no change due to foreign exchange rate fluctuations. Geographically, growth was driven by a 11 percent increase in sales in the Americas and a 13 percent increase in the Asia Pacific region.

Net sales grew by nine percent in 1999, or seven percent excluding foreign exchange rate fluctuations. Sales growth reflected increased demand for our reconstructive implants and fracture management products. This increase was comprised of a seven percent increase due to volume and changes in the mix of our product sales, a two percent increase due to foreign exchange rate fluctuations and no change due to selling prices. Sales in the Asia Pacific region grew by 24 percent, driven in part by a strengthening Yen that aided sales growth in Japan. Sales growth was five percent in the Americas and three percent in Europe, where weakening local currencies hurt sales.

The following tables set forth our sales by geographic region and product category for the years ended December 31, 2000, 1999 and 1998:

NET SALES BY GEOGRAPHIC REGION

DOLLARS IN MILLIONS

<TABLE>
<CAPTION>

GEOGRAPHIC REGION	YEAR ENDED DECEMBER 31,			PERCENTAGE INCREASE (DECREASE)	
	2000	1999	1998	2000 VS. 1999	1999 VS. 1998
Americas.....	\$655	\$588	\$559	11%	5%
Asia Pacific.....	265	235	189	13	24
Europe.....	121	116	113	4	3
Total.....	\$1,041	\$939	\$861	11%	9%

</TABLE>

NET SALES BY PRODUCT CATEGORY

DOLLARS IN MILLIONS

<TABLE>
<CAPTION>

PRODUCT CATEGORY	YEAR ENDED DECEMBER 31,			PERCENTAGE INCREASE (DECREASE)	
	2000	1999	1998	2000 VS. 1999	1999 VS. 1998
Reconstructive implants.....	\$764	\$679	\$609	13%	11%
Fracture management.....	124	113	103	10	10
Other.....	153	147	149	4	(1)
Total.....	\$1,041	\$939	\$861	11%	9%

</TABLE>

YEAR ENDED DECEMBER 31, 2000 COMPARED TO YEAR ENDED DECEMBER 31, 1999. Net sales in the Americas increased 11 percent in 2000 to \$655 million, led by growth in the southeast region of the United States and at targeted teaching hospitals throughout the United States. This increase was comprised of a nine percent increase due to volume and changes in the mix of our product sales, together with a two percent increase due to higher average selling prices. Knee sales increased 10 percent led by growth in sales of the NexGen-Registered Trademark- Legacy-Registered Trademark- Posterior Stabilized knee. Hip sales

increased 19 percent, driven by strong sales of our VerSys-Registered Trademark- porous hip stems, the introduction of ZMR-Registered Trademark-, our new modular revision hip product, and increased sales of Trilogy-Registered Trademark- cups incorporating Longevity-Registered Trademark-, our highly cross-linked polyethylene liners. Fracture management product sales increased nine percent with the ongoing introduction of our new Periarticular Plating System and the M/DN-Registered Trademark- nail.

Net sales in the Asia Pacific region increased 13 percent in 2000 to \$265 million, driven by the introduction of new products in our reconstructive implant and fracture management product lines. This increase was comprised of an eight percent increase due to volume and changes in the mix of our product sales, a one percent decrease due to lower average selling prices and a six percent increase due to foreign exchange rate fluctuations. The lower average selling prices were the result of reductions in Japan in government reimbursement prices for reconstructive implants, which went into effect during 2000. Knee sales increased 14 percent, or 10 percent excluding foreign exchange rate fluctuations, driven by the introduction of the NexGen-Registered Trademark- Legacy-Registered Trademark- Posterior Stabilized Flex knee, a product designed to accommodate deep knee flexion, which is more common in day-to-day activities in Asia. Hip sales increased seven percent, or two percent excluding foreign exchange rate fluctuations, driven primarily by strong sales of VerSys-Registered Trademark- porous hip stems and Trilogy-Registered Trademark- cups. Fracture management product sales increased 13 percent, reflecting a net increase due to strong M/DN-Registered Trademark- nail sales offset by lower sales of compression hip screws compared to the prior year in which there was a new product launch.

Net sales in Europe increased four percent in 2000 to \$121 million, driven by higher sales in the United Kingdom, Germany, Spain, France and Italy. This increase was comprised of a 17 percent increase due to volume and changes in the mix of our product sales offset by a 13 percent decrease due to foreign exchange rate fluctuations. Knee sales increased three percent, or 17 percent excluding

foreign exchange rate fluctuations, driven by strong sales of the NexGen-Registered Trademark- Legacy-Registered Trademark- system of knee prostheses. Hip sales increased five percent, or 17 percent excluding foreign exchange rate fluctuations, supported by the introduction of ZMR-Registered Trademark- and our offering of specialized hip products that appeal to European surgical philosophies, such as CPT-Registered Trademark-, SKF/SKT-Registered Trademark- and the Mercure-Registered Trademark- hip. Fracture management product sales increased two percent with the introduction of the M/DN-Registered Trademark- nail.

Overall, our worldwide reconstructive implant sales increased by 13 percent in 2000 to \$764 million. During this period, foreign exchange rate fluctuations had no effect on overall reconstructive implant sales. Knee sales increased by 10 percent to \$414 million, or 11 percent excluding foreign exchange rate fluctuations, driven primarily by strong sales of NexGen-Registered Trademark- Legacy-Registered Trademark- knee prostheses across all regions. Hip sales increased by 14 percent to \$329 million, or 13 percent excluding foreign exchange rate fluctuations, reflecting increased market penetration of our porous hip stems and Trilogy-Registered Trademark- cups in the Americas and the Asia Pacific region.

Our fracture management product sales increased worldwide by 10 percent in 2000 to \$124 million, or nine percent excluding foreign exchange rate fluctuations. This increase was driven primarily by sales of our recently launched M/DN-Registered Trademark- nail in all regions. Our other sales increased by four percent overall in 2000 to \$153 million. This increase was driven primarily by sales of distributed powered instruments and arthroscopy products in the Asia Pacific region.

YEAR ENDED DECEMBER 31, 1999 COMPARED TO YEAR ENDED DECEMBER 31, 1998. Net sales in the Americas increased five percent in 1999 to \$588 million. This increase was comprised of a four percent increase due to volume, changes in the mix of our product sales and a one percent increase due to higher average selling prices. Knee sales increased eight percent led by growth in sales of the NexGen-Registered Trademark- Legacy-Registered Trademark- Posterior Stabilized knee. Hip sales increased nine percent, driven by strong sales of our VerSys-Registered Trademark- porous hip stems and the introduction of our cemented revision hip, VerSys-Registered Trademark- CRC. The increase in fracture management product sales of five percent was driven by the introduction of the M/DN-Registered Trademark- nail.

Net sales in the Asia Pacific region increased 24 percent in 1999 to \$235 million. This increase was comprised of an 11 percent increase due to volume and changes in the mix of our product sales, no

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change in average selling prices and a 13 percent increase due to foreign exchange rate fluctuations. Knee sales increased 30 percent, or 17 percent excluding foreign exchange rate fluctuations, driven by higher sales of the NexGen-Registered Trademark- Legacy-Registered Trademark- Posterior Stabilized knee and a greater availability of inventory and related instruments within the region. Hip sales increased 21 percent, or seven percent excluding foreign exchange rate fluctuations, led by higher sales of VerSys-Registered Trademark- porous stems. Fracture management product sales, which increased 25 percent, were aided by the continuing introduction of TiVersa Fx-Registered Trademark-, our titanium compression hip screw, which we developed to meet the needs of the Asia Pacific region.

Net sales in Europe increased three percent in 1999 to \$116 million. This increase was comprised of a six percent increase due to volume and changes in the mix of our product sales, a one percent decrease due to lower average selling prices and a two percent decrease due to foreign exchange rate fluctuations. Knee sales increased four percent, or seven percent excluding foreign exchange rate fluctuations, with strong sales in the NexGen-Registered Trademark- Legacy-Registered Trademark- system of knee prostheses offset by declining sales of the previous generation Insall-Burstein II-Registered Trademark- knee. Hip sales decreased by one percent, but increased one percent excluding foreign exchange rate fluctuations, with lower sales of cemented stems offset by higher sales of porous stems. Fracture management product sales were even with prior year sales.

Worldwide, our reconstructive implant sales increased 11 percent in 1999 to \$679 million, an increase of nine percent excluding foreign exchange rate fluctuations. Knee sales increased 11 percent to \$377 million, an increase of nine percent excluding foreign exchange rate fluctuations, due primarily to higher sales of NexGen-Registered Trademark- Legacy-Registered Trademark- knee prostheses across all regions. Hip sales increased by 11 percent to \$289 million, an increase of eight percent excluding foreign exchange rate fluctuations, due to increased sales of our porous hip stems across all regions, reflecting a general industry shift to those products.

Our worldwide fracture management product sales increased by 10 percent in

1999 to \$113 million. Excluding foreign exchange rate fluctuations, fracture management product sales increased by six percent. This increase was driven primarily by the introduction of our M/DN-Registered Trademark- nail. Our other sales decreased one percent in 1999 to \$147 million. This decrease resulted from lower sales of wound debridement products. In the Asia Pacific region, we signed a long-term agreement for the rights to distribute powered instruments and arthroscopy products throughout the region.

EXPENSES

Total costs and expenses as a percentage of net sales were 74 percent in 2000, 75 percent in 1999 and 76 percent in 1998.

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The following table sets forth our expenses as a percentage of net sales for the years ended December 31, 2000, 1999 and 1998:

EXPENSES AS A PERCENTAGE OF NET SALES

<TABLE>

<CAPTION>

	YEAR ENDED DECEMBER 31,		
	2000	1999	1998
<S>	<C>	<C>	<C>
NET SALES.....	100%	100%	100%
EXPENSES:			
Cost of products sold.....	28	29	31
Selling.....	20	19	19
Marketing, promotion and distribution.....	14	15	14
Research and development.....	5	5	4
General and administrative.....	7	7	8
	---	---	---
	74	75	76
	---	---	---
EARNINGS BEFORE INCOME TAXES.....	26	25	24
Provision for income taxes.....	9	9	7
	---	---	---
NET EARNINGS.....	17%	16%	17%
	===	===	===

</TABLE>

COST OF PRODUCTS SOLD. Cost of products sold as a percentage of net sales decreased to 28 percent in 2000, compared to 29 percent in 1999, due to reductions in inventory related charges and investments in more efficient manufacturing equipment. Cost of products sold as a percentage of net sales decreased to 29 percent in 1999, compared to 31 percent in 1998, principally due to negotiated decreases in raw material costs, the rationalization of manufacturing operations and investment in more efficient manufacturing equipment. In 1998, we completed the closure of our manufacturing plants in New Philadelphia, Ohio and Swindon, England and consolidated production into our Warsaw, Indiana, Dover, Ohio and Ponce, Puerto Rico plants.

SELLING. Selling expenses as a percentage of net sales in 2000 increased to 20 percent compared to 19 percent in 1999 and 1998. The increase in 2000 was principally due to the hiring of new sales associates and support personnel and increased commissions as a percentage of net sales due to a greater number of distributors exceeding sales targets. We believe our consistent investment in sales associates has been a key factor in driving growth in revenue and net earnings across product lines and geographic regions.

MARKETING, PROMOTION AND DISTRIBUTION. Marketing, promotion and distribution expenses as a percentage of net sales in 2000 decreased to 14 percent from the 1999 level of 15 percent due to lower distribution expenses in the Asia Pacific region when selected distribution and customer service functions were consolidated. Marketing, promotion and distribution expenses as a percentage of net sales increased to 15 percent in 1999 compared to 14 percent in 1998. The increase in 1999 was due to higher marketing and promotion expenses in all regions to support new product launch activities, increased costs for instruments, increased spending associated with annual convention activities, higher administrative fees under group purchasing contracts, the impact of a discontinued product line and increased distribution costs because of a change in our national courier.

RESEARCH AND DEVELOPMENT. Research and development as a percentage of net sales in 2000 remained at the 1999 level of five percent compared with four percent in 1998. The increase in 1999 was due, in part, to increased spending on engineering, development and commercialization activities as we broadened our product offerings. The increase was also due, in part, to increased spending on surgeon consulting in support of design and concept testing of new products,

greater demand for post-market clinical studies and prospective and retrospective clinical evaluations.

Most notably, we released for sale in 1999 and 2000:

<TABLE>	<C>
<S>	
- the ZMR-Registered Trademark- modular revision hip system;	- the NexGen-Registered Trademark- Legacy-Registered Trademark- Posterior Stabilized knee;
- Longevity-Registered Trademark- highly cross-linked polyethylene liners;	- the NexGen-Registered Trademark- MBK-Registered Trademark- mobile knee in Europe;
- the NexGen-Registered Trademark- Legacy-Registered Trademark- Posterior Stabilized Flex knee;	- the M/DN-Registered Trademark- nail;
- the VerSys-Registered Trademark- CRC cemented revision hip stem;	- the Bigliani/Flatow-Registered Trademark- shoulder; and
- the VerSys-Registered Trademark- Heritage hip stem;	- our new Periarticular Plating System.
- the Mayo-Registered Trademark- porous hip stem;	

In 1998, we released for sale:

<TABLE>	<C>
<S>	
- the VerSys-Registered Trademark- beaded porous hip stem;	- the CableReady-Registered Trademark- system; and
- the VerSys-Registered Trademark- ET hip stem for the Asia Pacific region;	- the TiVersa Fx-Registered Trademark- titanium compression hip screw for the Asia Pacific region.
- the NexGen-Registered Trademark- Co-Nidium system, a surface hardened knee femoral, for Japan;	

GENERAL AND ADMINISTRATIVE. General and administrative expenses as a percentage of net sales decreased to seven percent in 2000 and 1999 from eight percent in 1998. In dollar terms, these expenses increased one percent in 2000 and did not increase in 1999 despite sales increases in 2000 and 1999 of 11 and nine percent, respectively. Savings related to reductions in personnel contributed to these results. Our efforts to reduce staff through natural attrition and department consolidation, which is part of our ongoing drive for cost efficiencies in business support functions, resulted in net reductions across all geographic regions in general and administrative staff of three percent in 1999.

CHANGES IN STRATEGY AND ORGANIZATIONAL STRUCTURE. We believe our focus on leveraging our operations and administrative resources to fund the development and marketing of new products in conjunction with changes in strategy and organizational structure pursued since 1997 have contributed to our recent financial success. Changes in our strategy and organizational structure drove reductions in cost of products sold as a percentage of net sales and general and administrative expenses as a percentage of net sales from 1998 to 2000. We anticipate ongoing reductions in cost of products sold as a percentage of net sales from the actions we undertook in 2000, including the closing of our Japanese manufacturing operations and the subsequent consolidation of these operations with the existing operations at our plant in Puerto Rico. We also expect to realize ongoing productivity savings as a result of a reduction in our headcount in Japan in 2000.

During 1997, we changed our strategic focus and operating structure, which led us to undertake several actions in 1997, 1998 and 1999. We discontinued and streamlined product lines and closed plants in Swindon, England and New Philadelphia, Ohio. We also reorganized our U.S. distributor network and reduced the size of our organization by terminating approximately 40 independent distributors and 650 employees, consistent with our original plan. As a result, we recorded pretax charges of:

- \$104 million in 1997, with \$28 million reflected in cost of products sold and \$76 million reflected in marketing, promotion and distribution;

- \$29 million in 1998, with \$2 million reflected in cost of products sold and \$27 million reflected in marketing, promotion and distribution; and
- \$21 million in 1999, with \$6 million reflected in cost of products sold and \$15 million reflected in marketing, promotion and distribution.

We included employee severance and distributor termination payments, costs generally connected with the closure of our sales offices, and lease termination penalties in marketing, promotion and distribution. We included inventory charges related to discontinued product lines in cost of products sold. Most of the associated costs were incurred in the year charged. Associated accruals remaining on our balance sheet as of December 31, 1999, 1998 and 1997 were \$3 million, \$6 million and \$25 million, respectively.

During 2000, we committed to consolidate and make other changes in manufacturing of product lines, to terminate a license and distribution agreement and to reduce the size of our organization in areas affected by these changes. We terminated, or will terminate, approximately 100 employees in manufacturing, distribution and administration and shut down various international operations. As a result, we recorded pretax charges of \$17 million, with \$3 million included in cost of products sold for inventory write-downs and \$14 million included in marketing, promotion and distribution, \$10 million for employee severance and \$4 million for costs associated with terminating a distribution agreement. At December 31, 2000, \$5 million, primarily related to severance, was accrued. We expect to substantially complete these restructuring activities by mid-2001. We expect to realize approximately \$7 million in annual costs savings from these activities, which will not significantly impact our capital resources and liquidity.

NET EARNINGS

Net earnings grew 17 percent in 2000 to \$176 million and increased three percent in 1999 to \$150 million. The increase in net earnings in 2000 was driven by growth of 11 percent in net sales, a decrease in our total expenses as a percentage of net sales and a decrease in our effective tax rate. Total expenses as a percentage of net sales decreased to 74 percent in 2000 from 75 percent in 1999. This decrease is attributable to reductions in cost of products sold relative to net sales in 2000. The effective tax rate decreased from 35 percent to 34 percent as a result of increased earnings in lower tax jurisdictions.

The increase in net earnings in 1999 was driven by growth of nine percent in net sales and a reduction in our expenses as a percentage of net sales to 75 percent in 1999 from 76 percent in 1998. This reduction in expenses as a percentage of net sales is primarily attributable to relative reductions in cost of products sold and general and administrative expenses in 1999, offset by an increase in the effective tax rate from 31 percent to 35 percent. The effective tax rate increased as a result of foreign tax credit benefits realized in 1998 and increased earnings in higher tax jurisdictions.

Net earnings in periods subsequent to the distribution will be reduced by the cost of interest expense associated with the approximately \$500 million in debt to be assumed or incurred as of the distribution date. See "Unaudited Pro Forma Combined Financial Statements" for a more detailed discussion of this interest cost and the associated debt.

OPERATING PROFIT

The following table sets forth our operating profit by segment for the years ended December 31, 2000, 1999 and 1998:

OPERATING PROFIT BY SEGMENT

PERCENT OF NET SALES

<TABLE>
<CAPTION>

SEGMENT	YEAR ENDED DECEMBER 31,		
	2000	1999	1998
<S>	<C>	<C>	<C>
Americas.....	48%	47%	45%
Asia Pacific.....	38	33	41
Europe.....	16	20	21

</TABLE>

Operating profit for the Americas as a percent of net sales increased to 48 percent in 2000 from 47 percent in 1999 and 45 percent in 1998, reflecting the favorable effects of increased sales of higher margin products, higher average selling prices and reduced product cost.

Operating profit for the Asia Pacific region as a percent of net sales increased to 38 percent in 2000 from 33 percent in 1999 due to reduced operating expenses and favorable foreign exchange rate fluctuations. In 1999, operating profit as a percentage of net sales decreased to 33 percent from 41 percent in 1998 due, in part, to increased operating costs related to new product launches.

Operating profit for Europe as a percent of net sales decreased to 16 percent in 2000 from 20 percent in 1999 and 21 percent in 1998, due principally to unfavorable foreign exchange rate fluctuations.

LIQUIDITY AND CAPITAL RESOURCES

Historically, we have generated sufficient cash from our operating activities to fund our working capital and capital expenditure requirements.

Cash flow generated from operations was \$47 million in the three months ended March 31, 2001 compared to \$43 million in the three months ended March 31, 2000 and was \$232 million, \$180 million and \$199 million for 2000, 1999 and 1998, respectively. The improvement in our cash flow from operations for the three months ended March 31, 2001, compared with the same period in 2000, was primarily the result of decreases in working capital driven by increases in accounts payable and accrued expenses. In the Americas, increases in accounts payable resulted from a higher mix of payables with favorable payment terms while accrued expenses for royalties and commissions increased due to higher net sales. Accrued expenses for separation costs also contributed to the increase in the three months ended March 31, 2001.

The improvement in our cash flow from operations for 2000, compared with 1999 and 1998, was primarily the result of increases in our net earnings and reductions in working capital driven by accounts receivable, accounts payable and inventory management. In the Americas, we targeted large and aged accounts for enhanced collection and also focused on improving our credit terms in our negotiations with large U.S. hospital buying groups. In the Asia Pacific region, we have reduced the number of wholesalers we work with and negotiated improved payment terms from those remaining.

In order to reliably fill orders on the day they are received for next day delivery, we maintain adequate supplies of inventory items at our principal warehouses and in the field. We employ systems and procedures to match production plans with demand requirements to optimize inventory levels. Since 1998, despite a significant number of new product introductions, we have focused on decreasing the number of days on hand for our inventory through consolidation of manufacturing facilities and rationalization of product lines and have reduced average daily backorders. Assuming we maintain our current product portfolio, we expect to continue for the foreseeable future maintaining average days of inventory at levels consistent with the amounts reported for 1999 and 2000. We have recorded a reserve as of March 31, 2001 of \$43 million for obsolete and slow-moving inventory. We review our inventory reserve balance quarterly and make additional provisions if necessary. There have been no significant adjustments to the reserve balance to date and we do not expect any material future adjustments.

Cash flow used in investing activities was \$10 million in the three months ended March 31, 2001 compared to \$6 million in the three months ended March 31, 2000 and was \$29 million, \$33 million and \$20 million for 2000, 1999 and 1998, respectively. Our spending on investment activities during the three months ended March 31, 2001 and during 2000, 1999 and 1998 was primarily for our manufacturing facilities. This includes expansion of manufacturing capacity and enhancement of existing capacity for the manufacture of new products. Capital was also used to purchase equipment to improve yield, increase automation and increase manufacturing productivity. During the three months ended March 31, 2001, we spent a portion of the \$10 million used in investing activities on the \$5 million expansion of our Warsaw distribution facility. In addition, in late 1999, Bristol-Myers Squibb approved the modernization of our information technology infrastructure, including the replacement of our operating systems, databases and programming languages. We are currently in the process of implementing a client server-based ERP/MES solution for our North American operations, which is projected to cost approximately \$24 million over a two-to-three year period for hardware, software and implementation. In the three months ended March 31, 2001 and in the year ended December 31, 2000,

we invested approximately \$2 million and \$6 million, respectively, in this project, principally for hardware and software. We expect to invest approximately \$16 million in this project in 2001 based on current implementation plans. We will consider implementing this integrated software solution in our international operations following the implementation in North America. At this time, we are not able to determine the cost or timing of an implementation outside of North America.

Our capital requirements for 2001, exclusive of the ERP/MES project and anticipated separation costs and expenses, are expected to increase over 1999 and 2000 levels due to a \$5 million expansion of our Warsaw distribution facility. We also are planning to purchase equipment and tooling to support new products, such as the expansion of our VerSys-Registered Trademark- product line.

Our primary future recurring cash needs will be working capital, capital expenditures and debt service. We believe that our cash flows from operations, together with the approximately \$120 million in proceeds we expect to receive from borrowings on the distribution date under a senior unsecured credit facility discussed below, will be sufficient to meet our recurring cash needs during the 12 month period after the distribution and the foreseeable future thereafter. There can be no assurance, however, that this will be the case. If our cash flows from operations are less than we expect, we may need to incur additional debt. We have not yet decided whether, or to what extent, we will retire the approximately \$500 million in debt that we will assume or incur under this credit facility or whether we will refinance it. We may from time to time incur additional debt.

We may need to incur additional debt or issue equity to make a strategic acquisition or investment. We cannot assure you that such financing will be available to us on acceptable terms or at all. Our ability to issue additional equity is constrained because it may cause the distribution to be taxable under Section 355(e) of the Internal Revenue Code and under the tax sharing agreement we would be required to indemnify Bristol-Myers Squibb against that tax. For a discussion of Section 355(e), please see "The Distribution--U.S. Federal Income Tax Consequences of the Distribution."

In connection with our separation from Bristol-Myers Squibb, we expect to assume or incur approximately \$500 million in debt under a \$600 million senior unsecured credit facility that Bristol-Myers Squibb will enter into prior to the distribution date. Of this amount, we expect that Bristol-Myers Squibb will incur approximately \$380 million under this credit facility that we will assume on the distribution date and for which we will not receive any proceeds. In addition, we expect to borrow under the credit facility an additional amount of approximately \$120 million on the distribution date of which approximately \$70 million will be used to fund costs and expenses expected to be incurred in connection with the separation and approximately \$50 million will be retained as working capital. The debt we will assume from Bristol-Myers Squibb represents the portion of Bristol-Myers Squibb's liabilities that we and Bristol-Myers Squibb determined would result, together with the planned additional borrowings under the credit facility, in the most appropriate capital structure for us as a stand-alone entity. This debt is not directly attributable to our operations. We and Bristol-Myers Squibb determined the amount of debt that we would assume after considering our ability to service the initial level of debt, our ability to finance current and future growth initiatives and the capital structure of comparable companies. Upon the distribution, Bristol-Myers Squibb will be relieved of all obligations under the credit facility and we will become obligated to satisfy all payments and other terms of this credit facility. After the distribution date we may incur up to \$100 million of additional debt under this credit facility, or enter into a separate revolving credit facility, to fund our capital expenditure requirements and provide additional working capital. We expect that the senior unsecured credit facility will contain customary restrictions, covenants and events of default for an unsecured financing. We do not expect compliance with these restrictions and covenants to materially affect our operations.

We currently intend to target and maintain a capital structure that we believe is consistent with an investment grade credit rating. We cannot assure you, however, that the debt we assume or incur in order to fund working capital, capital expenditures, debt service and acquisitions, joint ventures and other investments will allow us to realize this goal.

Our ability to make payments on and to refinance our indebtedness, including the debt we will assume from Bristol-Myers Squibb, and to fund working capital, capital expenditures, debt service and

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strategic acquisitions, joint ventures and investments will depend on our ability to generate cash in the future, which is subject to general economic, financial, competitive, legislative, regulatory and other factors that are beyond our control. The terms of the debt we assume or incur as part of our separation from Bristol-Myers Squibb and of future indebtedness may impose various restrictions and covenants on us which could limit our ability to respond to market conditions, to provide for unanticipated capital investments or to take advantage of business opportunities.

MARKET RISK

We are exposed to certain market risks as part of our ongoing business

operations, including risks from changes in foreign currency exchange rates and interest rates, that could impact our results of operations and financial condition. Bristol-Myers Squibb historically has managed these types of risks on our behalf as part of its company-wide management of market risks. The notional amounts of derivative financial instruments included in our historical financial statements indicate the extent of our indirect involvement in such instruments but are not necessarily indicative of what our exposure to market risk through the use of derivatives would be as a separate stand-alone entity. We plan to manage our exposure to these and other market risks through regular operating and financing activities, and on a limited basis, through the use of derivative financial instruments. We intend to use such derivative financial instruments as risk management tools and not for speculative investment purposes.

FOREIGN CURRENCY EXCHANGE RISK

In order to reduce the uncertainty of foreign exchange rate movements on transactions denominated in foreign currencies, Bristol-Myers Squibb has, on our behalf, historically entered into derivative financial instruments in the form of foreign exchange options contracts, and to a lesser extent, forward contracts with major international financial institutions. These options and forward contracts, which typically mature within one year, are designed to hedge anticipated foreign currency transactions, primarily intercompany inventory transactions, for periods consistent with commitments. Realized and unrealized gains and losses on these contracts that qualify as hedges are deferred and recognized in the same period as the transactions occur. The notional amounts of our foreign exchange option contracts entered into on our behalf with third parties and, during 2001, the forward contracts with Bristol-Myers Squibb, further described below, were \$98 million, \$39 million and \$13 million at March 31, 2001, December 31, 2000 and December 31, 1999, respectively. Foreign exchange contracts would not subject us to material risk due to exchange rate movements because gains and losses on these contracts offset gains and losses on the assets, liabilities, and transactions being hedged.

We had exposures to net foreign currency denominated assets and liabilities of approximately \$25 million, \$49 million and \$185 million at March 31, 2001, December 31, 2000 and December 31, 1999, respectively, primarily in the Japanese Yen and the Euro. These exposures are managed by Bristol-Myers Squibb and Bristol-Myers Squibb provides intercompany financing to certain international Zimmer legal entities. Intercompany financing activities, as transacted by Bristol-Myers Squibb, significantly reduced Zimmer's exposure to net foreign currency denominated assets and liabilities in the three months ended March 31, 2001 and in the year ended December 31, 2000.

In 2001, in addition to third-party options, which Bristol-Myers Squibb entered into on our behalf, we have also entered into foreign currency forward contracts with Bristol-Myers Squibb. We do not expect to enter into new forward contracts with Bristol-Myers Squibb following the expiration of the current agreements at the end of 2001.

The Contribution and Distribution Agreement will provide that, as between Bristol-Myers Squibb and us, we will assume all liabilities under, or otherwise relating to, derivatives and similar obligations primarily related to our business. Initially, Bristol-Myers Squibb may continue to perform obligations under such derivatives and similar obligations on our behalf, but all amounts paid to or received from third parties will be charged to, paid over or credited to us.

By their nature all such instruments involve risk including the credit risk of nonperformance by counterparties, and our maximum potential loss may exceed the amount recognized in our balance

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sheet. However, at March 31, 2001, we believe there was no significant risk of loss in the event of nonperformance of the counterparties to these financial instruments.

COMMODITY PRICE RISK

We are subject to commodity price risk under agreements for the supply of raw materials. For example, we have entered into 12 to 24 month supply contracts for titanium, medical grade polymer and sterile packaging. Historically, we have not hedged our commodity price exposure and currently do not intend to do so following the distribution.

INTEREST RATE RISK

Following the distribution, Zimmer will be subject to interest rate risk related to the \$500 million of debt to be assumed or incurred in connection with the distribution. We may decide in the future to enter into derivative contracts to manage this exposure.

CREDIT RISK

A substantial portion of our trade receivables are due from hospitals and other healthcare providers. We generally do not receive collateral for these receivables. Although the concentration of these receivables with customers in a similar industry poses a risk of non-collection, we believe this risk is mitigated somewhat by the large number and geographic dispersion of these customers and by our frequent monitoring of the creditworthiness of the customers to whom we grant credit in the normal course of business.

We control our exposure to credit risk through credit approvals, credit limits and monitoring procedures, and we believe that reserves for losses are adequate. We do not have any significant exposure to any individual customer or other major concentration of credit risk.

RECENT ACCOUNTING PRONOUNCEMENTS

In June 1998, the Financial Accounting Standards Board (FASB) issued statement of Financial Accounting Standards (SFAS) No. 133, "Accounting for Derivative Instruments and Hedging Activities." This statement requires that companies measure all derivatives at fair value and recognize them in the balance sheet as an asset or liability, depending on the rights or obligations under the applicable derivative contract. In June 1999, the FASB issued SFAS No. 137, "Accounting for Derivative Instruments and Hedging Activities--Deferral of the Effective Date of FASB Statement No. 133," which deferred the effective date of SFAS No. 133 to fiscal years beginning after June 15, 2000. In June 2000, the FASB issued SFAS No. 138, "Accounting for Certain Derivative Instruments and Certain Hedging Activities," which amended SFAS No. 133 to allow foreign-currency denominated assets and liabilities to qualify for hedge accounting, permit the offsetting of selected inter-entity foreign currency exposures that reduce the need for third party derivatives and redefine the nature of interest rate risk to avoid sources of ineffectiveness. We adopted SFAS No. 133, as amended, on January 1, 2001. The adoption of this accounting requirement did not have a material effect on the company's combined financial statements.

In December 1999, the Securities and Exchange Commission issued Staff Accounting Bulletin No. 101, "Revenue Recognition in Financial Statements." The adoption of this accounting requirement during 2000 did not have a material effect on our combined financial statements.

In June 2001, the Financial Accounting Standards Board (FASB) approved, but has not yet issued, Statement of Financial Accounting Standard (SFAS) No. 141 "Business Combinations" and No. 142, "Goodwill and Other Intangible Assets." SFAS No. 141 requires that companies use the purchase method of accounting for all business combinations initiated after June 30, 2001 and addresses the initial recognition and measurement of goodwill and other intangible assets acquired in a business combination. SFAS No. 142 addresses the initial recognition and measurement of intangible assets acquired outside a business combination, whether acquired individually or with a group of other assets. SFAS No. 142 also addresses the recognition and measurement of goodwill and other intangible assets subsequent to their acquisition. Based on our understanding of the final standards approved, we do not expect SFAS No. 141 and No. 142 to have a material effect on our combined financial statements.

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BUSINESS

OVERVIEW

We are a global leader in the design, development, manufacturing and marketing of orthopaedic reconstructive implants and fracture management products. Orthopaedic reconstructive implants restore joint function lost due to disease or trauma in joints such as knees, hips, shoulders and elbows. Fracture management products are devices used primarily to reattach or stabilize damaged bone and tissue to support the body's natural healing process. We also manufacture and market other products relating to orthopaedic and general surgery.

Since 1927, when our predecessor, Zimmer, Inc., was founded, we have been a leader in the orthopaedics industry. With a reputation for product quality and service built over almost 75 years, we believe that our Circle Blue Z logo is one of our industry's most trusted and recognized brands and we believe that we have one of the most informed and effective salesforces in our industry worldwide. We also enjoy long-standing relationships with many leading orthopaedic surgeons around the world. We have capitalized on our strong brand-name and our other competitive strengths to establish a leadership position in global reconstructive implant sales. Based on independent industry sources, our NexGen-Registered Trademark-, VerSys-Registered Trademark- and Trilogy-Registered Trademark- brand families are among the leading knee, hip stem and acetabular cup brands in the world based on 2000 sales revenue. We also continue to build a strong presence in the fracture management category with the growth of sales of products such as our M/DN-Registered Trademark- nail and the

We believe we are one of the largest, fastest growing and most profitable of the major companies focused on orthopaedic reconstructive implants. In 2000, we had net sales of \$1,041 million and net earnings of \$176 million. Since 1998, we have experienced a compound annual sales growth rate of approximately 10 percent. Increased global demand for our reconstructive implants and fracture management products has driven most of this growth.

We have operations in approximately 20 countries and market our products in approximately 70 countries. The Americas is our largest region, accounting for approximately 63 percent of 2000 sales, with the United States accounting for approximately 95 percent of sales in this region. The Asia Pacific region, our next largest region, accounted for approximately 25 percent of our 2000 sales, with Japan accounting for approximately 78 percent of sales in this region. Europe, our third largest region, accounted for approximately 12 percent of 2000 sales with the United Kingdom, Germany, Spain, France and Italy accounting for approximately 75 percent of sales in this region.

THE ORTHOPAEDICS INDUSTRY

OVERVIEW

The orthopaedics industry, which had worldwide sales of approximately \$12 billion in 2000 according to independent industry sources, produces a wide range of products designed to treat injuries or disorders of the skeletal system and associated muscles, joints and ligaments, including:

- reconstructive implants;
- fracture management products;
- spinal products;
- rehabilitation products;
- arthroscopy products;
- electrical stimulation products;

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- casting products; and
- other orthopaedic products.

Independent industry sources estimate that the global orthopaedics industry has grown at an annual rate of approximately seven to nine percent from 1998 to 2000 and will continue to grow at an annual rate of approximately seven to nine percent over the next several years. The different product categories which comprise the orthopaedics industry, however, have historically grown at, and should continue to grow at, different rates. In the product categories on which we primarily focus, independent industry sources estimate that sales of reconstructive implants will grow at approximately six to eight percent and sales of fracture management products will grow at approximately nine percent over the next several years. We also believe that a significant portion of industry-wide growth will be driven by high growth in sales of selected spinal and arthroscopy applications.

THE PRODUCT CATEGORIES IN WHICH WE COMPETE

The product categories on which we primarily focus include reconstructive implants and fracture management products. Sales in these product categories represented approximately \$6 billion of industry-wide global sales in 2000, according to independent industry sources. We also compete in the market for other orthopaedic products.

RECONSTRUCTIVE IMPLANTS. Reconstructive implants, which represented approximately 40 percent of worldwide orthopaedic sales in 2000 according to independent industry sources, restore joint function of knees, hips, shoulders, elbows and other joints lost due to disease or trauma. The majority of reconstructive implant procedures restore joint function and relieve pain in knees and hips lost in degenerative diseases such as arthritis.

KNEE IMPLANTS. According to independent industry sources, global sales of knee implant products equaled approximately \$2 billion in 2000, representing approximately 600,000 knee replacement surgeries. These sources also estimate that knee implant sales have grown at an annual rate of approximately six to seven percent from 1998 to 2000 and will grow at an annual rate of approximately seven percent over the next several years. Knee replacement surgeries include first time joint replacement procedures and revision procedures for the replacement, repair or enhancement of an implant product or component from a previous procedure. Knee implants are designed to accommodate different levels

of ligament stabilization of the joint. While some knee implant designs, called cruciate retaining designs, require the retention of the posterior cruciate ligament, other designs, called posterior stabilized designs, provide joint stability without the posterior cruciate ligament. Because there is greater bone loss in revision knee replacement surgery, revision products typically provide for greater joint stability. There are also procedures for partial reconstruction of the knee, which treat limited knee degeneration and involve the replacement of only one side, or compartment, of the knee with a unicompartmental knee prosthesis. We believe that unicompartmental procedures grew at approximately 60 percent in the United States during the 12 month period ending June 2000.

HIP IMPLANTS. Independent industry sources estimate global sales of hip implant products of approximately \$2 billion in 2000, representing approximately 600,000 hip replacement surgeries. These sources also estimate that hip implant sales have grown at an annual rate of approximately six to seven percent from 1998 to 2000 and will grow at an annual rate of approximately six to seven percent over the next several years. Total hip replacement surgeries replace both the ball and the socket of the natural hip and include first time total joint replacement procedures and revision procedures for the replacement, repair or enhancement of an implant product or component from a previous procedure. Historically, most hip implant procedures have involved the use of bone cement to attach the prosthetic components to the surrounding bone. Today, many femoral and acetabular cup replacement components are porous, which means that they do not require bone cement because bone can actually

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grow into, and attach to, the implant surface. The femur is the bone between the pelvis and the knee. The acetabular cup is the cup-shaped socket of the pelvis.

OTHER RECONSTRUCTIVE IMPLANTS. Due to the clinical success of total joint replacement procedures for knees and hips, demand for total joint replacement of other joints, such as the shoulder and elbow, has grown and continues to grow. Independent industry sources estimate that, on a combined basis, approximately 55,000 shoulder and elbow implant procedures were completed in 2000. Many patients that receive these implants have previously experienced trauma to the joint. We believe that sales of shoulder and elbow implants will grow much faster than sales of hip and knee implants, as more surgeons gain confidence with clinical outcomes.

FRACTURE MANAGEMENT PRODUCTS. Fracture management products, which represented approximately 13 percent of worldwide orthopaedic sales in 2000 according to independent industry sources, include devices used primarily to reattach or stabilize damaged bone and tissue to support the body's natural healing process. Independent industry sources estimate that global sales of fracture management products equaled approximately \$1.5 billion in 2000. These sources also estimate that sales of fracture management products have grown at an annual rate of approximately seven to eight percent from 1998 to 2000 and will grow at an annual rate of approximately nine percent over the next several years. The most common surgical stabilization of bone fractures involves the internal fixation of bone fragments. This stabilization can involve the use of a wide assortment of plates, screws, rods, wires and pins. In addition, tissue attachment devices are used to treat soft tissue trauma.

OTHER ORTHOPAEDIC PRODUCTS. Other orthopaedic products include surgical supplies and instruments designed to aid in orthopaedic surgical procedures and accommodate patient rehabilitation needs post-surgery. Some of these surgical products can be, and are, used in non-orthopaedic procedures. The most common specialty surgical products typically required in orthopaedic surgical procedures include tourniquets, blood recovery devices, pain management products and wound debridement products. Wound debridement products are used to remove foreign material and contaminated, damaged or dead tissue from wounds. In addition, many patients with orthopaedic injuries require joint immobilizers and other products that provide support and/or heat retention and compression for trauma of the knee, ankle, back and upper extremities, including the shoulder, elbow, neck and wrist.

INDUSTRY GROWTH TRENDS

We believe that there are several trends that will drive growth in the product categories of the orthopaedics industry on which we primarily focus. These trends are described below.

FAVORABLE DEMOGRAPHIC SHIFTS. We believe that demographic shifts in the United States and around the world will help drive growth for reconstructive implants over the next decade. In particular, we expect the aging baby boom population to provide strong demand for total joint replacements. Total joint replacement is widely viewed by orthopaedic surgeons as the most effective way to restore quality of life in the elderly population desiring active and independent lifestyles, particularly those suffering from the primary cause of bone and joint deterioration, osteoarthritis. The U.S. Census Bureau estimates that the total number of people age 65 and over in the United States will

increase by 4.9 million to 39.7 million between 2000 and 2010. Similarly, the U.S. Census Bureau estimates that the percentage of the world's population that is age 65 and over will grow from approximately 6.9 percent of the total population to approximately 9.5 percent during the period from 2000 to 2020. Within the developed world, the U.S. Census Bureau estimates that the total population that is age 65 and over will grow from approximately 14 percent of the total population today to an anticipated 19 percent of the population in 2020.

According to independent industry sources, approximately 233 million people in the United States, Japan and Europe had osteoarthritis, the most common form of arthritis, in 2000. An additional

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approximately 6.2 million people in these countries had rheumatoid arthritis in 2000 according to these sources. Osteoarthritis, a form of arthritis that is characterized by chronic degeneration of the cartilage of the joints, has an increased incidence among older individuals and both its development and its severity may be activity-related. Rheumatoid arthritis is a chronic disease marked by stiffness and inflammation of joints and a resulting weakness, loss of mobility and deformity of joints.

TECHNOLOGICAL ADVANCES. We believe that technological advances will make joint replacement a more attractive option for patients considering whether to have a procedure performed. For example, because of improvements in implant fixation, surgical technique and prosthetic joint surface wear, reconstructive implants are more widely used and more clinically successful today than ever before. Both initial and long-term fixation results in porous prosthetic products have benefitted substantially from improved design of the bone-to-implant interface and the use of new implant materials. We anticipate that more reproducible surgical procedures, improved instrumentation systems and greater wear resistance of the prosthetic joint surfaces will expand future success of joint reconstruction. We also expect that technological advances in biological applications, such as bone graft substitutes and bone replacements, which induce formation of new bone cells, may create new opportunities. In addition, less invasive surgical techniques in combination with new implant and instrumentation designs may continue to reduce the requirement for hospitalization, lower the procedural cost and shorten the rehabilitation process.

GROWTH IN REVISION IMPLANTS. We believe the large number of patients with aging primary total joint implants and the use of joint replacement in more active, younger patients will create a growing need for revision total joint replacement. A revision procedure entails the replacement, repair or enhancement of an implant product or component from a previous procedure. Primary joint replacements can lose their bone fixation, experience excessive wear and potentially become painful after years of use. According to independent industry sources, the revision implant product category has experienced annual growth of approximately 12 to 15 percent during the past several years, more than double the growth rate for primary implants over the same period. In part due to their greater complexity and lower frequency of use, revision total joint implants command higher prices than primary joint replacements.

GROWTH IN KNEE IMPLANTS OUTSIDE OF THE UNITED STATES. We expect the established clinical success of knee implants in the United States, the more recent clinical success of such implants in Europe and Japan, as well as improved training of orthopaedic surgeons and access to orthopaedic healthcare in developing economies, to increase the incidence of reconstructive knee surgery outside of the United States. In Europe, the number of total knee procedures performed is increasing, although knee replacements currently occur at approximately 40 percent of the frequency of hip procedures according to independent industry sources. This disparity is rooted in Europe's past experience with hip and knee implants. Whereas total hip replacement was first successfully introduced and popularized in Europe, the early European experience in knee replacement was less successful. As the European experience with knee implants improves, we expect the European market to become more similar to the U.S. market, where an approximately equal number of knee and hip procedures are performed.

In Japan, the number of total knee procedures performed is also increasing, although knee replacements also currently occur at approximately 40 percent of the frequency of total hip procedures according to independent industry sources. In Japan and the remainder of the Asia Pacific region, where lifestyles require extensive knee flexion, patients and physicians have been cautious in adopting total knee procedures. We expect that this traditional caution will dissipate as patients and physicians in Japan and in the remainder of the Asia Pacific region become encouraged by the clinical success of knee procedures and the availability of more effective, higher flexion products.

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In addition, we expect improved training of orthopaedic surgeons and improved access to orthopaedic healthcare in many developing economies in the Asia Pacific region, Latin America and Central and Eastern Europe to increase demand for our knee implants, as well as our other products.

GROWTH IN OTHER RECONSTRUCTIVE IMPLANTS. We expect significant growth from the relatively new shoulder and elbow total joint replacement procedures. With approximately 55,000 elbow and shoulder procedures completed in 2000, on a combined basis, according to independent industry sources, the incidence of reconstructive surgery in these joints is far lower than that in the hip or knee. We believe that sales of shoulder and elbow implants will grow much faster than sales of hip and knee implants, as more surgeons gain confidence with clinical outcomes.

ADDITIONAL INDUSTRY CHARACTERISTICS

We believe that the following additional characteristics have significant impact on the orthopaedics industry:

- Healthcare payors, providers and patients in many countries have demanded, and continue to demand, shorter hospital stays, faster post-operative recovery and lower-cost procedures.
- The importance of strong relationships between market participants and surgeons, who frequently recommend products or influence product selection decisions, for the development, commercialization and acceptance of products.
- Ongoing cost-containment pressures from managed care and hospital buying groups in the United States and government organizations in Europe and the Asia Pacific region have generated over the past decade industry-wide net declines in base prices for reconstructive implants, fracture management products and other related products. Base prices, however, generally have stabilized in more recent years in the United States and some of these other regions.

COMPETITIVE STRENGTHS

We are a global leader in the design, development, manufacturing and marketing of orthopaedic reconstructive implants and fracture management products. We describe our key competitive advantages below.

LEADING BRANDS IN ORTHOPAEDICS

With a reputation for product quality and service built over almost 75 years, we believe that our Circle Blue Z logo is one of the most trusted and recognized brands in the orthopaedics industry. We have capitalized on our brand-name recognition to establish a leadership position in global reconstructive implant sales. Based on independent industry sources, our NexGen-Registered Trademark-, VerSys-Registered Trademark- and Trilogy-Registered Trademark- brand families are among the leading knee, hip stem and acetabular cup brands in the world based on 2000 sales revenue. In addition, we have built a wide array of trusted brand names such as the M/G-TM- Unicompartmental knee, commonly referred to as the M/G-TM- Uni, the ZMR-TM- revision hip, the CPT-Registered Trademark- hip, the Bigliani/Flatow-Registered Trademark- shoulder, the M/DN-Registered Trademark- nail, a fracture management product, and the Zimmer ECT-Registered Trademark- internal fracture fixation system. We believe that the Circle Blue Z logo could be expanded into other categories of orthopaedic products in which we do not currently participate, such as selected high growth arthroscopy and spinal applications. We also believe that the Circle Blue Z logo could be expanded to potential new biological products such as bone graft substitutes and bone replacements, if such products can be successfully developed.

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PREMIER SALESFORCE

Both orthopaedic surgeons and competitors regard our salesforce of approximately 1,100 sales associates and surgery support personnel worldwide as one of the most informed and effective in the industry. We believe that the strength of our salesforce, second only to our brands, is our greatest asset. We view the long-standing relationships established by our salesforce with surgeons and hospitals and the value-added services that our salesforce offers, including technical product assistance in the operating room, as central to our success in the United States and throughout the world.

Several independent organizations have recently recognized our U.S. salesforce for its outstanding level of service. In February 1999, SELLING POWER magazine released a survey conducted by H.R. Chally that evaluated 5,600 sales organizations across a number of industries. We placed first for comparable medical device companies in this survey and twentieth overall. In a more industry-focused survey, Knowledge Enterprises polled 2,200 orthopaedic surgeons

after an American Academy of Orthopaedic Surgeons conference. According to the survey publishers, "orthopaedic surgeons ranked Zimmer the highest in 11 of 17 service categories. Even after normalizing for market share, no other company even came close."

We believe that we have substantially replicated the success of our U.S. sales and marketing organization on a global basis. In response to the different healthcare systems throughout the world, our sales and marketing strategy and organizational structure differ by country. However, we have carefully integrated our U.S. approach to salesforce training, marketing and medical education globally to provide consistent, high-quality service.

The quality of our international sales force is demonstrated in Japan. We believe that the knowledge and skill of our sales associates play a critical role in Japan because many doctors perform orthopaedic surgeries infrequently and must rely on the orthopaedic salesforce for extensive technical support. Additionally, in many hospitals, operating room nurses do not specialize and often have relatively low knowledge of, and experience with, orthopaedic instrumentation and procedures.

FAVORABLE POSITION IN THE ASIA PACIFIC REGION

We have operations in nine countries in the Asia Pacific region. With over 25 years of experience in Japan, we hold the number one position in knee implants and the number two position in hip implants in this country based on 1998 and 1999 sales revenue, according to independent industry sources. We are one of three major participants that call directly on surgeons and have extensive relationships with local distributors. We believe that the following factors contribute to our position in Japan:

- our long and generally favorable track record in Japan;
- our close working relationships with many Japanese surgeons;
- the presence of our products in key teaching institutions in Japan, which we believe makes surgeons trained at these institutions more likely to use our products; and
- our willingness and ability to design and tailor products specifically for the Asian market.

Although Japan has historically been our most important market in the Asia Pacific region, we also have significant operations in Korea, Taiwan and Australia and have recently reestablished a presence in China. In Korea and Taiwan, we are among the industry leaders in sales of reconstructive implants based on 1998 sales revenue, according to independent industry sources. In Australia, we are among the industry leaders in sales of knee implants based on 1998 sales revenue, according to independent industry sources, and are focused on increasing our share of the hip implant market. We believe that the incidence of orthopaedic surgery will increase in the Asia Pacific region in the near future and that our presence and current success in this region positions us well to capitalize on this opportunity.

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EXTENSIVE RELATIONSHIPS WITH LEADING ORTHOPAEDIC SURGEONS

We have long-standing relationships with many leading orthopaedic surgeons in all regions of the world. Our relationships with these surgeons involve several facets, including:

- collaboration on product design and development;
- intellectual property licensing arrangements; and
- active surgeon participation, including teaching and advocacy, at our conferences.

These relationships are important to us because:

- the feedback of practicing orthopaedic surgeons assists us in rapidly commercializing new products and responding to differing surgical philosophies prevalent in different regions;
- the knowledge, experience and collaborative efforts of orthopaedic surgeons assist us in our design and development of innovative products;
- licensing intellectual property from surgeons assists us in our design and development of new products;
- renowned surgeons teaching at our conferences makes it more likely that the other surgeon participants will decide to use our products; and

- use of our products by renowned surgeons, particularly our new products, gives our products a stamp of approval that may help our products gain acceptance in the market.

We believe that the use of our products by renowned surgeons in teaching hospitals is particularly important. We believe that surgeons who have used our products in the course of their training for a particular orthopaedic procedure are more likely to use our products when their training has ended than surgeons who have never used our products before. By focusing sales efforts on surgeons practicing at a group of targeted teaching hospitals in the United States, we were able to achieve sales growth in 2000 at these institutions that was greater than our overall growth. We expect that this increase in sales will yield future benefits when the surgeons trained at these institutions decide which orthopaedic products to use in the future.

Our sales associates and surgery support personnel focus on cultivating relationships with orthopaedic surgeons. We believe that we offer orthopaedic surgeons a superior level of service, stemming from both our medical education programs that are among the industry's best-attended events and our emphasis on salesforce training. We attract approximately 4,000 surgeons annually through our sponsorship of more than 300 medical education events globally.

TECHNOLOGICAL LEADERSHIP

Our ability to recognize and rapidly commercialize advances in materials and product design has helped us to secure a position as one of the technological leaders in our industry. For example, within the knee implant category, we have designed implant and instrumentation products that are among the leading products for the following procedures, all of which are growing more rapidly than overall knee procedures according to independent industry sources:

- posterior stabilized procedures in which the posterior cruciate ligament is removed and the knee implant stabilizes the knee;
- unicompartmental procedures in which only a single compartment of the three joint compartments of the knee is replaced; and
- revision procedures, in which an implant component from a previous procedure is replaced, repaired or enhanced.

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Our technological leadership also has allowed us to design and tailor products to address the surgical philosophies and patient needs prevalent in different regions of the world. The following are examples of knee implant products and surgical techniques that we designed and developed to target different geographic regions:

- our NexGen-Registered Trademark- Legacy-Registered Trademark- Posterior Stabilized Flex knee, a knee implant with greater flexion, which we designed and developed to appeal to the Asia Pacific market;
- our intramedullary instrumentation that we designed and developed together with Swedish surgeons for unicompartmental procedures; and
- the specialized surgical technique we designed and developed to allow German surgeons to use for primary knee implants our NexGen-Registered Trademark- Salvage knee, a knee implant typically used in the United States for procedures performed as a last resort before amputation of the knee.

In addition, we have developed a strong position in materials science. For example, we developed Longevity-Registered Trademark-, the first commercial application for highly cross-linked polyethylene originally developed by scientists at the Massachusetts Institution of Technology and Massachusetts General Hospital. Longevity-Registered Trademark- is a highly cross-linked polyethylene liner designed to reduce polyethylene debris associated with reconstructive implants. Polyethylene debris may cause the degeneration of bone surrounding reconstructive implants, a painful condition called osteolysis. We were also the first to introduce titanium and titanium fiber metal implants and we believe that we continue to offer the broadest selection of implants incorporating porous technology in the industry. Our Trilogy-Registered Trademark- acetabular cup, which is among the leading acetabular cup brands globally based on 2000 sales revenue derived from independent industry sources, exemplifies our longstanding leadership in porous technology. We expect to maintain this leadership position in porous technology through the introduction of our new trabecular metal technology and EPOCH-Registered Trademark-, our new hip stem product line. Trabecular metal is a material that provides a dramatically higher level of porosity than existing alternatives and is similar in stiffness to natural bone. EPOCH-Registered Trademark-, for which we are currently seeking pre-marketing regulatory approval in Europe and the United States, is comprised, in part, of a composite material and allows the normal amount of anatomical stress to be

placed on patients' bones while still providing extensive fixation.

WORLD-CLASS MANUFACTURING CAPABILITY

Our world-class manufacturing capability is one of the key drivers of our operating results. We believe our manufacturing facilities dedicated to producing reconstructive implants and fracture management products, located in Warsaw, Indiana and Ponce, Puerto Rico, provide us with highly automated, highly flexible, low-cost manufacturing relative to our competitors in the orthopaedics industry. Our integrated product design, development and manufacturing resources have enhanced our ability to rapidly introduce new products to the market.

We also maintain an active quality assurance program and have initiated numerous quality programs throughout our organization since 1998. As a result, we earned the State of Indiana Quality Improvement Award for 2000. In addition, the Food and Drug Administration recently completed a comprehensive biennial level II Quality Systems Inspection Technique inspection of our Warsaw facility and issued no observations. All of our manufacturing operations are ISO 9000 series certified and our Ponce, Puerto Rico facility is used as an ISO 9002 benchmark facility.

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STRATEGY

Our strategic objective is to become the global leader in the design, development, manufacturing and marketing of orthopaedic reconstructive implants and fracture management products. We intend to:

- increase market share in our product categories by offering innovative new products and striving to provide comprehensive solutions in each of these product categories;
- target strategically important geographic regions and develop products that correspond to the surgical philosophies common to those regions;
- expand our product and service offerings to cover high-growth categories in our industry on which we do not currently focus; and
- continue our efforts to offer alternative therapies for patients with arthritis, including co-marketing drug therapies and developing and marketing biological therapies and minimally invasive surgical procedures.

The key elements of our strategy include:

RAPID COMMERCIALIZATION OF NEW PRODUCTS

We intend to expand our sales in each of our product categories, as well as to enter new product categories, by continuing to reduce the amount of time we require to bring to market newly developed products that effectively address customer needs. Rapid commercialization of new products requires efficient internal systems, processes and equipment that enable quick and effective responses to customer needs. Through the integration of our development engineering, strategic brand marketing and manufacturing groups, we have significantly reduced time-to-market and have nearly tripled our output of new product items since 1997. We intend to build upon this success and further reduce time-to-market for new products through our ongoing implementation of sophisticated planning and development software.

INNOVATION WITHIN OUR STRATEGICALLY CHOSEN PRODUCT AND SERVICE CATEGORIES

We intend to maintain our position as a leading innovator of reconstructive implants, fracture management products and related surgical products through our commitment to research and development and our close working relationships with orthopaedic professionals. Leveraging the interaction between our development engineering, strategic brand marketing and manufacturing groups, we intend to continue to enhance our current range of products and to introduce new products and services to address unmet patient needs quickly and effectively. In particular, we plan to continue developing and employing new materials, product designs and surgical techniques and to expand our offerings of services targeted at surgeons' professional practices.

MATERIALS. We intend to continue developing and employing new materials to improve product designs, increase patient comfort and lengthen the useful life of our products. For example, we developed Longevity-Registered Trademark-, our highly cross-linked polyethylene liner designed to reduce polyethylene debris associated with reconstructive implants. Polyethylene debris may cause the degeneration of bone surrounding reconstructive implants, a painful condition called osteolysis. In addition, we plan to introduce new porous hip implants made of trabecular metal, a material that provides a dramatically higher level of porosity than existing alternatives and is similar in stiffness to natural bone. With the introduction of these new materials, we believe we will be able to continue to offer the broadest selection of implants incorporating porous

technology in the industry.

PRODUCT DESIGNS. We intend to continue exploring methods to develop new product designs to respond to developing patient needs and to differing surgical philosophies in important geographic

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regions. We have, for example, developed knee implants with greater flexion for the Asia Pacific region, where deep knee bending and kneeling are a part of everyday life, which we market as the NexGen-Registered Trademark-Legacy-Registered Trademark- Posterior Stabilized Flex knee. We have also developed the ZMR-TM- revision hip system, which can accommodate varying size and anatomy requirements of patients and differing surgical philosophies, to address the developing revision hip market.

SURGICAL TECHNIQUES. We intend to offer new products to complement innovative surgical techniques that we are developing through our own research and development efforts and arrangements with third parties. For example, we intend to continue to devote significant resources to our Minimally Invasive Solutions-TM- program, which is designed to address the increased demands of healthcare payors, providers and patients for shorter hospital stays, faster post operative recovery and lower-cost procedures. We expect high growth in demand for products designed for less invasive surgery.

To date, we have completed less invasive procedures in hips and knees in both human and cadaveric studies. We intend to maintain a leading position in this surgical technique and to develop and introduce new products based on it across our current product lines. We intend to evaluate, and where possible develop, the use of minimally invasive surgical techniques in high growth areas of the orthopaedics industry on which we do not currently focus, such as spinal applications. We also intend to evaluate, and where possible improve, the utilization of computer-assisted technology in orthopaedic procedures.

SERVICES. We intend to continue to develop innovative service programs to assist surgeons in achieving efficient and accurate management of their professional practices. To date, we have developed and market, or are in the process of developing, service programs in the areas of physician practice management, clinical feedback programs and utilization of the Internet and wireless technology. We believe several of these service programs provide surgeons a unique and value-added means of facilitating orthopaedic care.

ACQUISITION OF COMPLEMENTARY BUSINESSES AND TECHNOLOGIES TO EXPAND OUR PRODUCT AND SERVICE OFFERINGS AND LEVERAGE OUR BRAND NAME AND SALESFORCE

We intend to identify and capitalize on external sources of innovative technologies through acquisitions of other complementary businesses, technology licensing arrangements and strategic alliances. We intend to use acquired technologies both as a basis for new products and services to complement our existing offerings and to expand our offerings to include high growth categories of the orthopaedics industry on which we do not currently focus, such as spinal and arthroscopy applications and biological products. Similarly, we intend to continue pursuing strategic alliances to market products and services developed by others in order to leverage our strong brand name and capable salesforce.

Our successful execution of this element of our strategy has recently led to some of our most promising pipeline projects, including:

- the signing of an exclusive distribution agreement for a pain management device;
- the signing of an exclusive distribution agreement for an innovative blood management system;
- the exploration of innovative methods of fracture fixation;
- the development of new applications for minimally invasive surgery;
- the signing of an exclusive licensing agreement for trabecular metal; and
- the signing of a licensing agreement for specially designed instruments to facilitate unicompartmental knee surgery.

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We have recently entered into a strategic alliance that allows us to market the Sorenson Medical Pain Pump that provides a continuous infusion of local anesthetic directly to a surgical site. Designed to dull sensation in pre-defined surgical locations only, this pump avoids altering sensation in other body parts or depressing patient consciousness. Used as a post-operative pain management device, the pump can increase patient mobility, facilitate rehabilitation and increase patient satisfaction.

Another recent strategic alliance allows us to market OrthoPAT-Registered Trademark-, an innovative autotransfusion system, which includes disposable components, specifically designed to collect and prepare a patient's own blood for later re-infusion during and following an open surgical procedure. We also intend to continue to focus on our strategic alliances relating to minimally invasive surgery, computer assisted surgery and surgical robots.

FLAWLESS, METRIC-BASED EXECUTION OF OUR OPERATIONS AND CONTINUED IMPROVEMENT OF PRODUCTIVITY

METRIC-BASED ACCOUNTABILITY PROGRAMS. We intend to continue to strive for the flawless execution of our operations by using metric-based accountability programs to direct and maintain our focus on critical aspects of our business. These programs measure various operations, logistics, financial and quality indicators and thereby assist management, for example, in effectively allocating resources, enhancing productivity, gauging competitive pressures and assessing customer satisfaction. We believe the introduction of these programs in 1997 contributed significantly to the revitalization of our sales growth, to the increases in our market share, profitability and working capital efficiency and to our international expansion. We plan to maintain a strong focus on these historical success factors as well as on external best practices and benchmarking. We intend to continue to grow our presence in established markets where we currently have lower market shares, such as Germany and the southeastern region of the United States, as well as in developing regions with high growth potential, such as China and Eastern Europe. We also plan to continue to focus on the management of our balance sheet and continue to improve our financial ratios relating to receivables, payables and inventories, which we believe are among the best in the industry.

CONTINUED IMPROVEMENT IN PRODUCTIVITY. We intend to maximize our profitability by continuing to improve the productivity of our operations. We view this effort to improve productivity as not only a way to reduce costs but also to increase revenues. By upgrading our computer systems to achieve more efficient production, we expect to achieve material and labor cost reductions as well as economies of scale across our manufacturing operation. We also plan to further automate our manufacturing operations through the use of more technologically advanced equipment and systems. We intend to continue reinvesting a portion of the cost savings resulting from improvements to our operations in our direct sales and research and development efforts. We believe that this reinvestment will help drive sales of our existing products and will help us to commercialize new products.

PRODUCTS

We offer a broad range of products in the following product categories:

<TABLE>
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PRODUCT CATEGORY	2000 SALES	PERCENT OF TOTAL 2000 SALES
<S>	<C>	<C>
Reconstructive implants.....	\$764 million	73%
Fracture management products.....	\$124 million	12%
Other surgical products.....	\$153 million	15%

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RECONSTRUCTIVE IMPLANTS

We offer customers products to restore joint function lost due to disease or trauma in knees, hips, shoulders and elbows.

KNEE IMPLANTS. We offer customers a wide range of products for specialized knee procedures, including NexGen-Registered Trademark-, one of the industry's leading global brand families for total knee reconstructive surgery based on 2000 sales revenue, according to independent industry sources. As part of the NexGen-Registered Trademark- product line, we offer both posterior stabilized products and revision products, which are two of the fastest growing components of the knee implant market. By offering a complete solution for all aspects of knee surgery, we hope to limit the need for a surgeon to turn to a competitor for any surgical procedure. We believe that the breadth and clinical efficacy of the NexGen-Registered Trademark- platform has allowed us to achieve gains in sales and market share over the past three years. We also offer the M/ G-TM-Unicompartmental knee system.

With worldwide sales of \$414 million in 2000, we ranked second in the global knee implant market based on global sales revenue according to independent industry sources. According to these sources, our share of worldwide industry sales of knee implant products as reported in U.S. dollars increased to approximately 21 percent in 2000.

NEXGEN-REGISTERED TRADEMARK- COMPLETE KNEE SOLUTION. Our NexGen-Registered Trademark- complete knee solution product line is a comprehensive system for knee replacement surgery with a leading position in posterior stabilized and revision procedures. By offering a complete knee solution to patients and surgeons, NexGen-Registered Trademark- has become one of the industry's leading global brand families for total knee reconstructive surgery based on 2000 sales revenue according to independent industry sources. For patients, the NexGen-Registered Trademark- system offers joint stability and sizing that can be tailored to individual needs. For surgeons, the NexGen-Registered Trademark- system provides a unified system of interchangeable components. We believe that the NexGen-Registered Trademark- system provides surgeons with the most complete and versatile knee instrument systems in the industry, including milling and multiple sawblade cutting instrument systems. The breadth and versatility of the NexGen-Registered Trademark- system allow surgeons to change from one type of implant to another during surgery, according to the needs of the patient, and support all current surgical philosophies. Because we expect that the market will continue to favor platforms that offer complete solutions with broad instrumentation options, we expect sales of our NexGen-Registered Trademark- product family to grow in the future.

We believe our NexGen-Registered Trademark- Legacy-Registered Trademark- Posterior Stabilized product line, which utilizes a posterior stabilized surgical approach, is recognized as one of the industry leaders in this growing subcategory of reconstructive implant products. We have recently augmented our posterior stabilized capabilities through the introduction of the NexGen-Registered Trademark- Legacy-Registered Trademark- Posterior Stabilized Flex knee, a high-flexion implant that can accommodate knee flexion up to a 155-degree range of motion in some patients when implanted using a specialized surgical technique. This product has the potential to be the first successful high-flexion product. We expect to continue to benefit disproportionately from strong growth in posterior stabilized implants with our NexGen-Registered Trademark- Legacy-Registered Trademark- Posterior Stabilized product line, one of the industry leaders for these implants.

Our NexGen-Registered Trademark- CRA product line is designed specifically to accommodate cruciate retaining revision procedures within the broad and popular NexGen-Registered Trademark- platform. These products accommodate more difficult procedures because, for example, certain products are augmentable for bone loss and provide increased constraint for knees with considerable laxity or deformity of the ligaments.

M/G-TM- UNICOMPARTMENTAL KNEE SYSTEM. Our M/G-TM- Uni system, which boasts a 98 percent implant survival rate 10 years post-surgery according to independent clinical references, enhances our position as a full-line supplier of reconstructive knee implant products. The M/G-TM- Uni applies the same flexibility and quality of our other knee implant products to the unicompartmental procedure. The M/G-TM- Uni system's patented intramedullary instrumentation, as well as its extramedullary instrumentation, offer accurate alignment, precise cuts and secure fixation that provide surgeons with the ability to accurately and efficiently repair damage to joint surfaces of one knee compartment with predictable, reproducible results. We believe our M/G-TM- Uni system gives us a leading position in a

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fast-growing market category and also positions us to capitalize on growing trends toward less invasive procedures.

HIP IMPLANTS. We offer customers the VerSys-Registered Trademark- hip system and the Trilogy-Registered Trademark- acetabular system, which are among the industry leading global brand families for hip stems and acetabular cups, based on 2000 sales revenue based on independent industry sources, as well as other innovative, integrated hip-related products specifically designed to meet varying needs of surgeons and patients. We continue to round out our hip product offering as part of our effort to expand our share of total hip implant sales.

With worldwide sales of \$329 million in 2000, we ranked third in the global hip implant market based on global sales revenue, according to independent industry sources. According to these sources, our share of worldwide industry sales of hip implant products as reported in U.S. dollars increased to approximately 16 percent in 2000.

VERSYS-REGISTERED TRADEMARK- HIP SYSTEM. Our VerSys-Registered Trademark- hip system is supported by a common instrumentation set and is an innovative, integrated family of hip products that offers surgeons design-specific options to meet varying surgical philosophies and patient needs. The VerSys-Registered Trademark- hip system offers the following features:

- a variety of stem designs and fixation options for both primary and revision situations;
- a modular design that allows for a variety of femoral heads;

- optimal sizing selections; and
- a common instrumentation set for use with virtually all VerSys-Registered Trademark- stems.

Additionally, the flexibility of the VerSys-Registered Trademark- stem platform allows for the incorporation of technological developments. We plan to augment this product platform with approximately 340 new stems, many of which we plan to launch during 2001 and 2002.

ZMR-TM- REVISION SYSTEM. The ZMR-TM- revision hip system, introduced in 2000 to address the porous modular revision market, provides the versatility to accommodate varying fixation and sizing needs. Building on the ZMR-TM- revision hip system, we intend to extend the breadth of our revision product offering, seeking to provide a comprehensive approach to revision hip surgery that matches our approach to revision knee surgery. The revision hip product category is growing much faster than the market for initial procedures, having demonstrated annual growth of approximately 12 to 15 percent during the past several years, according to independent industry sources. We believe that an improved presence in this rapidly growing market will increase our revenues. In addition, we believe the opportunity to offer surgeons a more complete line of hip products may also increase sales of our hip products used in initial procedures.

SPECIALTY HIPS. To complement the broad capabilities of our well-regarded hip brands, we offer a number of specialty hip products tailored to the needs of specific patient populations and geographic regions. For example, for younger, active patients with good bone, we offer the Mayo-Registered Trademark- hip, a novel, short-stemmed, porous femoral implant that requires minimal bone removal. Used in initial procedures, this implant offers an easy-to-install option. The following are examples of specialty hip products we have, or have had, tailored to accommodate the needs of patients in specific geographic regions:

- our CPT-Registered Trademark- cemented hip brand, designed for both initial and revision procedures, which we tailored for countries with a historical preference towards polished, collarless, tapered products;
- our 6-degree VerSys-Registered Trademark- stem, which we tailored to the specific anatomy of the Japanese;
- our EPOCH-Registered Trademark- product line, which is comprised, in part, of a composite material, allows the normal amount of anatomical stress to be placed on patients' bones while still providing extensive fixation. We are currently seeking pre-marketing regulatory approval in Europe and the United States for this product;

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- our SKF/SKT-Registered Trademark- stem, which was developed by German surgeons for the German market; and
- the Mercure-Registered Trademark- stem, which was developed by French surgeons for the French market.

TRILOGY-REGISTERED TRADEMARK- ACETABULAR SYSTEM. Based on independent industry sources, our Trilogy-Registered Trademark- system, including titanium alloy shells, polyethylene liners, screws and instruments, is among the industry leading acetabular cup systems worldwide based on 2000 sales revenue. We believe that the success of the Trilogy-Registered Trademark- family of products has been driven by the innovative options, versatile component designs and instrumentation that these products offer to patients and surgeons. One option, our Longevity-Registered Trademark- highly cross-linked polyethylene liner, is designed to reduce polyethylene debris associated with reconstructive implants. Polyethylene debris may cause the degeneration of bone surrounding reconstructive implants, a painful condition called osteolysis. The market acceptance of Longevity-Registered Trademark- has been rapid. Longevity-Registered Trademark- comprised nearly 57 percent of our monthly worldwide liner sales in December 2000 as reported in U.S. dollars after only 16 months on the market. As a result of its potential effectiveness at reducing wear, the most critical issue for joint surface materials, Longevity-Registered Trademark- commands premium pricing in most markets.

Another feature contributing to Trilogy-Registered Trademark-'s success is its variety of top-quality fixation surfaces. We believe we are among the industry leaders in the application of titanium to biologically fixed implants, which are implants that do not require bone cement because bone can actually grow into, and attach to, the implant surface. We believe we have developed the industry's most complete offering of porous reconstructive hip implants and expect to augment our position through the introduction of trabecular metal, a material that provides a dramatically higher level of porosity than existing alternatives and is similar in stiffness to natural bone.

OTHER RECONSTRUCTIVE IMPLANTS. In addition to knee and hip implant

products, we design, develop, manufacture and market reconstructive implants intended to replace elbows and shoulders. Our other reconstructive implant portfolio currently includes the Coonrad/Morrey product line, a leading family of elbow replacement implant products based on 2000 sales revenue, according to independent industry sources, and the Bigliani/Flatow-Registered Trademark-shoulder replacement product line, which gives us a significant share of the global shoulder implant market based on 2000 sales revenue, according to independent industry sources. These systems are designed to treat arthritic conditions and fractures as well as to enhance the outcome of primary or revision surgery. Both systems offer surgeons a wide variety of implants and instrumentation to accommodate differing surgical philosophies and patient needs.

FRACTURE MANAGEMENT PRODUCTS

We offer customers a comprehensive line of products designed for use in the fixation of fractures, including hip fixation products, plates, screws, pins, wires and nails. Our recently expanded fracture management product line, produced at efficient manufacturing facilities, enables us to offer surgeons a cost-effective alternative to competitors' fixation systems without sacrificing product features or quality. With worldwide sales of \$124 million in 2000, we ranked fourth in the global fracture management market based on sales revenue in 2000 according to independent industry sources. According to these sources, our share of worldwide industry sales of fracture management products as reported in U.S. dollars increased to approximately nine percent in 2000. Our product portfolio includes our recently introduced M/DN-Registered Trademark- nail, our Periarticular Plating System, the Zimmer ECT-Registered Trademark- internal fracture fixation system and our Cable-Ready-Registered Trademark- cable grip system.

M/DN-REGISTERED TRADEMARK- NAIL. The M/DN-Registered Trademark- nail, a nailing system for the internal fixation of long bone fractures, incorporates implants and instruments to align and fix fractures of the tibia, femur and humerus. The system has multiple screw options to provide increased surgical flexibility. An innovative screw hole configuration has expanded applications for the product.

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PERIARTICULAR PLATING SYSTEM. Our patented Periarticular Plating System, used to stabilize fractures near joints, permits fracture fixation plates to be accurately fitted to the anatomy of the periarticular, or joint, region of the distal femur, proximal tibia and distal tibia. This innovative approach to fracture plating has been a key contributor to our growth in fracture management sales. We are currently expanding this system to address additional bone regions and to include upper extremity options.

ZIMMER ECT-REGISTERED TRADEMARK- INTERNAL FRACTURE FIXATION SYSTEM. The Zimmer ECT-Registered Trademark- internal fracture fixation system is a comprehensive system of certified stainless steel plates, screws and instruments for internal fracture compression. Because this system is compatible with some instrument systems made by other market participants, we believe it affords surgeons added flexibility and value.

CABLE-READY-REGISTERED TRADEMARK- CABLE GRIP SYSTEM. Our patented Cable-Ready-Registered Trademark- cable grip system encircles bone fragments with wire to hold them together. The system has an innovative mechanism that minimizes cable tension loss typical of similar cable system devices.

OTHER SURGICAL PRODUCTS

We manufacture and market other surgical products, which surgeons use for both orthopaedic and non-orthopaedic procedures, including:

- tourniquets, which are bandages used to stop bleeding by applying pressure to temporarily stop the flow of blood through a limb;
- blood management systems, which are used to clean and process blood during open surgeries;
- wound debridement products, which are used to remove foreign material and contaminated, damaged or dead tissue from wounds;
- powered instruments for use in surgical procedures;
- arthroscopy products;
- pain management devices; and
- orthopaedic soft goods, which provide support and/or heat retention and compression for trauma of the knee, ankle, back and upper extremities, including the shoulder, elbow, neck and wrist.

These surgical products have consistently generated attractive profit margins and strong positive cash flows for us. Our overall dollar sales of orthopaedic surgical products equaled approximately \$153 million in 2000.

We have developed, and intend to continue developing, technologically advanced surgical products to support our reconstructive implant and fracture management product systems in the operating room environment. Examples of our introduction of higher technologies into our surgical product portfolio include the OrthoPAT-Registered Trademark- system, PalsaVac-Registered Trademark- Plus product line and the Sorenson Medical Pain Pump.

ORTHOPAT-REGISTERED TRADEMARK-. This innovative autotransfusion system, which includes disposable components, has been specifically designed to collect and prepare a patient's own blood for later re-infusion during and following an open surgical procedure. Depending on the nature of the surgery performed, multiple OrthoPAT-Registered Trademark- units may be required for a single procedure. We are marketing OrthoPAT-Registered Trademark- through an exclusive distribution arrangement in the United States and Canada.

PULSAVAC-REGISTERED TRADEMARK- PLUS. To maintain and grow our strong position in wound irrigation and wound debridement products, we recently introduced PalsaVac-Registered Trademark- Plus, a variable-powered, fully disposable debridement system with the versatility to meet the needs of today's operating room.

SORENSEN MEDICAL PAIN PUMP. Our Sorenson Medical Pain Pump provides a continuous infusion of local anesthetic directly to a surgical site. The pump, designed for use both during and after surgery,

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allows surgeons and patients to adjust anesthesia levels depending on pain levels. Designed to dull sensation in pre-defined surgical locations only, this pump avoids altering sensation in other body parts or depressing patient consciousness. In addition, used as a post-operative pain management device, the pump can increase patient mobility, facilitate rehabilitation and increase patient satisfaction. We believe that the pump may have particularly strong application potential in minimally invasive surgical procedures and would expedite a patient's return to mobility after such procedures.

RESEARCH AND DEVELOPMENT

We are engaged in ongoing research and development to introduce clinically advanced new materials, product designs and surgical techniques. We have integrated our development function with our strategic brand marketing and manufacturing efforts, which we believe has allowed us to understand our customers' needs better and to respond more quickly with top-quality products. We believe that the rapid commercialization of innovative new materials, product designs and surgical techniques, one of our core strategies, has been an important driver of our sales growth in recent years.

New products introduced since 1997 include the ZMR-TM- Hip System, the Legacy-Registered Trademark- Posterior Stabilized Flex knee, the Longevity-Registered Trademark- highly cross-linked polyethylene liner for hip cups, the M/DN-Registered Trademark- nail and the Bigliani/Flatow-Registered Trademark- shoulder implant.

We are actively broadening our product offerings in each of our product categories and are exploring new technologies that have applications in multiple areas. Most importantly, we are developing and licensing new materials, such as trabecular metal, and new surgical approaches, such as minimally invasive surgery, that are applicable across multiple product lines. Currently, we have more than 44 active research and development projects underway, approximately half of which we expect to commercialize by the end of 2002. The most significant of these include:

- developing our NexGen-Registered Trademark- Salvage Knee, a knee implant typically used in the United States for procedures performed as a last resort before amputation of the knee;
- developing minimally invasive surgical implants and instrumentation for knee and hip procedures;
- developing extensions of our VerSys-Registered Trademark- hip line;
- developing a cruciate retaining guided motion knee; and
- developing trabecular metal applications for knee, hip and upper extremity implants as well as for fracture management products and spinal applications.

We spent approximately \$52 million in 2000, \$45 million in 1999 and \$36 million in 1998 on research and development. Expenditures on research and

development represented approximately five percent of our sales in each of 2000 and 1999 and approximately four percent of our sales in 1998. Our research and development budget has risen as we have expanded our development engineering staff to increase our output of new reconstructive implant and fracture management products. We currently have approximately 250 employees dedicated to research and development, approximately 80 of whom are engineers or materials scientists and approximately 40 of whom hold advanced degrees.

We have developed and maintain close relationships with a number of widely recognized orthopaedic surgeons who assist in product research and development. These surgeons often speak about our products at medical seminars, assist in the training of other surgeons in the use of our products and provide us with feedback on the industry's acceptance of our new products. Some of these surgeons who participate in the design of products and/or provide consulting services have contractual relationships with us under which they receive royalty payments or consultant fees in connection with the development of particular products with which they have been involved.

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CUSTOMERS, SALES AND DISTRIBUTION

CUSTOMERS

Our primary customers include orthopaedic surgeons, hospitals and health care purchasing organizations, or buying groups. These customers range from independent surgeons to large multinational enterprises. A majority of U.S. hospitals and surgeons belong to at least one group purchasing organization. In 2000, individual hospital and surgeon orders purchased through Premier, a large multinational buying group, accounted for approximately 10 percent of our net sales. No individual end-users however, accounted for over 0.5 percent of our net sales and our top ten end-users accounted for approximately 2.8 percent of our net sales in aggregate. Historically, annual variations in voluntary purchases by individual end-users affiliated with buying groups have equaled in aggregate, and we expect will continue to equal in aggregate, no more than 10 to 15 percent per buying group. The loss of all sales ordered through one or all of the buying groups with which we have negotiated non-exclusive contractual supply agreements could, however, have a material adverse effect on our business. Please see "--Sales and Marketing--Americas" for more detail regarding our contractual arrangements with buying groups.

SALES AND MARKETING

We have operations in approximately 20 countries and market our products in approximately 70 countries. Globally, we manage our sales and marketing by three geographic areas--the Americas, which is comprised principally of the United States and includes the remaining countries in the Western Hemisphere; Asia Pacific, which is comprised principally of Japan and includes other Asian and Pacific markets; and Europe, which is comprised principally of Europe and includes the Middle East and Africa. We distribute our products in these regions primarily through networks of agents and distributors who market and sell to orthopaedic surgeons, third party distributors, hospitals and surgery centers, among others. No individual agent or distributor accounted for more than 10 percent of our net revenues for the year ended December 31, 2000.

We are committed to providing our customers with a superior standard of customer service and support, focusing on salesforce training and medical education programs. On a global basis, our approximately 1,100 sales associates and surgery support personnel, approximately 750 of whom are employed by independent distributors and approximately 350 of whom we employ directly, strive for prompt product processing and delivery by coordinating between the customer and our sales, operations and shipping departments. Our customer service call center provides worldwide product support 24 hours a day, 365 days a year.

Recognizing the importance of our salesforce's expertise, we invest significant time and expense in providing training in such areas as product features and benefits, how to use specific products and how to best assist surgeons. The presence of one of our sales representatives is deemed by surgeons and hospitals to be necessary in a high number of procedures and the extensive sales training that we provide enables our representatives, when requested, to make meaningful contributions during surgeries. Within the operating room, our salesforce representatives frequently assist nurses and doctors with the selection and use of products and instruments. Our salesforce relies heavily on strong technical selling skills, medical education and in-surgery staff technical support.

In response to the different healthcare systems throughout the world, our sales and marketing strategy and organizational structure differ by region. We have, however, carefully integrated a global approach to salesforce training, marketing and medical education into each locality to provide consistent, high quality service.

AMERICAS. The Americas is our largest region, accounting for approximately 63 percent of 2000 sales, with the United States accounting for approximately 95 percent of sales in this region. In this

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region, our U.S. salesforce consists of approximately 26 independent distributors, all of whom sell our products exclusively and have an average association with us of approximately 21 years. These distributors receive a commission on product sales and are responsible for many operating decisions and costs, other than some aspects of product pricing that we control centrally. Commissions are accrued at the time of sale. Our approximately 380 sales associates, all of whom are affiliated with one of our independent distributors, have been selling our products for an average of 10 years. Our U.S. salesforce is ranked number one in the world among comparable medical device companies in SELLING POWER magazine's 1999 survey of more than 5,600 companies.

In this region, we have also concentrated on negotiating contracts with buying groups and managed care accounts, such as Premier, Novation, HCA, Kaiser, Allegiance, Owens and Minor, McKesson HBOC, AmeriNet and Federal Supply Schedule, and have driven unit growth from these accounts by linking the level of discount received to sales growth. Under these contracts, we provide discounted pricing to the buying group and are generally designated as one of several designated preferred purchasing sources for the members of the buying group for specified products, although the members are not obligated to purchase our products. We have become increasingly selective with regard to all contracted sales accounts, eliminating lower-margin contracts. We expect in the future to enter into additional national contracts with other health care providers and buying groups. For the risks associated with these contracts, see "Risk Factors--Risks Relating to Our Industry--We are subject to cost-containment efforts of managed care and hospital buying groups in the United States and government organizations in Europe and the Asia Pacific region, which may continue to lower prices for our products and materially adversely effect our profitability and results of operations."

We believe that our approximately 440 U.S. sales associates and the approximately 110 U.S. surgery support personnel, all of whom are affiliated with distributors, as well as our sponsorship of industry-leading conferences in the United States, provide us outstanding access to the key decision makers in the industry. Through intensive sales training and through an integrated marketing effort, our U.S. salesforce is able to provide value-added services. Additionally, we maintain extensive relationships with leading orthopaedic surgeons through industry-leading sponsorship of more than 200 medical education events in the United States each year, which attract approximately 3,000 surgeons annually.

In 1997, we instituted a system that aligned our distributors in this region with our corporate goals of growth and efficiency. After terminating contracts with low performers, we implemented within our reorganized distributor network an extensive monitoring and incentive system ranking distributors across a range of performance metrics. We evaluate and reward distributors based on achieving certain sales targets and on maintaining efficient levels of working capital. We set expectations for efficient management of inventory and provide distributors a strong motivation to aid in the collection of receivables because we do not pay them until we receive payment.

ASIA PACIFIC. The Asia Pacific region, our second largest region, accounted for approximately 25 percent of our 2000 sales, with Japan, our largest foreign market, accounting for approximately 78 percent of sales in this region. In Japan, we maintain a hybrid network of approximately 124 main-line dealers, reduced from more than 300 in 1999, and approximately 160 direct sales associates who have built strong relationships with leading orthopaedic surgeons. The knowledge and skills of our sales associates play a critical role in Japan because many doctors perform orthopaedic surgeries infrequently and must rely on the orthopaedic salesforce for extensive technical support. Additionally, in many hospitals, operating room nurses do not specialize and often have relatively low knowledge of, and experience with, orthopaedic instrumentation and procedures. We have strengthened, and intend to continue to strengthen, our relationships with Japanese surgeons through our medical education conferences.

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EUROPE. The European region, our third largest region, accounted for approximately 12 percent of 2000 sales with the United Kingdom, Germany, Spain, France and Italy accounting for approximately 75 percent of sales in this region. In this region, our salesforce is also comprised of direct sales associates, independent distributors and commissioned agents.

DISTRIBUTION

We generally ship our orders via overnight courier. Our operations support local language labeling for all shipments to the European Community. We also

operate limited distribution facilities in Dover, Ohio and Statesville, North Carolina and internationally in Japan, Germany, Italy, the United Kingdom and Spain.

MANUFACTURING

We manufacture substantially all of our products at our four facilities located in the United States and Puerto Rico. We believe that our manufacturing facilities set industry standards in terms of automation and have the flexibility to accommodate our future growth. We produce our reconstructive implants and fracture management products at our Warsaw, Indiana and Ponce, Puerto Rico facilities. We produce other surgical products at our Statesville, North Carolina and Dover, Ohio facilities.

Our Warsaw, Indiana facility is our primary production facility, employing approximately 50 percent of our total manufacturing workforce. We have redesigned the manufacturing operations at this facility, as well as at our Ponce, Puerto Rico facility, to incorporate the cellular concept for production and to implement tenets of a manufacturing philosophy focused on continuous operational improvement. In addition, the majority of our employees at our Ponce, Puerto Rico facility are cross-trained.

The following table sets forth the key manufacturing and operating capabilities of each of our four manufacturing facilities.

<TABLE>	
<CAPTION>	
FACILITY	KEY MANUFACTURING AND OPERATING CAPABILITIES
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<S>	<C>
Warsaw, Indiana.....	<ul style="list-style-type: none"> - On-site investment casting facility - Computer controlled machining - Robotic finishing - Gas plasma sterilization - Research and development - Tool production facilities
Ponce, Puerto Rico.....	<ul style="list-style-type: none"> - Computer controlled machining - Polishing and electropolishing - Fiber metal sintering - Sterile and nonsterile packaging
Statesville, North Carolina.....	<ul style="list-style-type: none"> - Computer controlled machining - Radio frequency sealing - Ultrasonic welding - Computerized sewing - Automatic die cutting - Clean room packaging
Dover, Ohio.....	<ul style="list-style-type: none"> - Plastic and silicone injection molding - Plastic and silicone tubing extrusion - Radio frequency and sonic welding - Electromechanical and plastic assembly - Ethylene oxide sterilization

</TABLE>

We generally operate our manufacturing facilities at our targeted goal of approximately 85 percent of total capacity. We are currently evaluating an additional rationalization plan that would transfer products currently purchased from outside vendors to on-site production. Our facilities have sufficient existing floor space to accommodate additional capacity if required.

Improving manufacturing productivity has been a major contributor to our recent profitability improvements. Major areas of improvement included:

- capacity rationalization that led to the shutdown of three plants worldwide;
- utilization of computer-assisted robots to precision polish medical devices;
- in-sourcing of core products;
- high-speed machining; and
- negotiated reductions in raw materials costs.

RAW MATERIALS

We use a diverse and broad range of raw materials in the design, development and manufacturing of our products. While we do produce some of our materials

on-site at our manufacturing facilities, we purchase most of the materials and components used in manufacturing our products from external suppliers. In addition, we purchase some supplies from single sources for reasons of quality assurance, sole source availability, cost effectiveness or constraints resulting from regulatory requirements. We work closely with our suppliers to assure continuity of supply while maintaining high quality and reliability. Alternative supplier options are generally considered and identified, although we do not typically pursue regulatory qualification of alternative sources due to the strength of our existing supplier relationships and the time and expense associated with the regulatory process. Although a change in suppliers could require significant effort or investment by us in circumstances where the items supplied are integral to the performance of our products or incorporate unique technology, we do not believe that the loss of any existing supply contract would have a material adverse effect on us.

QUALITY ASSURANCE

We are committed to providing high quality products to our customers. To meet this commitment, we have implemented modern quality systems and concepts throughout the organization. Our quality assurance department supervises our quality systems. Our senior management team is actively involved in setting quality policies and managing internal and external quality performance. Our regulatory affairs and compliance department is responsible for assuring compliance with all applicable regulations, standards and internal policies.

Since 1998, we have initiated numerous quality improvement programs and have earned the State of Indiana Quality Improvement Award for 2000. In addition, the Food and Drug Administration recently completed a comprehensive biennial level II Quality Systems Inspection Technique inspection of our Warsaw facility and issued no observations. All of our manufacturing operations are ISO 9000 series certified and our Ponce, Puerto Rico facility is used as an ISO 9002 benchmark facility.

PROPERTIES

We are headquartered in Warsaw, Indiana and operate four manufacturing/distribution facilities in the United States and one in Gotemba, Japan. In addition, we operate limited distribution facilities in

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Japan, Germany, Italy, the United Kingdom and Spain. The following table outlines the location, use, ownership and size of these facilities:

<TABLE>
<CAPTION>

LOCATION	USE	OWNED/ LEASED	LEASE TERMINATION DATE	SIZE (SQUARE FEET)
<S>	<C>	<C>	<C>	<C>
Warsaw, Indiana (1800 West Center Street)	Research & Development, Manufacturing, Marketing & Administration	Owned	Not applicable	530,400 (197,900 used for production)
Warsaw, Indiana (1777 West Center Street)	Distribution & Warehousing	Owned	Not applicable	87,000 (additional 52,000 in construction)
Warsaw, Indiana (Detroit Street)	Manufacturing & Printing	Owned	Not applicable	25,000 (15,000 used for production)
Ponce, Puerto Rico	Manufacturing & Distribution	Owned	Not applicable	112,800 (100,300 used for production)
Statesville, North Carolina	Manufacturing & Warehousing	Owned	Not applicable	80,000 (61,200 used for production)
Dover, Ohio	Research & Development, Manufacturing, Distribution & Warehousing	Owned	Not applicable	140,000 (59,700 used for production)
Gotemba, Japan	Manufacturing, Distribution & Warehousing	Owned	Not applicable	83,000
Swindon, England	Distribution & Warehousing	Leased	December 24, 2010	47,622
Dietzenbach, Germany	Distribution & Warehousing	Leased	February 28, 2002	22,497
Kiel, Germany	Distribution & Warehousing	Leased	October 1, 2011	19,375
Milan, Italy	Distribution & Warehousing	Leased	May 31, 2003	13,183
Barcelona, Spain	Distribution & Warehousing	Leased	October 14, 2005	4,704

</TABLE>

We also maintain approximately 40 offices and warehouse facilities in 14 countries, including Japan, Taiwan, Australia, France, Spain, Canada and the United States. We believe that all of our facilities and equipment are in good condition and are well maintained and able to operate at present levels.

COMPETITION

The orthopaedics industry is highly competitive. We compete with many

companies ranging from small start-up enterprises to multinational companies that are larger and have access to greater financial, marketing, technical and other resources. Our present or future products could be rendered obsolete or uneconomical by technological advances by one or more of our present or future competitors or by other therapies, including biological therapies. To remain competitive, therefore, we must continue to develop and acquire new products and technologies.

The orthopaedics industry has undergone significant consolidation over the past few years, as the leading players have sought to build complete product lines and gain economies of scale. Because we only produce and market products in selected product categories of the orthopaedics industry, we may not be able to compete successfully with our competitors in the future, especially those that offer customers a broader range of orthopaedic, as well as other medical equipment and supplies.

In the global markets for reconstructive implants, fracture management and other orthopaedic products, a handful of competitors, including Biomet, DePuy (a Johnson & Johnson company), Smith & Nephew, Stryker, Sulzer Medical and Synthes-Stratec, compete with us for the majority of product sales, particularly in the Americas and the Asia Pacific region, primarily on the basis of

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technology, quality, reputation, relationships with customers and service. In local markets outside of the United States, other factors, including local distribution systems, complex regulatory environments and differing medical philosophies and product preferences, influence competition as well. Some of our competitors have, and in the future these and other competitors may have, significantly greater financial, marketing and other resources than us. Our competitors may be in a stronger position to respond quickly to new or emerging technologies, may be able to undertake more extensive marketing campaigns, may adopt more aggressive pricing policies and may be more successful in attracting potential customers, employees and strategic partners.

In the United States, which accounts for 95 percent of our net sales in the Americas, three to four major players, including us, account for a large majority of total reconstructive implant sales. While the reconstructive implant market has undergone significant consolidation over the past few years, the fracture management product market remains more fragmented. In the fracture management product market, we are one of several players with an established market presence.

In the Asia Pacific market for reconstructive implant and fracture management products, we compete primarily with Depuy and Stryker as well as regional companies, including Kyocera and MDM. Many factors, including the dealer system, complex regulatory environments and less price sensitivity and the accompanying inability to compete on price, make it difficult for smaller players, particularly those that are non-regional, to compete effectively with the market leaders in the Asia Pacific region. In this region, we are a leading player in the reconstructive implant and fracture management products markets based on 2000 sales revenue, according to independent industry sources.

The reconstructive implant and fracture management product markets in Europe are more fragmented than in the Americas or the Asia Pacific region. The variety of philosophies held by European surgeons regarding hip reconstruction, for example, has allowed for the survival of many small, niche European companies. Today most hip implants sold in Europe are products developed specifically for Europe, although global products are gaining acceptance. As a result, in addition to our global products, we have developed and produced, and we continue to develop and produce, specially tailored products, such as the VerSys-Registered Trademark- E.T., Mercure-Registered Trademark-, SKF/SKT-Registered Trademark-, CPT-Registered Trademark-, the Trilogy-Registered Trademark- AB-TM- (alternate bearing) ceramic liner and the I.T.S.T.-TM- Nail, among others, to meet specific European needs. In this region, we believe we are a leading player in the reconstructive implant market.

PATENTS, TRADEMARKS AND OTHER INTELLECTUAL PROPERTY

Patents and other proprietary rights are important to the success of our business. We also rely upon trade secrets, know-how, continuing technological innovations and licensing opportunities to develop and maintain our competitive position. We protect our proprietary rights through a variety of methods, including confidentiality agreements and proprietary information agreements with vendors, employees, consultants and others who have access to our proprietary information.

We own approximately 335 issued U.S. patents, 50 pending U.S. patent applications, 245 issued foreign patents and 465 pending foreign patent applications and have licensed 160 issued U.S. patents, 30 pending U.S. patent applications, 180 issued foreign patents and 315 pending foreign patent applications, that relate to aspects of the technology incorporated in many of our products. This proprietary protection often affords us the opportunity to

enhance our position in the marketplace by precluding our competitors from using or otherwise exploiting our technology.

Although approximately 12 percent of our patents are due to expire within the next five years, our patent strategy is to file patent applications and, in some cases, additional patent applications covering new aspects or modifications of the affected products, or line extensions of these products. As a result, the duration of the patents covering our products can extend up to twenty years from the date of filing of the patent application. We do not believe that the expiration of any one or more of our patents that are due to expire in the next five years will cause a material adverse effect on the sales of our products.

We are also a party to several license agreements with unrelated third parties pursuant to which we have obtained, for the life of the licensed patent, the exclusive or non-exclusive rights to these

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patents held by such third parties in consideration for royalty payments. For example, pursuant to license agreements with the orthopaedic surgeons in conjunction with whom we have developed implant and instrument products, we have obtained exclusive rights to patents and technologies created during the design process. Similarly, in August 2000, we entered into an exclusive distribution and strategic alliance agreement with Implex Corp. relating to the development and distribution of reconstructive implant and fracture management products incorporating trabecular metal. In addition to granting us distribution rights for orthopaedic products incorporating trabecular metal, this agreement provides us, subject to specified conditions, with an exclusive right to initiate negotiations during the third quarter of 2003 to purchase specified assets and proprietary rights of Implex Corp. Similarly, in March, 1998, the Massachusetts Institute of Technology and General Hospital Corporation granted us a license to produce and market orthopaedic products based on highly cross-linked polyethylene technology in North America, Europe and Japan for the life of the relevant patents. MIT and GHC have granted or may grant one additional license with respect to knee products and one with respect to hip products in each of these geographic regions.

We also own or have licensing rights to a number of trademarks.

We believe that our patents, trademarks and other proprietary rights are important to the development and conduct of our business and the marketing of our products. As a result, we aggressively protect our intellectual property. For a discussion of risks related to our intellectual property, refer to "Risk Factors--Risks Related to Our Business--If we are unable to protect our intellectual property rights, our business and prospects may be harmed" and "Risk Factors--Risks Relating to Our Business--We may be subject to intellectual property litigation and infringement claims, which could cause us to incur significant expenses or prevent us from selling our products."

EMPLOYEES

We currently employ approximately 3,200 employees worldwide. Approximately 2,000 employees are located within the United States and 1,200 employees are located outside of the United States, primarily in Japan and Europe. Approximately 195 of our North American employees are members of a trade union covered by a collective bargaining agreement. In addition, approximately nine employees are represented by a union in the United Kingdom.

In May, 2000, we renewed a collective bargaining agreement with the United Steelworkers of America covering employees at our Dover, Ohio facility. In connection with the distribution, we will continue to recognize our current agreement with this union. This agreement will be effective until May 15, 2003 and shall automatically be renewed on a year-to-year basis unless either party gives a written notice of its intent to terminate the agreement, 60 days prior to a termination date. We believe that we generally have a good relationship with our employees and the unions that represent them.

GOVERNMENT REGULATION AND OTHER MATTERS

REGULATORY APPROVALS

In the United States, the Food and Drug Administration, among other government agencies, is responsible for regulating the introduction of new medical devices. The Food and Drug Administration regulates laboratory and manufacturing practices, labeling and record keeping for medical devices and review of required manufacturers' reports of adverse experience to identify potential problems with marketed medical devices. Many of the devices that we develop and market are in a category for which the Food and Drug Administration has implemented stringent clinical investigation and pre-market approval requirements. The process of obtaining Food and Drug Administration approval to market a product can be resource-intensive, lengthy and costly. The Food and Drug Administration review may involve substantial delays that adversely affect the marketing and sale of our products. Any delay or acceleration experienced by

us in obtaining regulatory approvals to conduct clinical trials or in obtaining required market clearances may affect our operations or the market's expectations for the timing of such events and, consequently, the market price for our common stock.

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The Food and Drug Administration has the authority to halt the distribution of certain medical devices, detain or seize adulterated or misbranded medical devices, or order the repair, replacement or refund of the costs of such devices. The Food and Drug Administration may also require notification of health professionals and others with regard to medical devices that present unreasonable risks of substantial harm to the public health. The Food and Drug Administration may enjoin and restrain certain violations of the Food, Drug and Cosmetic Act and the Safe Medical Devices Act pertaining to medical devices, or initiate action for criminal prosecution of such violations. Moreover, the Food and Drug Administration administers certain controls over the export of medical devices from the United States and the importation of devices into the United States.

In many of the foreign countries in which we market our products, we are subject to regulations affecting, among other things:

- product standards;
- packaging requirements;
- labeling requirements;
- import restrictions;
- tariff regulations;
- duties; and
- tax requirements.

Many of the regulations applicable to our devices and products in these countries are similar to those of the Food and Drug Administration. In many countries, the national health or social security organizations require our products to be qualified before they can be marketed with the benefit of reimbursement eligibility. To date, we have not experienced difficulty in complying with these regulations. Due to the movement towards harmonization of standards in the European Union, we expect the regulatory environment in Europe to change, shifting from a country-by-country regulatory system to a single European Union regulatory system. We cannot currently predict the timing of this harmonization and its effect on our business.

FRAUD AND ABUSE

We are subject to various Federal and state laws pertaining to health care fraud and abuse, including anti-kickback laws and physician self-referral laws. Violations of these laws are punishable by criminal and/or civil sanctions, including, in some instances, imprisonment and exclusion from participation in Federal and state health care programs, including Medicare, Medicaid, VA health programs and CHAMPUS. We believe that our operations are in material compliance with such laws. However, because of the far-reaching nature of these laws, we cannot assure you that we would not be required to alter one or more of our practices to be in compliance with these laws. In addition, we cannot assure you that the occurrence of one or more violations of these laws would not result in a material adverse effect on our financial condition and results of operations.

ANTI-KICKBACK LAWS. Our operations are subject to Federal and state anti-kickback laws. Certain provisions of the Social Security Act, commonly known as the "Medicare Fraud and Abuse Statute," prohibit entities, such as our company, from knowingly and wilfully offering, paying, soliciting or receiving any form of remuneration in return for, or to induce:

- the referral of persons eligible for benefits under a Federal health care program, including Medicare, Medicaid, the VA health programs and CHAMPUS, or a state health program; or
- the recommendation, arrangement, purchase, lease or order of items or services that are covered, in whole or in part, by a Federal health care program or state health programs.

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The statute may be violated when even one purpose, as opposed to a primary or sole purpose, of a payment is to induce referrals or other business. The regulations create a small number of "safe harbors." Practices which meet all the criteria of an applicable safe harbor will not be deemed to violate the statute; practices that do not satisfy all elements of a safe harbor do not

necessarily violate the statute, although such practices may be subject to scrutiny by enforcement agencies.

Violation of the Medicare Fraud and Abuse Statute is a felony, punishable by fines up to \$25,000 per violation and imprisonment for up to five years. In addition, the Department of Health and Human Services may impose civil penalties and exclude violators from participation in Medicare or state health programs. Many states have adopted similar prohibitions against payments intended to induce referrals to Medicaid and other third party payor patients that vary in scope and may apply regardless of whether a Federal health care program is involved.

PHYSICIAN SELF-REFERRAL LAWS. We are also subject to Federal and state physician self-referral laws. Federal physician self-referral legislation, known as the "Stark" law, prohibits, subject to specified exceptions, a physician or a member of his immediate family from referring Medicare or Medicaid patients to an entity providing "designated health services," including prosthetics and prosthetic devices and supplies, in which the physician has an ownership or investment interest, or with which the physician has entered into a compensation arrangement. An exception is recognized for referrals made to a publicly traded entity in which the physician has an investment interest if the entity's shares are traded on certain exchanges, including the New York Stock Exchange, and had stockholders' equity exceeding \$75 million for its most recent fiscal year, or on average during the three previous fiscal years. The Stark law also prohibits the entity receiving the referral from billing any good or service furnished pursuant to an unlawful referral. The penalties for violations include a prohibition on payment by these government programs and civil penalties of as much as \$15,000 for each violative referral and \$100,000 for participation in a "circumvention scheme." Various state laws also contain similar provisions and penalties.

We provide compensation to physicians pursuant to certain consulting and licensing agreements. The consulting agreements generally provide for the payment of a flat fee in return for a fixed number of hours or days of consulting services and the licensing agreements generally provide for the payment of a royalty based on a fixed percentage of sales of products developed by the physician. While the payment of compensation to physicians who refer patients to us can implicate the Medicare Fraud and Abuse Statute and the Stark law, we believe that our relationships with physicians described above are in material compliance with both statutes. In addition to structuring relationships with referring physicians in order to comply with the relevant statutes, we also monitor these relationships on an ongoing basis in an attempt to ensure continued compliance.

HEALTH CARE INITIATIVES

Government and private sector initiatives to limit the growth of health care costs, including price regulation and competitive pricing, are continuing in many countries where we do business, including the United States. As a result of these changes, the marketplace has placed increased emphasis on the delivery of more cost-effective medical therapies. Ongoing cost-containment pressures from managed care and hospital buying groups in the United States and government organizations in Europe and the Asia Pacific region have generated over the past decade industry-wide net declines in base prices for reconstructive implants, fracture management products and other related products. Base prices, however, generally have stabilized in more recent years in the United States and some of these other regions. Although we believe we are well-positioned to respond to changes resulting from this worldwide trend toward cost containment, proposed legislation and/or changes in the marketplace could have an adverse impact on future operating results.

Diagnostic-related groups' reimbursement schedules regulate the amount the U.S. government, through the United States Health Care Financing Administration, will reimburse hospitals and doctors for the in-patient care of persons covered by Medicare. In response to rising Medicare and Medicaid

costs, several legislative proposals in the United States have been advanced that would restrict future funding increases for these programs. While we have been unaware of significant domestic price resistance directly as a result of the reimbursement policies of diagnostic-related groups, changes in these reimbursement levels and processes could have an adverse effect on our domestic pricing flexibility.

In keeping with the increased emphasis on cost-effectiveness in health care delivery, the current trend among hospitals and other customers of medical device manufacturers is to consolidate into larger purchasing groups to enhance purchasing power. The medical device industry has also experienced some consolidation, partly in order to offer a broader range of products to large purchasers. As a result, transactions with customers are larger, more complex and tend to involve more long-term contracts than in the past. The enhanced purchasing power of these larger customers may also increase the pressure on

product pricing, although we are unable to estimate the potential impact at this time.

ENVIRONMENTAL MATTERS

Our facilities and operations are subject to Federal, state and local environmental and occupational health and safety requirements of the United States and foreign countries, including those relating to discharges of substances to the air, water and land, the handling, storage and disposal of wastes and the cleanup of properties affected by pollutants. We believe we are currently in material compliance with such requirements and do not currently anticipate any material adverse effect on our business or financial condition as a result of our efforts to comply with such requirements.

In the future, Federal, state or local governments in the United States or foreign countries could enact new or more stringent laws or issue new or more stringent regulations concerning environmental and worker health and safety matters that could effect our operations. Also, in the future, contamination may be found to exist at our current or former facilities or off-site locations where we have sent wastes. We could be held liable for such newly-discovered contamination which could have a material adverse effect on our business or financial condition. In addition, changes in environmental and worker health and safety requirements could have a material effect on our business or financial condition.

LEGAL MATTERS

While we are involved from time to time in litigation arising in the ordinary course of business, including product liability claims, we are not currently aware of any actions against us that we believe would materially adversely affect our business, financial condition or results of operations. We may be subject to future litigation and infringement claims, which could cause us to incur significant expenses or prevent us from selling our products. We operate in an industry susceptible to significant product liability claims. In recent years, there has been an increased public interest in product liability claims for implanted or other medical devices. These claims may be brought by individuals seeking relief for themselves or, increasingly, by groups seeking to represent a class. In addition, product liability claims may be asserted against us in the future arising out of events not known to us at the present time.

Historically, Bristol-Myers Squibb has self-insured against most of our losses other than catastrophic losses, for which it generally retained third party insurance. After the distribution, we intend to secure product liability insurance in amounts that we believe to be reasonable and standard in the industry. However, we cannot assure you that we will be able to obtain product liability insurance on commercially reasonable terms, if at all. For a more complete discussion of the future risks relating to insurance matters, please see "Risk Factors--Risks Relating to Our Industry--We may incur product liability losses and insurance coverage may be inadequate or unavailable to cover these losses."

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ARRANGEMENTS BETWEEN BRISTOL-MYERS SQUIBB AND ZIMMER

We have entered into the Contribution and Distribution Agreement and will enter into a number of ancillary agreements with Bristol-Myers Squibb for the purpose of accomplishing the contribution to us of the business described in this information statement and the distribution. These agreements will govern the relationship between Bristol-Myers Squibb and us subsequent to the distribution and provide for the allocation of employee benefits, tax and other liabilities and obligations attributable to periods prior to the distribution. The ancillary agreements include:

- Interim Services Agreement;
- Employee Benefits Agreement; and
- Tax Sharing Agreement.

In addition, to the extent that Bristol-Myers Squibb and we share our current work locations for our respective workforces, and to the extent Bristol-Myers Squibb does not contribute to us the related real estate, we and Bristol-Myers Squibb will enter into subleases for these locations. Subleases for space in commercially leased locations will have varying terms generally matching the terms of the underlying leases. On a site by site basis, we have negotiated or will negotiate these subleases, which will not, individually, be material to our operations on an ongoing basis.

The material agreements summarized below have been filed as exhibits to the registration statement of which this information statement forms a part and the summaries of such agreements are qualified in their entirety by reference to the full text of such agreements. The terms of these agreements, other than the

Contribution and Distribution Agreement, have not yet been finalized and are being reviewed by us and Bristol-Myers Squibb. None of these agreements will restrict either us or Bristol-Myers Squibb from developing or acquiring products that may compete against the products offered by the other party.

CONTRIBUTION AND DISTRIBUTION AGREEMENT

The Contribution and Distribution Agreement sets forth the agreements between us and Bristol-Myers Squibb with respect to the principal corporate transactions required to effect the contribution and the distribution of our shares to Bristol-Myers Squibb's stockholders and other agreements governing the relationship between Bristol-Myers Squibb and us.

THE CONTRIBUTION

To effect the contribution, Bristol-Myers Squibb has transferred, or caused its subsidiaries to transfer, or will, or will cause its subsidiaries to, transfer or agree to transfer all of the assets of the contributed business to us as described in this information statement. We will assume, or agree to assume, and will agree to perform and fulfill all of the liabilities of the contributed business in accordance with their respective terms. Immediately after the contribution, we will contribute all of the assets of the contributed business to Zimmer, Inc., which will be our wholly-owned subsidiary, and will cause Zimmer, Inc., or one of its subsidiaries, to assume, or agree to assume, all the contributed liabilities in accordance with their respective terms. Except as expressly set forth in the agreement or in any other ancillary agreement, neither we nor Bristol-Myers Squibb make any representation or warranty as to the assets, business or liabilities transferred or assumed as part of the contribution, as to any consents or approvals required in connection with the transfers, as to the value or freedom from any security interests of any of the assets transferred, as to the absence of any defenses or freedom from counterclaim with respect to any claim of either us or Bristol-Myers Squibb, or as to the legal sufficiency of any assignment, document or instrument delivered to convey title to any asset transferred. Except as expressly set forth in any other ancillary agreement, all assets will be transferred on an "as is," "where is" basis, and the respective transferees will agree to bear the economic and legal risks that any conveyance is insufficient to vest in the transferee good and marketable title, free and clear of any security interest and that any necessary consents or approvals are not obtained or that requirements of laws or judgments are not complied with.

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THE DISTRIBUTION

The Contribution and Distribution Agreement provides that, subject to the terms and conditions contained in the agreement, we and Bristol-Myers Squibb will take all reasonable steps necessary and appropriate to cause all conditions to the distribution to be satisfied, and to effect the distribution as of 11:59 p.m. on August 6, 2001. Bristol-Myers Squibb's agreement to consummate the distribution is subject to the satisfaction or waiver by Bristol-Myers Squibb, in its sole discretion, of a number of conditions including the following:

- a private letter ruling from the IRS shall have been obtained, and shall continue in effect, to the effect that, among other things, the distribution will qualify as a tax-free distribution for U.S. Federal income tax purposes under Sections 355 and 368(a)(1)(D) of the Internal Revenue Code and the transfer to us of the assets and the assumption by us of the liabilities in connection with the contribution will not result in recognition of any gain or loss for U.S. Federal income tax purposes to Bristol-Myers Squibb, us or Bristol-Myers Squibb's or our stockholders, except with respect to cash received in lieu of fractional shares of our common stock, and such ruling shall be in form and substance satisfactory to Bristol-Myers Squibb, in its sole discretion;
- any material governmental approvals and consents necessary to consummate the distribution shall have been obtained and be in full force and effect;
- no order, injunction or decree issued by any court or agency of competent jurisdiction or other legal restraint or prohibition preventing the consummation of the distribution shall be in effect, and no other event outside the control of Bristol-Myers Squibb shall have occurred or failed to occur that prevents the consummation of the distribution; and
- no other events or developments shall have occurred that, in the judgment of the board of directors of Bristol-Myers Squibb, would result in the distribution having an adverse effect on Bristol-Myers Squibb or Bristol-Myers Squibb's stockholders.

If Bristol-Myers Squibb waives a material condition to the distribution after the date of this information statement, we intend to issue a press release disclosing this waiver and file a report on Form 8-K with the Securities and Exchange Commission.

RELEASES AND INDEMNIFICATION

The Contribution and Distribution Agreement provides for a full and complete release and discharge of all liabilities existing or arising from all acts and events occurring or failing to occur or alleged to have occurred or to have failed to occur and all conditions existing or alleged to have existed on or before the date of the agreement, between or among us or any of our subsidiaries or affiliates, on the one hand, and Bristol-Myers Squibb or any of its subsidiaries or affiliates other than us, on the other hand, except as expressly set forth in the agreement. The liabilities released or discharged will include liabilities arising under any contractual agreements or arrangements existing or alleged to exist between or among any such members on or before the date of the agreement.

We have agreed to indemnify, hold harmless and defend Bristol-Myers Squibb, each of its affiliates and each of their respective directors, officers and employees, from and against all liabilities relating to, arising out of or resulting from:

- the failure of us or any of our affiliates or any other person to pay, perform or otherwise promptly discharge any liabilities associated with the contributed business, or any contracts associated with the contributed business, in accordance with their respective terms;
- the contributed business, liabilities or contracts;

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- any material breach by us or any of our affiliates of the agreement or any of the other ancillary agreements; and
- any untrue statement or alleged untrue statement of a material fact or omission or alleged omission to state a material fact required to be stated in the registration statement or this information statement or necessary to make the statements in the registration statement or this information statement not misleading.

Bristol-Myers Squibb has agreed to indemnify, hold harmless and defend us, each of our affiliates and each of our respective directors, officers and employees from and against all liabilities relating to, arising out of or resulting from:

- the failure of Bristol-Myers Squibb or any affiliate of Bristol-Myers Squibb, other than us, or any other person or entity to pay, perform or otherwise promptly discharge any liabilities of Bristol-Myers Squibb or its affiliates, other than us, other than liabilities associated with the contributed business;
- any liability of Bristol-Myers Squibb or its affiliates, other than us, or the Bristol-Myers Squibb businesses other than liabilities associated with the contribution of the business; and
- any material breach by Bristol-Myers Squibb or any of its affiliates, other than us, of the agreement or any of the other ancillary agreements.

The Contribution and Distribution Agreement also specifies procedures with respect to claims subject to indemnification and related matters.

CONTINGENT LIABILITIES AND CONTINGENT GAINS

The Contribution and Distribution Agreement provides that we and Bristol-Myers Squibb will indemnify each other with respect to contingent liabilities primarily relating to our respective businesses or otherwise assigned to each of us, subject to the sharing provisions described below.

The Contribution and Distribution Agreement also provides for the sharing of:

- any contingent liabilities that do not primarily relate to any business of Bristol-Myers Squibb or to our business; and
- some specifically identified liabilities, other than taxes.

Bristol-Myers Squibb will assume the defense of, and may seek to settle or compromise, any third party claim that is a shared contingent liability, and those costs and expenses will be included in the amount to be shared by us and Bristol-Myers Squibb.

The Contribution and Distribution Agreement provides that we and Bristol-Myers Squibb will have the exclusive right to any benefit received with respect to any contingent gain that primarily relates to the business of, or that is expressly assigned to, us or Bristol-Myers Squibb, respectively.

DISPUTE RESOLUTION

The Contribution and Distribution Agreement contains provisions that govern, except as otherwise provided in any ancillary agreement, the resolution of disputes, controversies or claims that may arise between us and Bristol-Myers Squibb. These provisions contemplate that efforts will be made to resolve disputes, controversies and claims by escalation of the matter to senior management or other mutually agreed representatives of us and Bristol-Myers Squibb. If such efforts are not successful, either we or Bristol-Myers Squibb may submit the dispute, controversy or claim to non-binding mediation, subject to the provisions of the agreement. If the dispute is not resolved through mediation, an action may be brought before any court of competent jurisdiction.

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EXPENSES

Except as expressly set forth in the Contribution and Distribution Agreement or in any other ancillary agreement, all third party fees, costs and expenses paid or incurred in connection with the distribution will be paid by us.

TERMINATION

The Contribution and Distribution Agreement may be terminated and the distribution may be amended, modified or abandoned at any time prior to the distribution date in the sole discretion of Bristol-Myers Squibb without our approval or the approval of the stockholders of Bristol-Myers Squibb. In the event of a termination of the Contribution and Distribution Agreement, no party shall have any liability of any kind to any other party or any other person. After the distribution date, the agreement may not be terminated except by an agreement in writing signed by both Bristol-Myers Squibb and us.

AMENDMENTS AND WAIVERS

Prior to the distribution date, Bristol-Myers Squibb may amend, supplement and modify the Contribution and Distribution Agreement and the ancillary agreements in its sole discretion without our approval. If Bristol-Myers Squibb modifies a material provision of the Contribution and Distribution Agreement or any ancillary agreement after the date of this information statement, we intend to issue a press release disclosing this modification and file a report on Form 8-K with the Securities and Exchange Commission. After the distribution, no provisions of the Contribution and Distribution Agreement or any ancillary agreement will be deemed waived, amended, supplemented or modified by any party, unless the waiver, amendment, supplement or modification is in writing and signed by the authorized representative against whom it is sought to enforce the waiver, amendment, supplement or modification.

FURTHER ASSURANCES

In addition to the actions specifically provided for elsewhere in the Contribution and Distribution Agreement, both we and Bristol-Myers Squibb have agreed to use our reasonable efforts, prior to, on and after the distribution date, to take, or cause to be taken, all actions, and to do, or cause to be done, all things, reasonably necessary, proper or advisable under applicable laws, regulations and agreements to consummate and make effective the transactions contemplated by the agreement and the other ancillary agreements.

INTERIM SERVICES AGREEMENT

We and Bristol-Myers Squibb will enter into an Interim Services Agreement pursuant to which Bristol-Myers Squibb will provide to us, on an interim, transitional basis, various services, including, but not limited to, treasury administration, employee benefits administration and information technology services. The agreed upon charges for such services are generally intended to allow Bristol-Myers Squibb to recover fully the allocated costs of providing the services, plus all out-of-pocket costs and expenses.

In general, the services shall commence on the distribution date and shall expire no later than twelve months following the distribution date. The agreement may be extended by the parties in writing either in whole or in part. With respect to particular services, we may terminate the agreement with respect to one or more of those services upon prior written notice.

EMPLOYEE BENEFITS AGREEMENT

We and Bristol-Myers Squibb will enter into an Employee Benefits Agreement to allocate liabilities and responsibilities relating to employee compensation and benefits plans and programs and other related matters.

The Employee Benefits Agreement will provide that as of the distribution date, we generally will assume, retain and be liable for all wages, salaries, welfare, incentive compensation and other

employee-related obligations and liabilities for all current and former employees of our business, except as specifically provided in the Employee Benefits Agreement. Bristol-Myers Squibb will retain all assets and liabilities relating to our U.S. employees under the Bristol-Myers Squibb pension plans. Additionally, Bristol-Myers Squibb will retain liabilities for postretirement medical and life insurance benefits for U.S. employees who are currently retired and for those U.S. employees who are eligible to retire as of the distribution date. As of a date to be specified in the Employee Benefits Agreement, active employees of our business will cease to be active participants in benefits plans maintained by Bristol-Myers Squibb and will become eligible to participate in all of our applicable plans. In connection with the distribution, we expect to adopt a variety of employee benefits plans, in both the United States and jurisdictions outside of the United States, comparable to those of Bristol-Myers Squibb for our employees. Once we establish our own benefits plans, we may modify or terminate each plan in accordance with the terms of that plan and our policies. In general, we will credit each active employee in our business with his or her service with Bristol-Myers Squibb for purposes of determining eligibility to participate, eligibility for benefits, benefit forms and vesting under plans maintained by us, to the extent the corresponding Bristol-Myers Squibb plans gave credit for such service.

Pursuant to the Employee Benefits Agreement, Bristol-Myers Squibb stock options held by our employees will be converted to our stock options at the time of the distribution, except in certain foreign jurisdictions where applicable laws, rules or regulations make it inadvisable to convert. As part of the conversion, we will multiply the number of shares purchasable under each converted stock option by a price conversion ratio determined at the time of the distribution and divide the exercise price per share of each option by the same ratio. Fractional shares will be rounded to the nearest whole number of shares. All other terms and conditions of the converted stock options will remain substantially the same as those in effect prior to the distribution.

The aggregate intrinsic value of the options that will be converted at the time of the distribution will remain the same and the ratio of the relevant exercise price per share to the market value per share will not be reduced.

The price conversion ratio will be calculated by dividing the closing price of Bristol-Myers Squibb Common Stock reported on the New York Stock Exchange on the distribution date, or on the first day prior to the distribution date that the New York Stock Exchange is open for trading if the New York Stock Exchange is not open for trading on the distribution date, by opening price of Zimmer Common Stock reported on the New York Stock Exchange on the first day following the distribution date that the New York Stock Exchange is open for trading; provided, however, that adjustments may be made to the price conversion ratio to minimize the independent, determinable and verifiable effect of events other than the distribution on the price of Bristol-Myers Squibb common stock, the price of Zimmer common stock or the price of both.

TAX SHARING AGREEMENT

We and Bristol-Myers Squibb will enter into a Tax Sharing Agreement which will govern Bristol-Myers Squibb's and our respective rights, responsibilities and obligations after the distribution with respect to taxes for any tax period ending before, on or after the distribution. Generally, Bristol-Myers Squibb will be liable for all pre-distribution U.S. Federal income taxes, foreign taxes and certain state taxes attributable to our business. We generally will be liable for all other taxes attributable to our business. In addition, the Tax Sharing Agreement will address the allocation of liability for taxes that are incurred as a result of restructuring activities undertaken to effectuate the distribution. The Tax Sharing Agreement will also provide that we are liable for taxes incurred by Bristol-Myers Squibb that arise as a result of our taking or failing to take, as the case may be, certain actions that result in the distribution failing to meet the requirements of a tax-free distribution pursuant to Section 355 of the Internal Revenue Code. Finally, we will also be liable for taxes incurred by Bristol-Myers Squibb in connection with certain acquisitions or issuances of our stock, even if such acquisitions or issuances were to occur after the distribution, if such acquisitions or issuances result in the distribution failing to meet the requirements of a tax-free distribution pursuant to Section 355(e) of the Internal Revenue Code.

MANAGEMENT

OUR DIRECTORS AND EXECUTIVE OFFICERS

We expect that our board of directors following the distribution will be comprised of between five and eleven directors. We expect to appoint an executive officer, or other affiliate, of Bristol-Myers Squibb to serve as one of our directors. We also expect J. Raymond Elliott, our President and Chief

Executive Officer, to continue to serve as a director following the distribution. Mr. Elliott has served as our sole director since March 20, 2001. In connection with the distribution, a number of non-employee directors, who have not yet been determined, will be elected to the board prior to the distribution date. To the extent additional directors or director designees are identified prior to the distribution date, we will disclose the names of these additional directors or director designees in an amendment to this information statement or in an additional filing on Form 8-K.

Upon completion of the distribution, our board of directors will be divided into three classes. Approximately one third will be Class 1 directors, with terms expiring at the annual meeting of stockholders to be held in 2002, approximately one third will be Class 2 directors with terms expiring at the annual meeting of stockholders to be held in 2003 and approximately one third will be Class 3 directors with terms expiring at the annual meeting of stockholders to be held in 2004. Commencing with the annual meeting of stockholders to be held in 2002, directors for each class will be elected at the annual meeting of stockholders held in the year in which the term for that class expires and thereafter will serve for a term of three years.

The following table sets forth information as to persons who serve or who are currently expected to serve as our directors or executive officers immediately following the distribution. We anticipate appointing each executive officer of Zimmer, Inc., listed below, to an equivalent position at our company as of the distribution date, unless otherwise noted. None of the identified officers will retain their positions with Bristol-Myers Squibb after the distribution.

<TABLE>
<CAPTION>

NAME	AGE	POSITION
<S>	<C>	<C>
J. Raymond Elliott.....	52	President and Chief Executive Officer, Director
Sam R. Leno.....	55	Senior Vice President and Chief Financial Officer
Bruno A. Melzi.....	53	President, Europe
John S. Loveman-Krelle.....	49	President, Asia Pacific
Bruce E. Peterson.....	52	President, Americas
Sheryl L. Conley.....	41	Vice President, Global Brand Management and Commercialization
Kenneth Coonce.....	51	Vice President, Operations and Logistics
Roy D. Crowninshield.....	52	Senior Vice President, Chief Scientific Officer
James T. Crines.....	42	Vice President, Controller
James P. Simpson.....	43	Vice President, Regulatory and Government Affairs
Terry D. Schlotterback.....	46	Vice President, Global Services
Dennis J. Kline.....	48	Vice President, Human Resources
Paul D. Schoenle.....	54	Vice President, Senior Counsel
Stephen K. Forden.....	40	Vice President, Transition and Public Company Activities

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J. RAYMOND ELLIOTT was appointed President and Chief Executive Officer as well as Director of our company on March 20, 2001. Mr. Elliott was appointed President of Zimmer, Inc., our predecessor, in November 1997. In addition, Mr. Elliott served as Vice President of Bristol-Myers Squibb, our parent prior to the distribution, from November 1997 until the separation. Mr. Elliott has approximately

20 years of experience in the orthopaedics and medical devices industries and approximately eight years of experience in consumer products. Prior to joining Zimmer, Inc., he served as President and Chief Executive Officer of Cybex, Inc., a publicly traded medical rehabilitation and cardiovascular fitness products company, from September 1995 to June 1997, and previously as President and Chief Executive Officer of J.R. Elliott & Associates, a privately held M&A firm. During this time, Mr. Elliott successfully completed several M&A and turnaround projects including biotech start-up recommendations for the federal government, synergies and merger integration analyses for numerous healthcare firms and a turnaround role as Chairman and Chief Executive Officer of Cablecom Inc. Mr. Elliott has also served as Chairman and President of various divisions of Southam, Inc., a communications group, and as group president of five divisions of food and beverage leader John Labatt, Inc. He began his career in the healthcare industry with Baxter International, formerly American Hospital Supply Corporation, where he gained 15 years experience in sales, marketing, operations, business development and general management, leading to his appointment as President of the Far East divisions, based in Tokyo. Mr. Elliott has served as a director of more than 15 business-related boards in the U.S., Canada, Japan, and Europe and has served on three occasions as Chairman. He currently serves as Chairman of a Northern Indiana United Way Campaign as well as a director of the State of Indiana Workplace Development Board. He holds a bachelor's degree from the University of Western Ontario, Canada.

SAM R. LENO was appointed Senior Vice President and Chief Financial Officer of our company effective July 16, 2001. Prior to his appointment, Mr. Leno served as Senior Vice President and Chief Financial Officer of Arrow Electronics, Inc., a global distributor of electronic components, a position he held since March, 1999. From July 1995 until February 1999, Mr. Leno served as Executive Vice President and Chief Financial Officer of Corporate Express, Inc., a global supplier of office products and services. He served as Chief Financial Officer of Coram Healthcare, which specializes in home IV infusion, from 1994 until 1995. From 1971 to 1994, Mr. Leno held several financial positions of increasing responsibility at Baxter International, Inc., formerly American Hospital Supply Corporation, including Vice President, Finance and Information Technology, Hospital Business, from 1989-1994, Vice President, Financial Planning and Analysis, from 1988 to 1989, and Vice President, Corporate Restructuring, from 1986 until 1988. Prior to joining American Hospital Supply, he served as a U.S. Naval Officer. Mr. Leno holds a B.S. degree in Accounting from Northern Illinois University and a M.B.A. from Roosevelt University.

BRUNO A. MELZI joined Zimmer, Inc., our predecessor, in 1990 as Managing Director. In March 2000, Mr. Melzi was promoted from Vice President and Managing Director of Italy, Germany and Switzerland, a position he held since October of 1997, to his current position of President, Europe. Mr. Melzi has over 27 years of experience in the orthopaedics and medical products industry. He has previously served as General Manager and member of the Board of Directors of Johnson & Johnson Italy from 1983 to 1990, as Smith & Nephew's Business Director for Italy from 1982 to 1983 and as Executive Marketing Director for Johnson & Johnson's Ethicon suture division from 1980 to 1982. Mr. Melzi holds a degree in law from the University of Pavia, Italy.

JOHN S. LOVEMAN-KRELLE joined Zimmer, Inc., our predecessor, in 1987. He has served as President, Asia Pacific since June, 2000. Mr. Loveman-Krelle served as Vice President, Global Marketing from January 1996 until June 1997 and as Vice President and General Manager from June 1997 until his promotion to his current position. Mr. Krelle has over 20 years of experience in the orthopaedics and medical products industry and his previous responsibilities with Zimmer, Inc. include Vice President, Patient Care Global Marketing and Development and Vice President, Global Knee Marketing. Prior to 1987, he held positions in sales, marketing and management with Schering AG. Mr. Krelle holds a bachelor's degree in mechanical engineering and an MBA from Sussex University, U.K.

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BRUCE E. PETERSON was appointed President, Americas of Zimmer, Inc., our predecessor, effective July 1, 2001. He joined Zimmer, Inc., our predecessor, in 1995 as Senior Vice President, U.S. Sales and Marketing and was given additional responsibility for Canada and Latin America in May 2000. Mr. Peterson has over 25 years of sales, marketing and management experience in the orthopaedics industry, including eight years with Johnson & Johnson Orthopaedics from 1975 to 1983, three previous years from 1984 to 1986 with Zimmer, Inc. and nine years as Distributor Principal and President of Great Lakes Orthopaedics from 1986 to 1995. Mr. Peterson holds a bachelor's degree from Youngstown State University.

SHERYL L. CONLEY joined Zimmer, Inc., our predecessor, in 1983 and was promoted from General Manager, Zimmer Canada, a position she held from 1998 to 2000, to her current position as Vice President, Global Brand Management and Commercialization in May 2000. Ms. Conley has 17 years of experience in the orthopaedics industry and has held management positions in marketing, operations and clinical research. In 1994, she was selected to lead the initial product development and brand marketing effort for the VerSys-Registered Trademark- hip system and was subsequently promoted to Vice President, Global Marketing for Hips in 1995, a position she held until her appointment as General Manager, Zimmer Canada. Ms. Conley holds a bachelor's degree in Biology and Chemistry and an MBA from Ball State University.

KENNETH COONCE joined Zimmer, Inc., our predecessor, in 1985 and was promoted to his current position as Vice President, Operations and Logistics in April 2000 from Vice President of Operations Finance, a position he held since 1996. Mr. Coonce has over 16 years of experience in the orthopaedics industry and has held key financial and operational management roles in several Bristol-Myers Squibb divisions, including Vice President of Finance, Hall Surgical and Vice President of Finance, Linvatec. Prior to joining Zimmer, he worked in the aerospace and automotive industries and was Finance Manager for Fairchild Industries. Mr. Coonce holds a bachelor's degree in accounting from Eastern Michigan University and an MBA from St. Francis University.

ROY D. CROWNINSHIELD joined Zimmer, Inc., our predecessor, in 1983 and currently serves as Senior Vice President and Chief Scientific Officer. Mr. Crowninshield was first appointed Senior Vice President in 1994 and has served as Senior Vice President for Research and Development, Senior Vice President for Business Development and Chief Scientific Officer for periods of varying duration since that time. Since joining Zimmer, Mr. Crowninshield's responsibilities have included, for periods of varying duration, research and development, business development, quality assurance, regulatory affairs and general management. He has also served as an Associate Professor at the

University of Iowa with the orthopaedic surgery and engineering departments from 1983 to 1991. Dr. Crowninshield has over 30 years of experience in orthopaedics research and development, holds numerous orthopaedic design patents and has published over 100 journal articles. He is a member of the American Academy of Orthopaedic Surgeons, the American Orthopaedic Association, the Orthopaedic Research Society and several other medical and engineering research organizations. Dr. Crowninshield holds a bachelor's degree in mechanical engineering, a Masters of Science and Ph.D. in mechanical engineering from the University of Vermont.

JAMES T. CRINES joined Zimmer, Inc., our predecessor, in 1997 as Director of Finance. On July 1, 2001, he was appointed Vice President, Controller after serving as Vice President, Finance and Information Technology since September 2000. Mr. Crines served Zimmer, Inc. as Director of Finance and Logistics, Japan from May 1999 until September 2000. Mr. Crines served as Associate Director, Accounting at Bristol-Myers Squibb from September 1995 until he joined Zimmer, Inc. Mr. Crines has over 18 years of experience in corporate and operations finance and accounting, including five years as an auditor with Price Waterhouse from 1981 to 1986. He was employed by American Cyanamid from 1986 to 1995 and served in a variety of increasingly important financial roles, culminating in his promotion to Division Controller of their global animal health and nutrition businesses in 1993.

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Mr. Crines holds a bachelor's degree in accounting from the University of Scranton and an MBA from Rutgers University and is a Certified Public Accountant.

JAMES P. SIMPSON joined Zimmer, Inc., our predecessor, in 1999 as Vice President of Quality and Productivity and was assigned additional responsibility for regulation and government affairs in May 2000. Mr. Simpson has over 18 years of experience in the medical supplies industry and is a Certified Quality Engineer. Prior to joining Zimmer, Inc., he held positions in manufacturing, engineering, and quality control with Abbott Laboratories and most recently served as Director of Operations Quality from 1994 to 1999. Mr. Simpson was instrumental in solving several of Abbott Laboratories largest quality and regulatory-related challenges, including a turnaround of the Chicago small volume parenteral operation from 1990 to 1992. Mr. Simpson holds a bachelor's degree in Pharmacal Science from Purdue University.

TERRY D. SCHLOTTERBACK first joined Zimmer, Inc., our predecessor, in 1982 and has served in various positions in engineering and new product development. Mr. Schlotterback rejoined Zimmer as Vice President, Development Engineering in October 1996, a position he held until his promotion to Vice President, Global Services in May 2000. Mr. Schlotterback has over 18 years of experience in the orthopaedics industry. In addition to his tenure at Zimmer, Inc., he served as the director of product and business development for Mitek Corporation during its startup phase from 1992 to 1995 and as director of new product development of DePuy from 1995 to 1996 prior to its acquisition by Johnson & Johnson. Mr. Schlotterback holds a bachelor's degree in mechanical engineering from Purdue University.

DENNIS J. KLINE joined Zimmer, Inc., our predecessor, as Vice President, Human Resources in September 2000. Mr. Kline has 25 years of experience in human resource management and 20 years in the medical products industry. Prior to joining Zimmer, Inc., he served as Principal and Senior Human Resources Consultant for Herbeck-Kline & Associates from 1996 to 2000, as a Director of Human Resources with Ernst & Young LLP from 1995 to 1996 and as Vice President of Human Resources for Baxter International, formerly American Hospital Supply Corporation, from 1981 to 1995. Mr. Kline holds degrees in public administration and marketing from Ferris State University and a Masters of Administration degree from Central Michigan University.

PAUL D. SCHOENLE joined Bristol-Myers Squibb, our parent prior to the distribution, in 1984 as patent counsel with responsibility for all intellectual property matters at Zimmer, Inc., our predecessor, and was promoted to Vice President and Senior Counsel of Zimmer, Inc. in 2000. Mr. Schoenle has 27 years of experience in patent law and has served as Senior Patent Counsel for several business units of Bristol-Myers Squibb as well as Senior Patent Counsel for the Bendix Corporation from 1980 to 1984. Mr. Schoenle holds a bachelor's degree in mechanical engineering with honors from Purdue University, a JD from Valparaiso University School of Law and an MBA from Indiana University.

STEPHEN K. FORDEN was appointed Vice President, Transition and Public Company Activities of Zimmer, Inc., our predecessor, in April 2001, with responsibility for transitioning our company to an independent publicly traded entity. From May 2000 until his promotion, Mr. Forden served as Vice President, U.S. Marketing. He has also served Zimmer, Inc. as Vice President, Global Knee Marketing, from January 2000 until May 2000, and Vice President, Marketing-Japan, from January 1999 until December 1999. From 1992 until joining Zimmer, Inc., Mr. Forden held several positions at Johnson & Johnson Orthopaedics, including Marketing Manager for Japan, from October 1996 until

December 1998, and Senior Product Director responsible for U.S. marketing related to a knee system, from January 1995 until October 1996. Mr. Forden held various marketing and sales positions at Smith & Nephew, from 1989 until 1992, and Baxter International, Inc., from 1986 until 1989, in Canada. Mr. Forden holds a bachelor of business administration from Wilfrid Laurier University in Canada.

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ANNUAL MEETING

Our first annual meeting of stockholders after the distribution is expected to be held in June, 2002. This will be an annual meeting of stockholders for the election of directors. The annual meeting will be held at our principal office or at such other place or by electronic means as permitted by the laws of the state of Delaware and on such date as may be fixed from time to time by resolution of our board of directors.

COMMITTEES OF THE BOARD OF DIRECTORS

We will be managed under the direction of our board of directors. Our board of directors plans to establish two committees immediately following the distribution: an audit committee and a compensation and management development committee.

AUDIT COMMITTEE

The audit committee will be comprised solely of directors who are not our employees. The functions of this committee include:

- meeting with our management periodically to consider the adequacy of our internal controls and the objectivity of our financial reporting;
- meeting with the independent auditors and with internal financial personnel regarding these matters;
- recommending to our board of directors the appointment of the independent auditors; and
- reviewing our financing plans and reporting recommendations to our full board for approval and to authorize action.

Both the independent auditors and the internal financial personnel will regularly meet privately with this committee and have unrestricted access to this committee.

COMPENSATION AND MANAGEMENT DEVELOPMENT COMMITTEE

Our committee on compensation and management development will be comprised solely of directors who are not our employees. The functions of this committee will include:

- reviewing and, as it deems appropriate, recommending to our board of directors, policies, practices and procedures relating to the compensation of our officers and other managerial employees and the establishment and administration of our employee benefit plans;
- exercising authority under our employee equity incentive plans; and
- advising and consulting with our officers regarding managerial personnel and development.

DIRECTOR COMPENSATION

We currently are reviewing the compensation that we will pay to our non-employee directors following the distribution, but anticipate that our non-employee directors will receive an annual cash retainer similar to that paid to directors of similar companies. We also anticipate that we will provide non-employee directors an additional nominal fee of \$1,500 for attending each board meeting, board committee meeting and the Annual Meeting of Stockholders, but will not pay a separate board committee fee if the committee meeting is held on the same day as a board meeting.

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We intend to adopt the 2001 Deferred Compensation Plan for Non-Employee Directors. Under the provisions of this plan, one-half of each non-employee director's retainer will be subject to mandatory deferral in the form of deferred stock units. In addition, at each Annual Meeting of Stockholders, each non-employee director will receive 500 deferred share units of our common stock. Non-employee directors may elect to defer the remainder of their annual retainer. Deferred stock units are immediately vested and payable upon separation from service. Additionally, non-employee directors may elect to

convert all or a portion of their annual retainer, other than the portion that is subject to mandatory deferral, into stock options using a ratio of three stock options to one stock unit.

We also intend to adopt, with the approval of Bristol-Myers Squibb in its capacity as our sole stockholder, the Zimmer Holdings, Inc. Stock Plan for Non-Employee Directors. This plan will provide that non-employee directors may receive options, restricted stock and restricted stock units. Under this plan, non-employee directors elected before the distribution date will receive in three installments during the 90-day period following the distribution date, options to purchase 50,000 shares of our common stock. Non-employee directors elected on or after the distribution date, but before the date of our first Annual Meeting of Stockholders will receive a similar grant in three installments during the 90-day period following their appointment. The price of the option will be the fair market price of our common stock on the date each installment is granted. The option granted to each director will become exercisable on the third anniversary date of the grant of the first installment. The options also will also become fully exercisable upon retirement from the board of directors.

EXECUTIVE COMPENSATION

The compensation and management development committee will be responsible for administering the compensation program for our executive officers.

Our executive compensation program will be based upon a pay-for-performance philosophy. Under our program an executive's compensation is based on three components:

- base salary;
- an annual incentive or bonus payment; and
- long-term incentives, which may include cash-based awards, stock-based awards and/or stock options.

The executive compensation program will be designed to provide value to the executive based on the extent of individual performance, our performance versus budgeted earnings targets and other financial measures, our longer term financial performance and total return to stockholders, including to the extent share price appreciation and reinvested dividends meet, exceed or fall short of expectations. Under this program design, only when expectations are exceeded can incentive payments exceed targeted levels.

BASE SALARY

An executive's base salary is determined by an assessment of her/his sustained performance against her/his individual job responsibilities including, where appropriate, the impact of such performance on our business results, current salary in relation to the salary range designated for the job, experience and mastery and potential for advancement.

ANNUAL INCENTIVES

Payments under our annual performance incentive plan are tied to our level of achievement of annual operating pretax earnings targets and other financial measures, establishing a direct link

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between the executive's pay and our financial success. Annual operating pretax earnings targets will be based upon the earnings budget as reviewed by our board of directors. The financial measures that are selected may include total sales revenues and cash flow objectives and will be determined by our board of directors. An individual executive's annual incentive opportunity will be a percentage of her/his salary determined by the executive's job level. Actual annual incentive payments will be determined by applying to each individual's annual incentive opportunity a formula based on operating pretax earnings performance and the achievement of other financial performance objectives. Applying this formula will result in payments at the targeted incentive opportunity level when budgeted earnings and the financial performance objectives are achieved and payments below the targeted level when earnings and financial performance are below the established amounts. The formula provides for payments above the targeted level only when actual earnings and financial performance exceed the set objectives.

LONG-TERM INCENTIVES

Our long-term incentives will be primarily in the form of stock option awards. However, restricted stock may also be granted on a select basis to attract, retain and motivate key executives critical to our long-term success. In addition, performance units and performance shares may also be granted in the future to further align executive compensation with our financial success. The

objective of these awards is to advance our longer-term interests and those of our stockholders and to complement incentives tied to annual performance. These awards will provide rewards to executives based upon the creation of incremental stockholder value.

Stock options will only produce value to executives if the price of our stock appreciates, thereby directly linking the interests of executives with those of stockholders. The number of stock options granted will be based on the grade level of an executive's position, the executive's performance in the prior year and the executive's potential for continued sustained contributions to our success. The executive's right to the stock options will vest over a four-year period and each option will be exercisable, but only to the extent it has vested, over a ten-year period following its grant. In order to preserve the linkage between the interests of executives and those of stockholders, the executives will be expected to utilize the shares obtained on the exercise of their stock options, after satisfying the cost of exercise and taxes, to establish a significant level of direct ownership. We will establish share ownership expectations for our executives to meet through the exercise of stock option awards.

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The following table sets forth compensation information for our chief executive officer and our four other executive officers who, based on the salary and bonus compensation received from Bristol-Myers Squibb, were the most highly compensated for the year ended December 31, 2000. All information set forth in this table reflects compensation earned by these individuals for service with Bristol-Myers Squibb for the year ended December 31, 2000.

SUMMARY COMPENSATION TABLE

<TABLE>
<CAPTION>

NAME AND PRINCIPAL POSITION	YEAR	ANNUAL COMPENSATION		OTHER ANNUAL COMPENSATION (\$)	LONG TERM COMPENSATION		
		SALARY (\$)	BONUS (\$)		RESTRICTED STOCK AWARD(S) (1) (\$)	SECURITIES UNDERLYING OPTIONS/ SARS (#)	LONG-TERM INCENTIVE PAYOUTS (\$)
<S>	<C>	<C>	<C>	<C>	<C>	<C>	<C>
J. Raymond Elliott PRESIDENT	2000	348,096	213,073	--	--	58,325 (3)	100,000 (4)
Roy D. Crowninshield SENIOR VICE PRESIDENT, CHIEF SCIENTIFIC OFFICER	2000	263,700	145,817	--	--	35,600 (3)	80,000 (4)
Bruce E. Peterson SENIOR VICE PRESIDENT SALES AND MARKETING, AMERICAS	2000	223,149	97,068	--	--	17,400 (3)	--
Paul D. Schoenle VICE PRESIDENT, SENIOR COUNSEL	2000	190,961	63,033	--	--	13,700 (3)	--
John S. Loveman-Krelle PRESIDENT, ASIA PACIFIC	2000	185,423	64,813	139,781 (5)	--	19,700 (3)	--

<CAPTION>

NAME AND PRINCIPAL POSITION	ALL OTHER COMPENSATION (\$)
<S>	<C>
J. Raymond Elliott PRESIDENT	15,664 (2)
Roy D. Crowninshield SENIOR VICE PRESIDENT, CHIEF SCIENTIFIC OFFICER	11,867 (2)
Bruce E. Peterson SENIOR VICE PRESIDENT SALES AND MARKETING, AMERICAS	10,042 (2)
Paul D. Schoenle VICE PRESIDENT, SENIOR COUNSEL	8,594 (2)
John S. Loveman-Krelle PRESIDENT, ASIA PACIFIC	41,023 (6)

</TABLE>

(1) The number and market value of shares of restricted stock held by each of these executives at December 31, 2000, based upon the closing market value stock price of \$73.9375 for Bristol Myers Squibb common stock, were:

Mr. Elliott, 20,000 and \$1,478,750 and Mr. Peterson 6,668 and \$493,015. Regular dividends are paid on these shares.

- (2) Consists of matching contributions to the Bristol-Myers Squibb Company Savings and Investment Program and the Benefits Equalization Plan for the Savings and Investment Program as follows: Mr. Elliott, \$7,650 and \$8,014, respectively; Mr. Crowninshield, \$6,585 and \$5,281, respectively; Mr. Peterson, \$6,585 and \$3,456, respectively; and Mr. Schoenle, \$7,650 and \$945, respectively.
- (3) Performance-based exercise price thresholds must be attained for portions of the 2000 award to become exercisable.
- (4) Represents payouts from long-term performance awards granted in 1998 and earned over the three-year performance period from 1998 through 2000. The payouts were based on total shareholder return ranking versus peer companies of Bristol-Myers Squibb. The awards were paid at 80% of target.
- (5) Includes a housing allowance of \$87,087 as well as a cost of living adjustment of \$34,175, both paid in connection with an overseas assignment, in addition to other annual compensation including perquisites and amounts reimbursed for payment of taxes.
- (6) Consists of matching contributions to the Bristol-Myers Squibb Company Savings and Investment Program of \$7,650 and payments in connection with a relocation of \$33,373.

RETENTION AGREEMENTS

In February 2001, in anticipation of the distribution, we entered into retention agreements with J. Raymond Elliot, Roy D. Crowninshield, Bruce E. Peterson, Paul D. Schoenle, and John S. Loveman-Krelle. The retention agreements generally provide that executives who remain in our employment through the distribution date will receive a retention bonus paid in the form of our stock options and our restricted shares. The value of these retention bonuses varies based upon each executive's salary level and job responsibilities. Mr. Elliot will receive an award of our stock options with an economic value at the time of grant of \$875,000 based on a generally accepted valuation methodology and \$300,000 of our restricted stock. Each of the other four executives will receive an award of our options with an economic value at the time of grant of \$175,000 based on a generally accepted valuation methodology and \$60,000 of our restricted stock. Options awarded as retention bonuses will be granted at market value, will vest in equal annual installments over a period of four years and will only provide value to the recipient executive if the price of our stock appreciates. Restricted stock awarded as retention bonuses will vest in three equal annual installments on the third, fourth and fifth

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anniversaries of the award. The agreements also provide that outstanding Bristol-Myers Squibb stock options and restricted shares held by the executives will be converted on the distribution date into our stock options and restricted shares of equivalent value. The agreements provide for bonus payments under the Bristol-Myers Squibb incentive plans in which each executive participates, prorated for actual performance through the distribution date. Executives who participate in Bristol-Myers Squibb's long term incentive plans will continue to receive payments under those plans or, in the case of the most recent plan, will receive an award of our stock options equivalent in value to the award under that plan in lieu of continued participation. The agreements also provide that if the executive is involuntarily terminated during the one-year period after the distribution date, the executive will receive a severance payment equal to one year of base salary (the severance payment for Mr. Elliott is equal to two years of base pay).

In addition to the above, Mr. Elliott's agreement provides that after a change of control of Zimmer, if Mr. Elliott is involuntarily terminated within one-year after the distribution date, he will receive a severance payment equal to three times the sum of his base salary and target annual bonus. If this payment, plus his other applicable income, exceeds 110% of the excise tax limits applicable under the Internal Revenue Code Section 4999, he will receive an additional payment to fully compensate for any additional tax liability. Amounts that exceed the exercise limit by less than 110% will be reduced so that the excise tax limit is not exceeded. On the distribution date, Mr. Elliott will also receive an award of \$500,000 in the form of our deferred stock units.

The incentive payments and benefits described in the retention agreements are contingent upon the distribution date occurring on or before September 30, 2001, the executive's continuous employment through and including the date of the relevant award, the executive's execution of a general release in favor of Bristol-Myers Squibb and a limited release in our favor with respect to our obligations in connection with the distribution, the executive honoring the need for strict confidentiality regarding the distribution, the executive's full support and cooperation in our best interests and the interests of Bristol-Myers

Squibb up to and including the date of distribution, and the executive refraining from taking action after the distribution contrary to our best interests and the interests of Bristol-Myers Squibb.

COMPENSATION AGREEMENTS

The retention agreements executed by J. Raymond Elliot, Roy D. Crowninshield, Bruce E. Peterson, Paul D. Schoenle, and John S. Loveman-Krelle in February 2001 were supplemented by compensation agreements signed by the executives in April and May of 2001. These agreements specify each executive's annual base salary, target bonus and provide for an additional award of our stock options that will be granted within 30 days following the distribution date. All stock options will be granted with an exercise price equal to the fair market value on the date of grant. The economic value of the options at the time of grant will be based on generally accepted valuation methodology and will vest in equal annual installments over a four-year period. The agreements are contingent upon each executive assuming a position as one of our officers.

SUMMARY OF COMPENSATION AGREEMENT TERMS

<TABLE>
<CAPTION>

	BASE SALARY (\$)	TARGET BONUS (\$)	ECONOMIC VALUE OF STOCK OPTION AWARD (\$)
	-----	-----	-----
<S>	<C>	<C>	<C>
J. Raymond Elliot.....	600,000	600,000	2,100,000
Roy D. Crowninshield.....	275,000	110,000	410,000
Bruce E. Peterson.....	300,000	180,000	680,000
Paul D. Schoenle.....	200,000	70,000	240,000
John S. Loveman-Krelle.....	250,000	112,500	410,000

</TABLE>

In addition, Mr. Elliott's agreement provides that Bristol-Myers Squibb will guarantee that upon his retirement, Mr. Elliott will receive a retirement benefit with a value that is equivalent to a straight

life annuity of \$98,508 per year beginning no sooner than age 55. Bristol-Myers Squibb has assumed sole responsibility for this liability.

Sam R. Leno has been appointed, effective July 16, 2001, to serve as our Senior Vice President and Chief Financial Officer. Mr. Leno's compensation package includes the following: (i) a base salary of \$430,000; (ii) a target bonus of \$258,000 (60% of base salary); (iii) upon commencement of employment, the immediate issuance of options to purchase 50,000 shares of Bristol-Myers Squibb common stock to be granted at fair market value on the date of grant, which will vest in equal installments over a period of four years from the date of grant and that will be converted to options to purchase our common stock on the distribution; (iv) upon commencement of employment, the immediate issuance of 25,000 shares of Bristol-Myers Squibb restricted stock which will vest one-third on each of the third, fourth and fifth anniversaries of the date of grant and that will be converted to shares of our restricted stock on the distribution; (v) transition payments of \$100,000 payable on each of the first, second and third anniversaries of employment; and (vi) an award of stock options to purchase our common stock on the distribution date with an economic value at the time of grant based on generally accepted valuation methodology of \$1,000,000 which will be granted at market value and will vest in equal installments over a period of four years from the date of grant. In addition, Mr. Leno will be eligible to receive severance pay equal to two years of base salary in the event that the distribution does not occur and Mr. Leno declines other offers of employment with us or Bristol-Myers Squibb.

GRANTS OF STOCK OPTIONS

The following table shows all grants of stock appreciation rights and options to acquire shares of Bristol-Myers Squibb common stock granted to the executive officers named in the Summary Compensation Table in the "Executive Compensation" section above for the year ended December 31, 2000 under the Bristol-Myers Squibb Company 1997 Stock Incentive Plan. During the fiscal year ended December 31, 2000, no executive officers were eligible for grants of options under the Bristol-Myers Squibb TeamShare I and TeamShare II stock option plans, which are broad-based stock option plans. Pursuant to the Employee Benefits Agreement and the retention agreements, Bristol-Myers Squibb stock options, shares of restricted stock and stock appreciation rights held by our employees, including these executive officers, will be converted to our stock options, shares of our restricted stock and our stock appreciation rights at the time of the distribution, except in certain foreign jurisdictions where the conversion would result in adverse tax consequences for such employees. None of our executive officers hold stock options, shares of restricted stock or stock

appreciation rights subject to conversion in any of these foreign jurisdictions where applicable laws, rules or regulations make it inadvisable to convert.

OPTION/SAR GRANTS IN LAST FISCAL YEAR

<TABLE>
<CAPTION>

NAME	NUMBER OF SECURITIES UNDERLYING OPTIONS/SARS GRANTED (#) (1)	INDIVIDUAL GRANTS		EXPIRATION DATE	GRANT DATE PRESENT VALUE (\$) (3)
		% OF TOTAL OPTIONS/SARS GRANTED TO ZIMMER EMPLOYEES IN FISCAL YEAR	EXERCISE OR BASE PRICE (\$/SH) (2)		
<S>	<C>	<C>	<C>	<C>	<C>
J. Raymond Elliott	5,200 (4)	0.7%	\$64.2500	January 2, 2010	\$112,037
PRESIDENT	53,125 (5)	7.6%	\$44.8438	March 6, 2010	\$690,333
Roy D. Crowninshield	4,100 (4)	0.6%	\$64.2500	January 2, 2010	\$ 88,337
SENIOR VICE PRESIDENT, CHIEF SCIENTIFIC OFFICER	31,500 (5)	4.5%	\$44.8438	March 6, 2010	\$409,327
Bruce E. Peterson	2,400 (4)	0.3%	\$64.2500	January 2, 2010	\$ 51,709
SENIOR VICE PRESIDENT, SALES AND MARKETING, AMERICAS	15,000 (5)	2.1%	\$44.8438	March 6, 2010	\$194,918
Paul D. Schoenle	1,700 (4)	0.2%	\$64.2500	January 2, 2010	\$ 17,529
VICE PRESIDENT, SENIOR COUNSEL	12,000 (5)	1.7%	\$44.8438	March 6, 2010	\$155,934
John S. Loveman-Krelle	1,700 (4)	0.2%	\$64.2500	January 2, 2010	\$ 17,529
PRESIDENT, ASIA PACIFIC	18,000 (5)	2.6%	\$44.8438	March 6, 2010	\$233,901

</TABLE>

-
- (1) Individual grants become exercisable in installments of 25 percent per year on each of the first through the fourth anniversaries of the grant date. Grants made in lieu of 2000 annual incentive awards vest one year from the date of grant. At age 60, all outstanding option grants fully vest. As consideration for the option grant, an employee must remain in our employment for one year from the date of grant. No SARs were granted in 2000.
 - (2) All options were made at 100 percent fair market value as of the date of grant.
 - (3) In accordance with Securities and Exchange Commission rules, the Black-Scholes option pricing model was chosen to estimate the grant date present value of the options in Bristol-Myers Squibb common stock set forth in this table. We do not believe that the Black-Scholes model, or any other model, can accurately determine the value of an option. Accordingly, there is no assurance that the value realized by an executive, if any, will be at or near the value estimated by the Black-Scholes model. Future compensation resulting from option grants will be based solely on the performance of our stock price. The Black-Scholes Ratio of 0.3454 was determined using the following assumptions: a volatility of 24.54 percent, an historic average dividend yield of 1.47 percent, a risk free interest rate of 6.25 percent and a 7 year option term.
 - (4) Represent options granted in lieu of a portion of annual incentive bonuses for 2000. The options became fully vested on January 3, 2001.
 - (5) One-half of these options become fully exercisable in the ninth and tenth years of the option term. Through the eighth year of the option term, the options are subject to an exercisability provision based on the performance of Bristol-Myers Squibb common stock. If the market value of Bristol-Myers Squibb common stock increases in value 30 percent over the option exercise price, and this value is maintained for 15 consecutive trading days, the options become exercisable provided time vesting requirements have also been satisfied. This 30 percent price threshold has been attained.

EXERCISE OF STOCK OPTIONS

The following table shows aggregate exercises of options to purchase Bristol-Myers Squibb common stock in the fiscal year ended December 31, 2000 by the executive officers named in the Summary Compensation Table in the "Executive Compensation" section above.

AGGREGATED OPTION/SAR EXERCISES IN LAST FISCAL YEAR
AND FISCAL YEAR-END OPTIONS/SAR VALUE (1)

<TABLE>
<CAPTION>

NAME	SHARES ACQUIRED ON EXERCISE (#)	VALUE REALIZED (\$)	NUMBER OF SECURITIES UNDERLYING UNEXERCISED OPTIONS/SARS AT FY-END (#)		VALUE OF UNEXERCISED IN-THE- MONEY OPTIONS/SARS AT FISCAL YEAR-END (\$) (2)	
			EXERCISABLE	UNEXERCISABLE	EXERCISABLE	UNEXERCISABLE
<S>	<C>	<C>	<C>	<C>	<C>	<C>
J. Raymond Elliott PRESIDENT	62,500	1,082,670	6,250	139,575 (3)	50,684	2,924,587 (3)
Roy D. Crowninshield SENIOR VICE PRESIDENT, CHIEF SCIENTIFIC OFFICER	114,531	5,340,091	49,225	91,575 (3)	1,589,078	1,978,674 (3)
Bruce E. Peterson SENIOR VICE PRESIDENT, SALES AND MARKETING, AMERICAS	--	--	26,013	51,538 (3)	886,577	1,130,107 (3)
Paul D. Schoenle VICE PRESIDENT, SENIOR COUNSEL	--	--	141,100	42,400 (3)	7,475,844	906,406 (3)
John S. Loveman-Krelle PRESIDENT, ASIA PACIFIC	13,751	340,414	6,562	51,988 (3)	112,669	1,069,427 (3)

</TABLE>

(1) All options were granted at 100 percent of fair market value. Optionees may satisfy the exercise price by submitting currently owned shares and/or cash. Income tax withholding obligations may be satisfied by electing to have Bristol-Myers Squibb withhold shares otherwise issuable under the option with a fair market value equal to such obligations.

(2) Calculated based upon the December 31, 2000 fair market value share price of Bristol-Myers Squibb common stock of \$74.3125.

(3) For all named executive officers, the value of "Unexercisable" stock options include the year-end value of stock options which have price thresholds for exercisability above the exercise price. The executives may exercise these options and potentially realize the portion of the listed value relating to these stock options once those price thresholds are attained.

THE FOLLOWING SUMMARIZES THE MATERIAL PROVISIONS OF THE EMPLOYEE BENEFITS PLANS WE INTEND TO ADOPT PRIOR TO THE DISTRIBUTION. THE TERMS OF THESE PLANS, WHICH GENERALLY REPLICATE THE CURRENT BRISTOL-MYERS SQUIBB PLANS IN ALL MATERIAL RESPECTS, HAVE NOT BEEN FINALIZED AND ARE BEING REVIEWED BY US AND BRISTOL-MYERS SQUIBB.

PENSION PLANS

Most of our U.S. non-union employees, including executive officers, are participants in the Bristol-Myers Squibb Company Retirement Income Plan. Effective as of the time of the distribution, we intend to adopt a retirement income plan, the Zimmer Holdings, Inc. Retirement Income Plan, that will replicate, in all material respects, the benefit formula under the Bristol-Myers Squibb Company Retirement Income Plan, which is a non-contributory pension plan which covers most non-union employees, including the executive officers. We will also adopt a non-contributory supplemental pension plan that will replicate, in all material respects, the benefit formula under Bristol-Myers Squibb's supplemental pension plan. Our retirement income plan and supplemental pension plan will provide all Zimmer participants with credit for their service years with Bristol-Myers Squibb. Our obligations under our plans will be reduced, however, because Bristol-Myers Squibb will provide these employees with all benefits accrued under its corresponding retirement plans prior to the distribution date, which benefits will become fully vested under the Bristol-Myers Squibb plans on the distribution date.

The following table sets forth the aggregate annual benefit payable upon retirement at normal retirement age for each level of remuneration specified at the listed years of service.

PENSION PLAN TABLE

<TABLE>
<CAPTION>

YEARS OF SERVICE

REMUNERATION	15	20	25	30	35
<S>	<C>	<C>	<C>	<C>	<C>
\$ 200,000.....	\$ 60,000	\$ 80,000	\$ 100,000	\$ 120,000	\$ 140,000
\$ 500,000.....	\$150,000	\$200,000	\$ 250,000	\$ 300,000	\$ 350,000
\$1,000,000.....	\$300,000	\$400,000	\$ 500,000	\$ 600,000	\$ 700,000
\$1,500,000.....	\$450,000	\$600,000	\$ 750,000	\$ 900,000	\$1,050,000
\$2,000,000.....	\$600,000	\$800,000	\$1,000,000	\$1,200,000	\$1,400,000

Pension benefits have been determined by final average annual compensation where annual compensation is the sum of the amounts shown in the columns labeled "Salary" and "Bonus" in the Summary Compensation Table in the "Executive Compensation" section above. Benefits amounts shown are straight-life annuities before the deduction for Social Security benefits. The executive officers named in the Summary Compensation Table have the following years of credited service for benefit accrual purposes under the pension plan:

NAME	YEARS OF SERVICE
<S>	<C>
J. Raymond Elliott, President.....	3.405
Roy D. Crowninshield, Senior Vice President and Chief Scientific Officer.....	18.000
Bruce E. Peterson, Senior Vice President, Sales and Marketing, Americas.....	8.000
Paul D. Schoenle, Vice President and Senior Counsel.....	16.360
John S. Loveman-Krelle, President, Asia Pacific.....	5.000

The following is a summary of the expected terms of our retirement income plan and our supplemental pension plan as those plans apply to management employees, including individuals named in the Summary Compensation Table above.

Participants will be given full credit under our retirement income plan for service and compensation accrued under the Bristol-Myers Squibb Company Retirement Income Plan. Under our retirement income plan, pension benefits will be determined by final average annual compensation where annual compensation is the sum of the amounts shown in the columns labeled "Salary" and "Bonus" in the Summary Compensation Table. The normal retirement benefit will equal two percent of final average pay times year of service (up to a maximum of 40 years) minus 1/70th of estimated primary Social Security benefit at age 65 times years of service (up to a maximum of 40 years). Normal retirement age is 65. Participants will also be able to retire beginning at age 55, if they have at least 10 years of service, and begin to receive benefits at that time. The early retirement benefit will be calculated in the same manner as the normal retirement benefit, except that the accrued benefits will

be reduced based on the participant's age at the time of retirement. A participant with ten years of service will be able to receive 100 percent of the benefit at retirement between ages 60 and 65. Benefits payable under our retirement income plan will be offset by the value of benefits payable to the recipient under the Bristol-Myers Squibb Company Retirement Income Plan.

Federal laws place limitations on compensation amounts that may be included under our retirement income plan. Pension amounts based on our retirement income plan formula which exceed the applicable limitations will be paid under our supplemental pension plan, the Benefit Equalization Plan of the Zimmer Holdings, Inc. Retirement Income Plan. The purpose of this benefit equalization plan is to provide benefits for certain employees participating in our retirement income plan whose funded benefits under that plan are or will be limited by application of the Employee Retirement Income Security Act of 1974, as amended (ERISA) and the Internal Revenue Code. Our benefit equalization plan is intended to be an "excess benefit plan", as that term is defined under ERISA with respect to those participants whose benefits under our retirement income plan have been limited by Section 415 of the Internal Revenue Code, and a "top hat" plan meeting the requirements of the appropriate sections of ERISA with respect to those participants whose benefits under our retirement income plan have been limited by Section 401(a)(17) of the Internal Revenue Code. As with our retirement income plan, benefits payable under our benefits equalization plan will be offset by the value of benefits payable to the recipient under the Bristol-Myers Squibb Company Benefits Equalization Plan.

SAVINGS AND INVESTMENT PROGRAM

Prior to the distribution, many of our U.S. management employees, including executive officers, are participants in the Bristol-Myers Squibb Company Savings and Investment Program. Effective at the time of the distribution, we will adopt

a Savings and Investment Program that will replicate, in all material respects, the Bristol-Myers Squibb Company Savings and Investment Program. Our Savings and Investment Program will allow eligible employees to contribute from two percent to 16 percent of compensation on a pre-tax basis, an after-tax basis or a combination of the two. For each dollar that employees contribute through the program, up to six percent of compensation, we will contribute \$0.75 in Zimmer stock.

We will also adopt a Benefits Equalization Plan of the Zimmer Holdings, Inc. Savings and Investment Program. The purpose of this benefits equalization plan is to provide benefits for certain employees participating in our Savings and Investment Program whose contributions under that plan are, or will be, limited by application of ERISA and the Internal Revenue Code. This benefits equalization plan is intended to be an "excess benefit plan", as that term is defined under ERISA with respect to those participants whose benefits under our Savings and Investment Program have been limited by Section 415 of the Internal Revenue Code, and a "top hat" plan meeting the requirements of the appropriate sections of ERISA with respect to those participants whose benefits under our Savings and Investment Program have been limited by Section 401(a)(17) of the Internal Revenue Code.

2001 STOCK INCENTIVE PLAN

We intend to adopt, subject to the approval of Bristol-Myers Squibb in its capacity as our sole stockholder, the Zimmer Holdings, Inc. 2001 Stock Incentive Plan. The purpose of the 2001 Stock Incentive Plan will be to secure for us and our stockholders the benefits of the incentive inherent in common stock ownership by our officers and key employees, who will be largely responsible for our future growth and continued financial success, and to provide long-term incentives in addition to current compensation to certain of our key executives who will contribute significantly to our long-term performance and growth.

In connection with the distribution, we intend to grant our executive officers options to purchase our common stock with an economic value at the time of grant of \$9,525,000 based on generally accepted valuation methodology. All such options will be granted with an exercise price equal to the fair market value on the date of grant. Additionally, we intend to grant \$960,000 of restricted stock to our executive officers in connection with the distribution.

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THE 2001 PLAN ADMINISTRATION

The 2001 Stock Incentive Plan will be administered by the compensation and management development committee which will be composed entirely of non-employee directors who meet the criteria of "outside director" under Section 162(m) of the Internal Revenue Code and "non-employee director" under Section 16 of the Securities Exchange Act of 1934, as amended. This committee will select the officers and key employees who will receive options or awards, the form of those awards, the number of shares or dollar targets of the options or awards and all terms and conditions of the options or awards. This committee will certify the level of attainment of performance targets. Approximately 100% of key executives and 100% of key managers are expected to be eligible to receive awards under the 2001 Stock Incentive Plan. It is anticipated that approximately 100% of key executives and 50% of key managers will receive awards in any calendar year.

AWARD FORMS

Under the 2001 Stock Incentive Plan, the compensation and management development committee may grant incentive stock options, which meet the criteria of Section 422 of the Internal Revenue Code, and nonqualified stock options, which are not intended to qualify as incentive stock options, settled in common stock. The compensation and management development committee may also grant stock appreciation rights, either in tandem with stock options or on a stand alone basis. The compensation and management development committee may also grant restricted stock, performance units and performance shares under the 2001 Stock Incentive Plan.

MAXIMUM STOCK AWARD LEVELS

The maximum number of shares available for awards under the 2001 Stock Incentive Plan with respect to each calendar year will be 1.9% of the outstanding shares of our common stock on January 1 of such year, plus shares from the prior year that were: (i) available but not awarded, (ii) subject to options or awards which terminated, expired or were cancelled, forfeited, exchanged or surrendered without being exercised, (iii) tendered to pay the purchase price of options that were exercised, and (iv) retained or surrendered in the prior year to satisfy tax withholding requirements under the plan. For the first calendar year of the plan, the 1.9% limit will be measured on the effective date of the plan. Of these total available shares, no individual may receive options or awards as a maximum amount, in any form allowed under the 2001 Stock Incentive Plan, which in the aggregate exceed 2,000,000 shares of common stock over the 5-year term of the plan. Aggregate shares issued under

performance stock awards and restricted stock awards may not exceed 25% of the available shares over the life of the 2001 Stock Incentive Plan. Shares issued in connection with options and awards converted to our stock upon the distribution or an acquisition do not count against these limits.

STOCK OPTION AWARDS

Stock options awarded may be either incentive stock options or nonqualified stock options. Options will expire no later than 10 years after the date of grant and may not be exercised prior to one year following the date of grant unless otherwise determined by the compensation and management committee. The exercise price of stock options may not be less than the fair market value on the date of grant except for options and awards converted to our stock in connection with the distribution or an acquisition. The compensation and management development committee may establish other vesting or performance requirements which must be met prior to the exercise of the stock options. Stock options may be granted in tandem with stock appreciation rights.

The 2001 Stock Incentive Plan provides that options and awards are nontransferable other than by the laws of descent and distribution. However, the compensation and management development committee may, in its discretion, allow for the transferability of stock options or restricted stock to members of the recipient's immediate family. Incentive stock options and stock appreciation rights may not be transferred.

The 2001 Stock Incentive Plan provides that the compensation and management development committee may establish rules and procedures which would allow optionees to defer delivery of the proceeds from the exercise of stock options or stock appreciation rights. If the proceeds of such exercises are deferred, they will be credited with the investment return on our common stock.

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RESTRICTED STOCK AWARDS

The compensation and management development committee may also grant shares of restricted stock. These grants will be subject to the continued employment of the participant and may also be subject to performance criteria at the discretion of the compensation and management development committee. If the participant's employment terminates prior to the completion of the specified employment or the attainment of the specified performance goals, the awards will lapse and the shares will be returned to us as determined by the compensation and management development committee. The compensation and management development committee may provide for a pro-rated attainment of the performance criteria or a pro-rated attainment of time-based restrictions. Restricted stock will not vest during a period less than one year following the date of an award unless the compensation and management development committee determines otherwise. During the restriction period, the participant would be entitled to vote the shares and receive dividends. Restricted stock certificates would bear a legend giving notice of the restrictions relating to the grant.

LONG-TERM PERFORMANCE AWARDS

The compensation and management development committee may also grant performance units and performance shares, although it has no immediate plans to do so. Section 162(m) requires that performance awards be based upon objective performance measures to be deductible if they and other compensation are in excess of \$1 million. The performance criteria applicable to performance awards will include one or more of the following:

<TABLE>	
<S>	<C>
- Earnings;	- Financial return ratios;
- Revenue;	- Total stockholder return; and
- Operating or net cash flows;	- Market share.
</TABLE>	

Performance targets may be set at a specific level or may be expressed as relative to the comparable measures at comparison companies or a defined index. The compensation and management development committee will establish specific targets for participants.

ADJUSTMENTS

The number, class and price of stock options and other awards are subject to appropriate adjustment in the event of certain changes in our common stock including stock dividends, recapitalization, mergers, consolidations, split-ups, combinations or exchanges of shares and the like.

BROAD-BASED STOCK OPTION PLAN

We intend to adopt a global broad-based stock option plan. Under the plan, substantially all employees will be eligible for a stock option award giving them each the opportunity to purchase shares of our common stock. The purpose of the plan is to advance our interests by giving substantially all employees a stake in our future growth in the form of stock options, thereby improving such employees' long-term incentives and aligning their interests with those of our stockholders. Bristol-Myers Squibb Company options held by employees on the distribution date and converted into options to purchase shares of our common stock become exercisable at a rate of 33 percent on each of the third, fourth and fifth anniversaries of grant of the original Bristol-Myers Squibb Company options. Options granted after the distribution date will become exercisable according to a schedule specified at the time of grant. All recipients will possess a stronger link with our stockholders as they benefit from the stock price appreciation resulting from their efforts to grow and strengthen the business. The plan may be amended, modified or suspended by our board of directors at any time; however, no amendment, modification or suspension may alter or impair any option or award previously granted under the plan without the written consent of the optionee.

LONG-TERM DISABILITY PLAN FOR HIGHLY COMPENSATED EMPLOYEES

We intend to adopt a long-term disability plan for highly compensated employees. The plan will be an unfunded welfare plan which will provide income protection for eligible highly compensated employees in the event that such an employee's disability extends beyond 26 weeks after the employee has received the maximum annual payments under our regular long-term disability plan.

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OWNERSHIP OF OUR STOCK

Prior to the distribution, all of the outstanding shares of our common stock are and will be owned beneficially and of record by Bristol-Myers Squibb and thus none of our officers, directors or director nominees own any of our common stock. The following table sets forth information with respect to the projected beneficial ownership of our outstanding common stock, immediately following completion of the distribution, by:

- each person who is known by us to be the beneficial owner of 5 percent or more of our common stock;
- each director, each director nominee, our chief executive officer and our four other most highly compensated officers identified in the "--Executive Compensation" section above; and
- all of our directors, director nominees and executive officers as a group.

Beneficial ownership is determined in accordance with the rules of the Securities and Exchange Commission and generally includes voting or investment power with respect to securities. Shares of common stock and options, warrants and convertible securities that are currently exercisable or convertible within 60 days of this information statement into shares of Bristol-Myers Squibb common stock are deemed to be outstanding and to be beneficially owned by the person holding the options, warrants or convertible securities for the purpose of computing the percentage ownership of the person, but are not treated as outstanding for the purpose of computing the percentage ownership of any other person.

Upon completion of the distribution, we do not expect any person to own more than five percent of our outstanding common stock. To the extent our directors and officers own shares of Bristol-Myers Squibb common stock at the time of the distribution, they will participate in the distribution on the same terms as other holders of Bristol-Myers Squibb common stock. In addition, following the distribution, any Bristol-Myers Squibb stock-based awards held by these individuals will be converted to our stock-based awards. For additional information on the conversion of these stock-based awards, please see "Arrangements Between Bristol-Myers Squibb and Zimmer--Employee Benefits Agreement" and "Management--Retention Agreements."

The projections below are based on the number of shares of Bristol-Myers Squibb common stock beneficially owned by each person or entity at June 25, 2001. The share amounts in the table, other than those representing Bristol-Myers Squibb stock-based awards that are to be converted following the distribution, reflect the distribution ratio of a share of our common stock compared to ten shares of Bristol-Myers Squibb held by the listed person or entity. The percentage ownership of our common stock of each listed person or entity immediately following the distribution will be approximately the same as the percentage ownership of such person or entity immediately prior to the distribution and is calculated based on the number of shares of Bristol-Myers Squibb common stock outstanding as of June 25, 2001. No individual director, director nominee or executive officer beneficially owns one percent or more of Bristol-Myers Squibb's outstanding common stock. In addition, our directors, director nominees and executive officers as a group own less than one percent of

Except as otherwise noted in the footnotes below, the individual director or executive officer or their family members had sole voting and investment power with respect to such securities. Upon completion of the distribution, we will have outstanding an aggregate of 193,831,693 shares of our common stock based upon the shares of Bristol-Myers Squibb common stock outstanding on June 25, 2001, excluding treasury stock and assuming no exercise of options.

DIRECTORS' AND EXECUTIVE OFFICERS' AND FIVE PERCENT HOLDERS OWNERSHIP AFTER THE DISTRIBUTION

<TABLE>
<CAPTION>

NAME AND ADDRESS OF BENEFICIAL OWNER*	OUR COMMON STOCK BENEFICIALLY OWNED (1)	OUR OTHER COMMON STOCK EQUIVALENTS (2)	BRISTOL-MYERS SQUIBB OPTIONS AND RESTRICTED STOCK (3)	PERCENTAGE OF CLASS AFTER THE DISTRIBUTION**
<S>	<C>	<C>	<C>	<C>
J. Raymond Elliott..... PRESIDENT	1,612 (4)	30 (5)	63,481 (6)	**
Roy D. Crowninshield..... SENIOR VICE PRESIDENT, CHIEF SCIENTIFIC OFFICER	5,732 (7)	429	83,125 (8)	**
Bruce E. Peterson..... SENIOR VICE PRESIDENT SALES AND MARKETING- AMERICAS	749 (9)	94	50,134 (10)	**
Paul D. Schoenle..... VICE PRESIDENT AND SENIOR COUNSEL	646 (11)	312	157,500 (12)	**
John S. Loveman-Krelle..... PRESIDENT, ASIA PACIFIC	737 (13)	51	23,749 (14)	**
Directors and executive officers as group (14 persons).....	10,689 (15)	1,831	543,474 (16)	**

</TABLE>

* Unless otherwise indicated, the address for each individual listed is c/o Zimmer Holdings, Inc., 345 East Main Street, Warsaw, IN 46580.

** Represents holdings of less than one percent of the outstanding shares of our common stock.

(1) The amounts included in this column represent the shares of our common stock which will be beneficially owned by the listed individuals based on the distribution ratio of one share of common stock to be received for every ten shares of Bristol-Myers Squibb common stock held by such individual. Does not reflect restricted shares of Zimmer common stock to be granted as of the distribution date.

(2) Represents share units in Bristol-Myers Squibb Savings and Investment Program and share units in the Bristol-Myers Squibb Deferred Compensation Program.

(3) Represents options to purchase shares of Bristol-Myers Squibb common stock exercisable within 60 days of June 25, 2001 and outstanding shares of Bristol-Myers Squibb restricted stock that will be converted in amounts and on terms as described in "Arrangements Between Bristol-Myers Squibb and Zimmer--Employee Benefits Agreement" and "Management--Retention Agreements."

(4) Does not reflect restricted shares of Zimmer common stock with a value of \$300,000 to be granted as of the distribution date.

(5) Does not include Zimmer deferred share units with a value of \$500,000 to be granted as of the distribution date.

(6) Includes 43,481 options to purchase shares of Bristol-Myers Squibb common stock exercisable within 60 days and 20,000 outstanding shares of Bristol-Myers Squibb restricted stock.

(7) Does not reflect restricted shares of Zimmer common stock with a value of \$60,000 to be granted as of the distribution date.

(8) Includes 83,125 options to purchase shares of Bristol-Myers Squibb common stock exercisable within 60 days.

(9) Does not reflect restricted shares of Zimmer common stock with a value of \$60,000 to be granted as of the distribution date.

- (10) Includes 46,800 options to purchase shares of Bristol-Myers Squibb common stock exercisable within 60 days and 3,334 outstanding shares of Bristol-Myers Squibb restricted stock.
- (11) Does not reflect restricted shares of Zimmer common stock with a value of \$60,000 to be granted as of the distribution date.
- (12) Includes 157,500 options to purchase shares of Bristol-Myers Squibb common stock exercisable within 60 days.
- (13) Does not reflect restricted shares of Zimmer common stock with a value of \$60,000 to be granted as of the distribution date.
- (14) Includes 23,749 options to purchase shares of Bristol-Myers Squibb common stock exercisable within 60 days.
- (15) Does not reflect restricted shares of Zimmer common stock with a value of \$960,000 to be granted as of the distribution date.
- (16) Includes 491,140 options to purchase Bristol-Myers Squibb common stock exercisable within 60 days, 27,334 outstanding shares of Bristol-Myers Squibb restricted stock and 25,000 shares of Bristol-Myers Squibb restricted stock to be granted to Mr. Leno upon commencement of employment.

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DESCRIPTION OF CAPITAL STOCK

The following information reflects our certificate of incorporation and by-laws as these documents will be in effect at the time of the distribution.

AUTHORIZED CAPITAL STOCK

Immediately following the distribution, our authorized capital stock will consist of 250 million shares of preferred stock, par value \$0.01 per share, and 1 billion shares of common stock, par value \$0.01 per share. Immediately following the distribution, approximately 193,831,693 shares of our common stock will be outstanding based upon the shares of Bristol-Myers Squibb outstanding as of June 25, 2001, excluding treasury stock and assuming no exercise of options. No shares of our preferred stock will be outstanding.

COMMON STOCK

The holders of our common stock will be entitled to one vote for each share on all matters voted on by stockholders, including elections of directors, and, except as otherwise required by law or provided in any resolution adopted by our board with respect to any series of preferred stock, the holders of such shares will possess all voting power. Our certificate of incorporation does not provide for cumulative voting in the election of directors. Subject to any preferential rights of any outstanding series of our preferred stock created by our board from time to time, the holders of common stock will be entitled to such dividends as may be declared from time to time by our board from funds available therefor and upon liquidation will be entitled to receive pro rata all assets available for distribution to such holders. For a more complete discussion of our dividend policy, please see "Dividend Policy."

The holders of our common stock will have no preemptive rights. The rights, preferences and privileges of holders of common stock are subject to, and may be adversely affected by, the rights of the holders of shares of any series of preferred stock which we may designate and issue in the future.

PREFERRED STOCK

Our certificate of incorporation authorizes our board of directors to establish one or more series of our preferred stock and to determine, with respect to any series of our preferred stock, the terms and rights of such series, including:

- the designation of the series;
- the number of shares of the series, which number our board may thereafter, except where otherwise provided in the applicable certificate of designation, increase or decrease, but not below the number of shares thereof then outstanding;
- whether dividends, if any, will be cumulative or noncumulative, and, in the case of shares of any series having cumulative dividend rights, the date or dates or method of determining the date or dates from which dividends on the shares of such series shall be cumulative;
- the rate of any dividends or method of determining such dividends payable to the holders of the shares of such series, any conditions upon which such dividends will be paid and the date or dates or the method for

determining the date or dates upon which such dividends will be payable;

- the redemption rights and price or prices, if any, for shares of the series;
- the terms and amounts of any sinking fund provided for the purchase or redemption of shares of the series;

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- the amounts payable on and the preferences, if any, of shares of the series in the event of any voluntary or involuntary liquidation, dissolution or winding up of our affairs;
- whether the shares of the series will be convertible or exchangeable into shares of any other class or series, or any other security, of us or any other corporation, and, if so, the specification of such other class or series or such other security, the conversion or exchange price or prices or rate or rates, any adjustments thereof, the date or dates as of which such shares will be convertible or exchangeable and all other terms and conditions upon which such conversion or exchange may be made;
- restrictions on the issuance of shares of the same series or of any other class or series;
- the voting rights, if any, of the holders of the shares of the series; and
- any other relative rights, preferences and limitations of such series.

We believe that the ability of our board of directors to issue one or more series of our preferred stock will provide us with flexibility in structuring possible future financings and acquisitions and in meeting other corporate needs which might arise. The authorized shares of our preferred stock, as well as shares of our common stock, will be available for issuance without further action by our stockholders, unless such action is required by applicable law or the rules of any stock exchange or automated quotation system on which our securities may be listed or traded. The New York Stock Exchange currently requires stockholder approval as a prerequisite to listing shares in several instances, including where the present or potential issuance of shares could result in an increase in the number of shares of common stock, or in the amount of voting securities, outstanding of at least 20 percent. If the approval of our stockholders is not required for the issuance of shares of our preferred stock or our common stock, our board may determine not to seek stockholder approval.

Although our board of directors has no intention at the present time of doing so, it could issue a series of our preferred stock that could, depending on the terms of such series, impede the completion of a merger, tender offer or other takeover attempt. Our board of directors will make any determination to issue such shares based on its judgment as to the best interests of us and our stockholders. Our board of directors, in so acting, could issue our preferred stock having terms that could discourage an acquisition attempt through which an acquiror may be able to change the composition of our board of directors, including a tender offer or other transaction that some, or a majority, of our stockholders might believe to be in their best interests or in which stockholders might receive a premium for their stock over the then current market price of such stock.

SERIES A PARTICIPATING CUMULATIVE PREFERRED STOCK

As of the distribution date, 2 million shares of our Series A participating cumulative preferred stock will be reserved for issuance upon exercise of rights under our rights agreement. For a more detailed discussion of our rights agreement and our Series A participating cumulative preferred stock, please see "--Rights Agreement."

ANTI-TAKEOVER EFFECTS OF PROVISIONS OF THE CERTIFICATE OF INCORPORATION AND BY-LAWS

BOARD OF DIRECTORS

Our certificate of incorporation provides that, except as otherwise fixed by or pursuant to the provisions of a certificate of designations setting forth the rights of the holders of any class or series of our preferred stock, the number of our directors will be fixed from time to time exclusively pursuant to a resolution adopted by a majority of the total number of directors which we would have if there were no vacancies or unfilled newly-created directorships, but shall not be less than three. Our directors, other than those who may be elected by the holders of our preferred stock, will be classified, with

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respect to the time for which they severally hold office, into three classes, as nearly equal in number as possible, one class to be originally elected for a

term expiring at the annual meeting of stockholders to be held in 2002, another class to be originally elected for a term expiring at the annual meeting of stockholders to be held in 2003 and another class to be originally elected for a term expiring at the annual meeting of stockholders to be held in 2004, with each director to hold office until his or her successor is duly elected and qualified. Commencing with the 2002 annual meeting of stockholders, directors elected to succeed directors whose terms then expire will be elected for a term of office to expire at the third succeeding annual meeting of stockholders after their election, with each director to hold office until such person's successor is duly elected and qualified.

Our certificate of incorporation provides that, except as otherwise provided for or fixed by or pursuant to a certificate of designations setting forth the rights of the holders of any class or series of our preferred stock, newly created directorships resulting from any increase in the number of directors and any vacancies on our board resulting from death, resignation, disqualification, removal or other cause will be filled by the affirmative vote of a majority of the remaining directors then in office, even though less than a quorum of our board, and not by the stockholders. Any director elected in accordance with the preceding sentence will hold office for the remainder of the term and until such director's successor shall have been duly elected and qualified. No decrease in the number of directors constituting our board will shorten the term of any incumbent director. Subject to the rights of holders of our preferred stock, any director may be removed from office only for cause and only by the affirmative vote of the holders of at least 80 percent of the voting power of all our voting stock then outstanding, voting together as a single class.

These provisions would preclude a third party from removing incumbent directors and simultaneously gaining control of our board by filling the vacancies created by removal with its own nominees. Under the classified board provisions described above, it would take at least two elections of directors for any individual or group to gain control of our board. Accordingly, these provisions could discourage a third party from initiating a proxy contest, making a tender offer or otherwise attempting to gain control of us.

NO STOCKHOLDER ACTION BY WRITTEN CONSENT; SPECIAL MEETINGS

Our certificate of incorporation and by-laws provide that any action required or permitted to be taken by our stockholders must be effected at a duly called annual or special meeting of such stockholders and may not be effected by any consent in writing by such stockholders. Except as otherwise required by law and subject to the rights of the holders of any of our preferred stock, special meetings of our stockholders for any purpose or purposes may be called only by our board pursuant to a resolution stating the purpose or purposes thereof approved by a majority of the whole board or by our chairman of the board and, any power of stockholders to call a special meeting is specifically denied. No business other than that stated in the notice shall be transacted at any special meeting. These provisions may have the effect of delaying consideration of a stockholder proposal until the next annual meeting unless a special meeting is called by our board or the chairman of the board.

ADVANCE NOTICE PROCEDURES

Our by-laws establish an advance notice procedure for stockholders to make nominations of candidates for election as directors or to bring other business before an annual meeting of our stockholders. Our stockholder notice procedure provides that only persons who are nominated by, or at the direction of, our chairman of the board, or by a stockholder who has given timely written notice to our secretary prior to the meeting at which directors are to be elected, will be eligible for election as our directors. Our stockholder notice procedure also provides that at an annual meeting only such business may be conducted as has been brought before the meeting by, or at the direction of, our chairman of the board or our board, or by a stockholder who has given timely written notice to our

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secretary of such stockholder's intention to bring such business before such meeting. Under our stockholder notice procedure, for notice of stockholder nominations to be made at an annual meeting to be timely, such notice must be received by our secretary not later than the close of business on the 90th calendar day nor earlier than the close of business on the 120th calendar day prior to the first anniversary of the preceding year's annual meeting, except that, in the event that the date of the annual meeting is more than 30 calendar days before or more than 60 calendar days after such anniversary date, notice by the stockholder to be timely must be so delivered not earlier than the close of business on the 120th calendar day prior to such annual meeting and not later than the close of business on the later of the 90th calendar day prior to such annual meeting or the 10th calendar day following the day on which public announcement of a meeting date is first made by us.

Notwithstanding the foregoing, in the event that the number of directors to be elected to our board is increased and there is no public announcement by us

naming all of the nominees for director or specifying the size of our increased board at least 100 calendar days prior to the first anniversary of the preceding year's annual meeting, a stockholder's notice also will be considered timely, but only with respect to nominees for any new positions created by such increase, if it shall be delivered not later than the close of business on the 10th calendar day following the day on which such public announcement is first made by us. Under our stockholder notice procedure, for notice of a stockholder nomination to be made at a special meeting at which directors are to be elected to be timely, such notice must be received by us not earlier than the close of business on the 120th calendar day prior to such special meeting and not later than the close of business on the later of the 90th calendar day prior to such special meeting or the 10th calendar day following the day on which public announcement is first made of the date of the special meeting and of the nominees proposed by our board to be elected at such meeting.

In addition, under our stockholder notice procedure, a stockholder's notice to us proposing to nominate a person for election as a director or relating to the conduct of business other than the nomination of directors must contain the information required by our certificate of incorporation. If the chairman of a meeting determines that an individual was not nominated, or other business was not brought before the meeting, in accordance with our stockholder notice procedure, such individual will not be eligible for election as a director, or such business will not be conducted at such meeting, as the case may be.

AMENDMENT

Our certificate of incorporation provides that the affirmative vote of the holders of at least 80 percent of our voting stock then outstanding, voting together as a single class, is required to amend provisions of the certificate relating to the number, election and term of our directors; the nomination of director candidates and the proposal of business by stockholders; the filling of vacancies; and the removal of directors. Our certificate further provides that the related by-laws described above, including the stockholder notice procedure, may be amended only by our board or by the affirmative vote of the holders of at least 80 percent of the voting power of the outstanding shares of voting stock, voting together as a single class.

RIGHTS AGREEMENT

Our board of directors currently expects to adopt a rights agreement, with Mellon Investor Services as rights agent, on or prior to the distribution date. The rights agreement is filed as an exhibit to the registration statement. For information on how to receive the rights agreement, please see "Available Information."

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ANTI-TAKEOVER EFFECTS

The rights are intended to have anti-takeover effects. If the rights become exercisable, the rights will cause substantial dilution to a person or group that attempts to acquire or merge with us in most cases. Accordingly, the existence of the rights may deter a potential acquiror from making a takeover proposal or tender offer. The rights should not interfere with any merger or other business combination approved by our board of directors because we may redeem the rights as described below and because our board of directors can amend the rights agreement to exempt a transaction approved by our board of directors so as to cause the rights to not become exercisable.

EXERCISABILITY OF RIGHTS

Under the rights agreement, one right attaches to each share of our common stock outstanding and, when exercisable, entitles the registered holder to purchase from us one one-thousandth of a share of Series A participating cumulative preferred stock, par value \$0.01 per share, at an initial purchase price to be determined prior to the adoption of the rights agreement subject to the customary antidilution adjustments. For a description of the terms of our Series A participating cumulative preferred stock, see "--Series A Participating Cumulative Preferred Stock."

The rights will not become exercisable until the earlier of:

- such time as we learn that a person or group acquired, or obtained the right to acquire, beneficial ownership of securities representing more than 15 percent of the shares of our common stock then outstanding, or
- such date, if any, as may be designated by our board of directors following the commencement of, or first public disclosure of an intention to commence, a tender offer or exchange offer for shares of our common stock then outstanding that could result in a person or group acquiring, or obtaining the right to acquire, beneficial ownership of securities representing more than 15 percent of the shares of our common stock then outstanding.

Additionally, at any time a person or a group acquires, or obtains the right to acquire, beneficial ownership of securities representing more than 15 percent of the shares of our common stock then outstanding, the flip-in or flip-over features of the rights or, at the discretion of our board of directors, the exchange features of the rights, may be exercised by any holder, except for such person or group.

"FLIP IN" FEATURE

In the event a person or group acquires, or obtains the right to acquire, beneficial ownership of securities representing more than 15 percent of the shares of our common stock then outstanding, the holder of each right, except for such person or group, will have the right to receive, upon exercise of the right, that number of one one-thousandths of a share of our Series A participating cumulative preferred stock equal to the number of our shares of common stock which at the time of such transaction would have a market value of twice the exercise price of the right. For example, if we assume that an initial purchase price of \$100 is in effect on the date that the flip-in feature of the right is exercised, any holder of a right, except for the person or group that acquired, or obtained the right to acquire, beneficial ownership of securities representing more than 15 percent of the shares of our common stock then outstanding, can exercise his or her right by paying us \$100 in order to receive from us shares of Series A participating cumulative preferred stock having a value equal to \$200.

"EXCHANGE" FEATURE

At any time after a person or group acquires, or obtains the right to acquire, beneficial ownership of securities representing more than 15 percent, but less than 50 percent, of the shares of our common

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stock then outstanding, our board of directors may, at its option, exchange all or some of the rights, except for those held by such person or group, for:

- shares of our Series A participating cumulative preferred stock, shares of our common stock or a combination of cash, stock and debt securities having an aggregate value equal to one half the value of the Series A participating cumulative preferred stock issuable upon exercise of a right, or
- cash equal to the exercise price of a right.

Use of this exchange feature means that eligible rights holders would not have to pay a purchase price to receive the cash, stock or debt securities we distribute to them.

"FLIP OVER" FEATURE

In the event we are acquired in a merger or other business combination transaction or 50 percent or more of our assets or our earning power and our subsidiaries, taken as a whole, are sold or otherwise transferred, each holder of a right, except for a person or group that acquires, or obtains the right to acquire, beneficial ownership of securities representing more than 15 percent of the shares of our common stock then outstanding, will have the right to receive, upon exercise of the right, the number of shares of common stock of the acquiring company or its affiliate, if the acquiring company is not publicly traded and has an affiliate that is publicly traded, having a value equal to twice the exercise price of the right.

REDEMPTION OF RIGHTS

At any time before the earlier to occur of:

- the time that a person or group acquires, or obtains the right to acquire, beneficial ownership of securities representing more than 15 percent of the shares of our common stock then outstanding, or
- the tenth anniversary of the rights agreement,

our board of directors may redeem all of the rights at a redemption price of \$0.01 per right, subject to adjustment. The right to exercise the rights, as described under "--Exercisability of Rights," will terminate upon the action of our board of directors electing to redeem the rights, and at such time, the holders of the rights will have the right to receive only the redemption price for each right held.

AMENDMENT OF RIGHTS

At any time before a person or group acquires, or obtains the right to acquire, beneficial ownership of securities representing more than 15 percent of

the shares of our common stock then outstanding, our board of directors may, without the approval of any holders of the rights, amend or supplement the terms of the existing rights agreement.

However, if at any time after a person or group acquires, or obtains the right to acquire, beneficial ownership of securities representing more than 15 percent, or such lower percentage as may be amended in the existing rights agreement, of the shares of our common stock then outstanding, our board of directors may not adopt amendments to the existing rights agreement that adversely affect the interests of holders of the rights.

TERMINATION OF RIGHTS

If not previously exercised, the rights will expire 10 years from the date that the rights agreement commences, unless we earlier redeem or exchange the rights or extend the final expiration date.

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SERIES A PARTICIPATING CUMULATIVE PREFERRED STOCK

In connection with the creation of the rights, as described above, our board of directors intends to authorize the issuance of shares of preferred stock as Series A Participating Cumulative.

We intend to design the dividend, liquidation, voting and redemption features of our Series A participating cumulative preferred stock so that the value of one one-thousandth of a share of our Series A participating cumulative preferred stock approximates the value of one share of our common stock. Shares of our Series A participating cumulative preferred stock may only be purchased after the rights have become exercisable, and each share of the Series A participating cumulative preferred stock:

- will be nonredeemable and junior to all other series of preferred stock, unless otherwise provided in the terms of those series of preferred stock;
- will have a preferential quarterly dividend in an amount equal to the greater of:
 - 1,000 times any dividend declared on each share of common stock, or
 - \$0.05 less any amounts paid as a result of dividends on our common stock since the end of the last fiscal quarter;
- in the event of liquidation, will entitle its holder to receive a preferred liquidation payment equal to the greater of \$1,000 per share and 1,000 times the payment made per share of common stock, in addition to any accrued and unpaid dividends or distributions on the preferred stock;
- will have 1,000 votes, voting together with the common stock and any other capital stock with general voting rights; and
- in the event of any merger, consolidation or other transaction in which shares of common stock are converted or exchanged, will be entitled to receive 1,000 times the amount and type of consideration received per share of common stock.

The rights of our Series A participating cumulative preferred stock as to dividends, liquidation and voting, and in the event of mergers and consolidations, are protected by customary antidilution provisions.

DELAWARE BUSINESS COMBINATION STATUTE

Section 203 of the Delaware General Corporation Law provides that, subject to exceptions set forth therein, an interested stockholder of a Delaware corporation shall not engage in any business combination, including mergers or consolidations or acquisitions of additional shares of the corporation, with the corporation for a three-year period following the date that such stockholder becomes an interested stockholder unless:

- prior to such date, the board of directors of the corporation approved either the business combination or the transaction which resulted in the stockholder becoming an interested stockholder;
- upon consummation of the transaction which resulted in the stockholder becoming an interested stockholder, the interested stockholder owned at least 85 percent of the voting stock of the corporation outstanding at the time the transaction commenced, other than statutorily excluded shares; or
- on or subsequent to such date, the business combination is approved by the board of directors of the corporation and authorized at an annual or special meeting of stockholders by the

affirmative vote of at least 66 2/3 percent of the outstanding voting stock which is not owned by the interested stockholder.

Except as otherwise set forth in Section 203, an interested stockholder is defined to include:

- any person that is the owner of 15 percent or more of the outstanding voting stock of the corporation, or is an affiliate or associate of the corporation and was the owner of 15 percent or more of the outstanding voting stock of the corporation at any time within three years immediately prior to the date of determination; and
- the affiliates and associates of any such person.

Section 203 may make it more difficult for a person who would be an interested stockholder to effect various business combinations with a corporation for a three-year period. We have not elected to be exempt from the restrictions imposed under Section 203. The provisions of Section 203 may encourage persons interested in acquiring us to negotiate in advance with our board, since the stockholder approval requirement would be avoided if a majority of the directors then in office approves either the business combination or the transaction which results in any such person becoming an interested stockholder. Such provisions also may have the effect of preventing changes in our management. It is possible that such provisions could make it more difficult to accomplish transactions which our stockholders may otherwise deem to be in their best interests.

TRANSFER AGENT AND REGISTRAR

Mellon Investor Services LLC will be the transfer agent and registrar for our common stock.

NEW YORK STOCK EXCHANGE LISTING

We have been authorized to list our common stock on the New York Stock Exchange under the symbol "ZMH."

CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS

Some of our directors and executive officers own shares of Bristol-Myers Squibb common stock and vested Bristol-Myers Squibb options or are employees or former employees of Bristol-Myers Squibb. Following the distribution, after giving effect to the conversion of all outstanding:

- options to purchase Bristol-Myers Squibb common stock held by our executive officers into options to purchase our common stock, and
- shares of Bristol-Myers Squibb restricted stock held by our executive officers into shares of our restricted stock,

we expect our directors and executive officers to beneficially own approximately 125,206 shares of Bristol-Myers Squibb common stock in aggregate, based on their holdings as of June 25, 2001, which represents less than one percent of the outstanding Bristol-Myers Squibb common stock. Ownership of Bristol-Myers Squibb common stock and Bristol-Myers Squibb options by our directors and officers or the employment by Bristol-Myers Squibb of some of our directors after our separation from Bristol-Myers Squibb could create, or appear to create, potential conflicts of interest for such directors and officers when faced with decisions that could have disparate implications for Bristol-Myers Squibb and us.

SHARES ELIGIBLE FOR FUTURE SALE

Sales or the availability for sale of substantial amounts of our common stock in the public market could adversely affect our common stock's prevailing market price. Upon completion of the distribution, we will have outstanding an aggregate of 193,831,693 shares of our common stock based upon the shares of Bristol-Myers Squibb common stock outstanding as of June 25, 2001, excluding treasury stock and assuming no exercise of outstanding options. All of the shares will be freely tradeable without restriction or further registration under the Securities Act unless the shares are owned by our "affiliates" as that term is defined in Rule 405 under the Securities Act. Shares held by "affiliates" may be sold in the public market only if registered or if they qualify for an exemption from registration under Rule 144 which is summarized below. Further, as described below, we plan to file a registration statement to cover the shares issued under our option plans.

In general, under Rule 144 as currently in effect, an affiliate would be entitled to sell within any three-month period a number of shares that does not exceed the greater of:

- one percent of the number of shares of our common stock then outstanding, which will equal approximately 1,938,317 shares of common stock immediately after the distribution; or
- the average weekly trading volume of our common stock on the New York Stock Exchange during the four calendar weeks preceding the filing of a notice of Form 144 with respect to such sale.

Sales under Rule 144 are also subject to manner of sale provisions and notice requirements and to the availability of current public information about us.

EMPLOYEE STOCK OPTIONS

We will grant shares of our common stock pursuant to our stock plans subject to restrictions. In addition, we will assume and replace options and other awards with respect to shares of Bristol-Myers Squibb common stock held by our employees with options and other awards with respect to our shares, except in certain foreign jurisdictions where applicable laws, rules or regulations make it inadvisable to convert. The number of options and awards we will assume will be determined prior to the distribution date and the number of replacement options and awards we will issue will be determined based on the conversion ratio described under "Arrangements between Bristol-Myers Squibb and Zimmer--Employee Benefits Agreement." As of June 25, 2001, our employees held stock options covering a total of approximately 4,260,799 shares of Bristol-Myers Squibb common stock and a total of approximately 27,334 shares of Bristol-Myers Squibb restricted stock. See "Arrangements Between Bristol-Myers Squibb and Zimmer--Employee Benefits Agreement" and "Management--Retention Agreements" for information about how these Bristol-Myers Squibb awards will be converted into awards based on our common stock. We currently expect to file a registration statement under the Securities Act to register shares to be issued under our stock plans. Shares issued pursuant to awards after the effective date of such registration statement, other than shares issued to affiliates, generally will be freely tradable without further registration under the Securities Act.

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INDEMNIFICATION OF DIRECTORS AND OFFICERS

Section 145 of the Delaware General Corporation Law provides that a corporation may indemnify any current or former director, officer or employee or other individual against expenses, judgments, fines and amounts paid in settlement in connection with civil, criminal, administrative or investigative actions or proceedings, other than a derivative action by or in the right of the corporation, if the director, officer, employee or other individual acted in good faith and in a manner he or she reasonably believed to be in or not opposed to the best interests of the corporation, and, with respect to any criminal action or proceeding, if he or she had no reasonable cause to believe his or her conduct was unlawful. A similar standard is applicable in the case of derivative actions, except that indemnification only extends to expenses incurred in connection with the defense or settlement of such actions, and the statute requires court approval before there can be any indemnification where the person seeking indemnification has been found liable to the corporation. The statute provides that it is not exclusive of other indemnification that may be granted by a corporation's by-laws, disinterested director vote, stockholder vote, agreement or otherwise.

Our certificate of incorporation provides that each person who was or is made or is threatened to be made a party to any action or proceeding by reason of the fact that such person, or a person of whom such person is the legal representative, is or was a director or officer of us or is or was serving at our request as a director, officer, employee or agent of another corporation or of a partnership, joint venture, trust or other enterprise, including service with respect to employee benefit plans, will be indemnified and held harmless by us to the fullest extent authorized by the Delaware General Corporation Law, as the same exists or may hereafter be amended. Such rights are not exclusive of any other right which any person may have or thereafter acquire under any statute, provision of the certificate, by-law, agreement, vote of stockholders or disinterested directors or otherwise. Our certificate of incorporation also specifically authorizes us to maintain insurance and to grant similar indemnification rights to our employees or agents.

We have provided, consistent with the Delaware General Corporation Law, in our certificate of incorporation that a director of the corporation shall not be personally liable to the corporation or its stockholders for monetary damages for breach of fiduciary duty as a director, except for liability for:

- any breach of the director's duty of loyalty to the corporation or its stockholders;
- acts or omissions not in good faith or which involve intentional misconduct or a knowing violation of law;
- payments of unlawful dividends or unlawful stock repurchases or redemptions; or
- any transaction from which the director derived an improper personal benefit.

Neither the amendment nor repeal of such provision will eliminate or reduce the effect of such provision in respect of any matter occurring, or any cause of action, suit or claim that, but for such provision, would accrue or arise prior to such amendment or repeal.

The Contribution and Distribution Agreement by and among us and Bristol-Myers Squibb will provide for indemnification by us of Bristol-Myers Squibb and its directors officers and employees for some liabilities, including liabilities under the Securities Act and the Securities Exchange Act of 1934.

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AVAILABLE INFORMATION

We have filed with the Securities and Exchange Commission a registration statement under the Securities Exchange Act and the rules and regulations promulgated under the Securities Exchange Act with respect to the shares of our common stock and the associated rights being distributed to Bristol-Myers Squibb's stockholders in the distribution. This information statement does not contain all of the information set forth in the registration statement and its exhibits and schedules, to which reference is made hereby. Statements in this information statement as to the contents of any contract, agreement or other document is qualified in all respects by reference to such contract, agreement or document. If we have filed any of those contracts, agreements or other documents as an exhibit to the registration statement, you should read the full text of such contract, agreement or document for a more complete understanding of the document or matter involved. For further information with respect to us and our common stock, we refer you to the registration statement, including its exhibits and the schedules filed as a part of it. You may read and copy the registration statement and its exhibits and schedules at the Securities and Exchange Commission's following locations:

<TABLE>		
<S>	<C>	<C>
Public Reference Room Office 450 Fifth Street, N.W. Washington, D.C. 20549	New York Regional Office Seven World Trade Center Suite 1300 New York, NY 10048	Chicago Regional Office Citicorp Center 500 West Madison Street Chicago, IL 60661-2511
</TABLE>		

You may also obtain copies of the registration statement by mail from the Public Reference Section of the Securities and Exchange Commission at 450 Fifth Street, N.W., Judiciary Plaza, Washington, DC 20549 or by telephone at 1-800-SEC-0330. You may obtain information on the operation of the Public Reference Room by calling the Securities and Exchange Commission at 1-800-SEC-0330. The registration statement is available to the public from commercial document retrieval services and at the Securities and Exchange Commission's World Wide Website located at <http://www.sec.gov>.

We intend to furnish the holders of our common stock with annual reports containing financial statements audited by an independent public accounting firm and make available to our stockholders quarterly reports for the first three quarters of each fiscal year containing interim unaudited financial information. We also intend to furnish other reports as we may determine or as required by law.

After the distribution, we will be subject to the informational requirements of the Securities Exchange Act and will therefore be required to file reports, proxy statements and other information with the Securities and Exchange Commission. Information that we file with the Securities and Exchange Commission after the date of this information statement will automatically supersede the information in this information statement and any earlier filed incorporated information. You may read these reports, proxy statements and other information and obtain copies of such documents and information as described above.

No person is authorized to give any information or to make any representations other than those contained in this information statement, and, if given or made, such information or representations must not be relied upon as having been authorized. Neither the delivery of this information statement nor any distribution of securities made hereunder shall imply that there has been no change in the information set forth herein or in our affairs since the date

INDEX TO COMBINED FINANCIAL STATEMENTS

COMBINED FINANCIAL STATEMENTS:

<TABLE>	
<S>	<C>
Report of Independent Accountants.....	F-2
Combined Statements of Earnings, Comprehensive Income and Net Investment for the Years Ended December 31, 2000, 1999 and 1998.....	F-3
Combined Balance Sheets as of December 31, 2000 and 1999....	F-4
Combined Statements of Cash Flows for the Years Ended December 31, 2000, 1999 and 1998.....	F-5
Notes to Combined Financial Statements.....	F-6
</TABLE>	

F-1

REPORT OF INDEPENDENT ACCOUNTANTS

To the Board of Directors and Stockholders
of Bristol-Myers Squibb Company:

In our opinion, the combined financial statements listed in the accompanying index on page F-1 present fairly, in all material respects, the financial position of Zimmer at December 31, 2000 and 1999, and the results of its operations and its cash flows for each of the three years in the period ended December 31, 2000 in conformity with accounting principles generally accepted in the United States of America. These financial statements are the responsibility of Zimmer; our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits of these statements in accordance with auditing standards generally accepted in the United States of America, which require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

PricewaterhouseCoopers LLP

Indianapolis, Indiana
March 19, 2001

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ZIMMER
(A DIVISION OF BRISTOL-MYERS SQUIBB COMPANY)

COMBINED STATEMENTS OF EARNINGS,
COMPREHENSIVE INCOME AND NET INVESTMENT

<TABLE>
<CAPTION>

	YEAR ENDED DECEMBER 31,		
	2000	1999	1998
	(DOLLARS IN MILLIONS)		
<S>	<C>	<C>	<C>
STATEMENT OF EARNINGS			
NET SALES.....	\$1,041	\$939	\$861
EXPENSES:			
Cost of products sold.....	291	269	265
Selling.....	207	182	165
Marketing, promotion and distribution.....	153	143	115
Research and development.....	52	45	36
General and administrative.....	70	69	69
	-----	-----	-----
	773	708	650
	-----	-----	-----
EARNINGS BEFORE INCOME TAXES.....	268	231	211
Provision for income taxes.....	92	81	66

NET EARNINGS.....	\$176	\$150	\$145
STATEMENT OF COMPREHENSIVE INCOME			
NET EARNINGS.....	\$176	\$150	\$145
OTHER COMPREHENSIVE INCOME:			
Foreign currency translation.....	-	(5)	(13)
COMPREHENSIVE INCOME.....	\$176	\$145	\$132
STATEMENT OF NET INVESTMENT			
Balance at beginning of year.....	\$384	\$372	\$369
Net earnings.....	176	150	145
Net transactions with Bristol-Myers Squibb.....	(306)	(138)	(142)
Balance at end of year.....	\$254	\$384	\$372

</TABLE>

The accompanying notes are an integral part of these combined financial statements.

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ZIMMER
(A DIVISION OF BRISTOL-MYERS SQUIBB COMPANY)

COMBINED BALANCE SHEETS

<TABLE>
<CAPTION>

	DECEMBER 31,	
	2000	1999
	(DOLLARS IN MILLIONS)	
<S>	<C>	<C>
ASSETS		
CURRENT ASSETS:		
Receivables, net.....	\$189	\$196
Inventories.....	152	150
Prepaid expenses.....	41	40
Deferred income taxes.....	37	44
Total Current Assets.....	419	430
Property, Plant and Equipment.....	118	114
Other Assets.....	60	62
TOTAL ASSETS.....	\$597	\$606
LIABILITIES AND NET INVESTMENT IN ZIMMER		
CURRENT LIABILITIES:		
Accounts payable.....	\$55	\$57
Accrued expenses.....	126	109
Foreign taxes payable.....	11	8
Due to Bristol-Myers Squibb.....	144	41
Total Current Liabilities.....	336	215
OTHER COMPREHENSIVE INCOME.....	7	7
NET INVESTMENT IN ZIMMER.....	254	384
TOTAL LIABILITIES AND NET INVESTMENT IN ZIMMER.....	\$597	\$606

</TABLE>

The accompanying notes are an integral part of these combined financial statements.

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ZIMMER
(A DIVISION OF BRISTOL-MYERS SQUIBB COMPANY)

COMBINED STATEMENTS OF CASH FLOWS

<TABLE>
<CAPTION>

YEAR ENDED
DECEMBER 31,

	2000	1999	1998
	(DOLLARS IN MILLIONS)		
<S>	<C>	<C>	<C>
CASH FLOWS FROM OPERATING ACTIVITIES:			
Net earnings.....	\$176	\$150	\$145
Depreciation.....	23	22	26
Income taxes.....	8	-	14
Receivables.....	8	(14)	(23)
Inventories.....	(2)	2	32
Accounts payable and accrued expenses.....	14	24	15
Other assets and liabilities.....	5	(4)	(10)
	----	----	----
Net Cash Provided by Operating Activities.....	232	180	199
	----	----	----
CASH FLOWS FROM INVESTING ACTIVITIES:			
Additions to fixed and other assets.....	(29)	(33)	(20)
	----	----	----
CASH FLOWS FROM FINANCING ACTIVITIES:			
Net increase (decrease) in Due to Bristol-Myers Squibb.....	103	(9)	(37)
Net transactions with Bristol-Myers Squibb.....	(306)	(138)	(142)
	----	----	----
Net Cash (Used) in Financing Activities.....	(203)	(147)	(179)
	----	----	----
INCREASE (DECREASE) IN CASH.....	\$ -	\$ -	\$ -
	----	----	----

</TABLE>

The accompanying notes are an integral part of these combined financial statements.

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ZIMMER
(A DIVISION OF BRISTOL-MYERS SQUIBB COMPANY)

NOTES TO THE COMBINED FINANCIAL STATEMENTS

NOTE 1. BASIS OF PRESENTATION AND ACCOUNTING POLICIES

OVERVIEW AND BASIS OF PRESENTATION

Bristol-Myers Squibb Company ("Bristol-Myers Squibb") has announced a plan to create a separate company for its existing division relating to the design, development, manufacturing and marketing of orthopaedic reconstructive implants, fracture management products and other products used for orthopaedic and general surgery. The division is comprised of Zimmer, Inc., (a wholly-owned subsidiary of Bristol-Myers Squibb) and its wholly-owned subsidiaries, along with certain other Bristol-Myers Squibb-owned Zimmer operations (collectively, "Zimmer").

Zimmer Holdings, Inc. was incorporated in Delaware as a wholly-owned subsidiary of Bristol-Myers Squibb on January 12, 2001. On this date, 1,000 shares of the common stock of Zimmer Holdings, Inc., par value \$0.01 per share, were issued, authorized and outstanding. Bristol-Myers Squibb has announced that it intends to distribute all of the shares of Zimmer Holdings, Inc. in a tax free distribution (the "Distribution"). The Distribution is subject to certain conditions, including receipt of a favorable tax ruling. Prior to the Distribution, Bristol-Myers Squibb expects to transfer to Zimmer Holdings, Inc. the assets and liabilities of Zimmer. Prior to the completion of the Distribution, Zimmer Holdings, Inc. expects to amend its certificate of incorporation to authorize additional shares of common stock. On the date of the Distribution, Bristol-Myers Squibb will distribute all of the shares of Zimmer Holdings, Inc. common stock to Bristol-Myers Squibb's stockholders.

Zimmer Holdings, Inc. expects to adopt a rights agreement prior to completion of the Distribution. The delivery of a share of Zimmer Holdings, Inc. common stock in connection with the Distribution also will constitute the delivery of a preferred stock purchase right associated with such share. These rights may have anti-takeover effects in that the existence of the rights may deter a potential acquiror from making a takeover proposal or a tender offer.

The accompanying combined financial statements reflect the combined historical results of operations, financial position and cash flows of Zimmer. All significant intercompany transactions and accounts have been eliminated. Cash and debt are also excluded, except for specified outstanding obligations due to Bristol-Myers Squibb that are expected to be either forgiven or repaid. Cash deposits from Zimmer are transferred to Bristol-Myers Squibb and Bristol-Myers Squibb funds Zimmer's disbursement bank accounts as required. No interest has been charged, except on specified obligations due to Bristol-Myers

Squibb, or credited on transactions with Bristol-Myers Squibb. Historical cost basis of assets and liabilities has been reflected in these financial statements. There are no assets or liabilities related to Bristol-Myers Squibb retirement or other postretirement benefit plans included in these combined financial statements. Management believes that the assumptions underlying the combined financial statements are reasonable. However, the financial information in these financial statements does not necessarily include all the expenses that would have been incurred had Zimmer been a separate, stand-alone entity and may not necessarily reflect Zimmer's results of operations, financial position and cash flows in the future or what its results of operations, financial position and cash flows would have been had Zimmer been a stand-alone company during the periods presented. Because a direct ownership relationship did not exist among all the various units comprising Zimmer, Bristol-Myers Squibb's Net Investment in Zimmer is shown in lieu of stockholders' equity in the combined financial statements.

The combined financial statements represent Zimmer, Inc., its wholly-owned subsidiaries and certain other Bristol-Myers Squibb-owned Zimmer operations; intercompany accounts, other than specific outstanding obligations due to Bristol-Myers Squibb referred to above, have been combined

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ZIMMER
(A DIVISION OF BRISTOL-MYERS SQUIBB COMPANY)

NOTES TO THE COMBINED FINANCIAL STATEMENTS (CONTINUED)

NOTE 1. BASIS OF PRESENTATION AND ACCOUNTING POLICIES (CONTINUED)
with invested capital and reported in the combined financial statements as net investment in Zimmer. An analysis of the Net Investment in Zimmer is summarized below:

<TABLE>
<CAPTION>

	YEAR ENDED DECEMBER 31,		
	2000	1999	1998
	(DOLLARS IN MILLIONS)		
	<C>	<C>	<C>
Balance at beginning of year.....	\$ 384	\$ 372	\$ 369
Net earnings.....	176	150	145
Cash from operating activities transferred (to) Bristol-Myers Squibb.....	(232)	(180)	(199)
Cash transferred from Bristol-Myers Squibb to fund investments in fixed and other assets.....	29	33	20
Cash transferred (to) from Bristol-Myers Squibb to finance operations.....	(103)	9	37
Balance at end of year.....	\$ 254	\$ 384	\$ 372

</TABLE>

Included in net earnings and described in Note 8 are expense allocations from Bristol-Myers Squibb for services of \$30 million, \$29 million and \$27 million for the years ended December 31, 2000, 1999, and 1998, respectively. Zimmer does not purchase product from or sell product to Bristol-Myers Squibb. The average annual balances on the net investment account were \$375 million, \$378 million and \$371 million for the years ended December 31, 2000, 1999 and 1998, respectively.

An analysis of the outstanding obligations due to Bristol-Myers Squibb is summarized below:

<TABLE>
<CAPTION>

	YEAR ENDED DECEMBER 31,		
	2000	1999	1998
	(DOLLARS IN MILLIONS)		
	<C>	<C>	<C>
Balance at beginning of year.....	\$ 41	\$ 50	\$ 87
Cash transferred from Bristol-Myers Squibb.....	212	79	67
Cash transferred (to) Bristol-Myers Squibb.....	(100)	(83)	(107)
Interest accrued.....	2	2	3
Interest paid.....	(2)	(2)	(3)
Effect of exchange rates.....	(9)	(5)	3
Balance at end of year.....	\$ 144	\$ 41	\$ 50

</TABLE>

The average annual balances due to Bristol-Myers Squibb were \$42 million, \$45 million and \$49 million for the years ended December 31, 2000, 1999 and 1998, respectively.

During 1997, management changed its strategic focus and operating structure by exiting certain businesses, closing manufacturing facilities, reorganizing its U.S. distributor network, centralizing its European operations, streamlining product lines and reducing the size of its organization. Management undertook distributor terminations, employee reductions, discontinuation of product lines and closure of its manufacturing facilities in Swindon, England and New Philadelphia, Ohio. Approximately 650 employees and 40 independent distributors were separated from Zimmer consistent with original plans. As a result, Zimmer recorded pretax charges of \$104 million in 1997, with \$28 million reflected in cost of products sold, and \$76 million in marketing, promotion and distribution; pretax charges of \$29 million in 1998, with \$2 million included in cost of products sold and \$27 million in marketing,

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ZIMMER
(A DIVISION OF BRISTOL-MYERS SQUIBB COMPANY)

NOTES TO THE COMBINED FINANCIAL STATEMENTS (CONTINUED)

NOTE 1. BASIS OF PRESENTATION AND ACCOUNTING POLICIES (CONTINUED)

promotion and distribution; and pretax charges of \$21 million in 1999, with \$6 million in cost of products sold and \$15 million in marketing, promotion and distribution. Amounts included in marketing, promotion and distribution are employee severance and distributor termination payments, costs generally connected with the closure of Zimmer and distributor sales offices, and lease termination penalties. Amounts included in cost of products sold are inventory charges related to discontinued product lines.

During 2000, management committed to consolidate and make other changes in manufacturing of product lines, to terminate a license and distribution agreement and to reduce the size of its organization in areas affected by these changes. Management terminated, or will terminate, approximately 100 employees in manufacturing, distribution and administration and shut down various international operations. As a result Zimmer recorded pretax charges of \$17 million related to these actions, with \$3 million included in cost of products sold for inventory write-downs and \$14 million in marketing, promotion and distribution, \$10 million for employee severance and \$4 million for costs associated with terminating a distribution agreement. We expect to substantially complete these restructuring activities by mid-2001.

Remaining liabilities related to these activities, which relate principally to severance, were \$5 million and \$3 million as of December 31, 2000 and 1999, respectively.

REVENUE RECOGNITION

Revenue from product sales is recognized upon shipment to customers.

INCOME TAXES

The provision for income taxes presented herein has been determined on a separate-return basis.

INVENTORIES

Inventories, net of allowances for obsolete and slow-moving goods, are stated at the lower-of-cost or market with cost determined on the basis of average costing.

PROPERTY, PLANT, AND EQUIPMENT

Expenditures for additions, renewals, and betterments are capitalized at cost. Depreciation is computed by the straight-line method based on the estimated useful lives of the related assets, ranging from 3 to 40 years. Property, plant and equipment are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amounts of the assets may not be recoverable. Maintenance and repair costs are expensed as incurred. Any impairments would be recognized based on an assessment of future operations (including cash flows) to ensure that assets are appropriately valued.

FOREIGN CURRENCY TRANSLATION

Zimmer uses local currencies as functional currencies. Foreign currency assets and liabilities are remeasured into United States dollars in accordance with SFAS 52, FOREIGN CURRENCY TRANSLATION.

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NOTES TO THE COMBINED FINANCIAL STATEMENTS (CONTINUED)

NOTE 2. PROVISION FOR INCOME TAXES

The components of earnings before income taxes were:

<TABLE>
<CAPTION>

	FOR THE YEARS ENDED DECEMBER 31,		
	2000	1999	1998

	(DOLLARS IN MILLIONS)		
<S>	<C>	<C>	<C>
U.S.....	\$211	\$208	\$191
Non-U.S.....	57	23	20
	-----	-----	-----
	\$268	\$231	\$211
	====	====	====

</TABLE>

The provision for income taxes consisted of:

<TABLE>
<CAPTION>

	FOR THE YEARS ENDED DECEMBER 31,		
	2000	1999	1998

	(DOLLARS IN MILLIONS)		
<S>	<C>	<C>	<C>
Current:			
U.S.....	\$69	\$60	\$43
Non-U.S.....	26	16	3
	---	---	---
	95	76	46
	---	---	---
Deferred:			
U.S.....	3	13	17
Non-U.S.....	(6)	(8)	3
	---	---	---
	(3)	5	20
	---	---	---
	\$92	\$81	\$66
	====	====	====

</TABLE>

The income tax provision was calculated on a separate return basis while actual tax payments generally were made on a combined return filing basis by Bristol-Myers Squibb. Certain foreign taxes are paid by Zimmer.

The company's provision for income taxes in 2000, 1999 and 1998 was different from the amount computed by applying the statutory United States Federal income tax rate to earnings before income taxes, as a result of the following:

<TABLE>
<CAPTION>

	PERCENT OF EARNINGS BEFORE INCOME TAXES		
	2000	1999	1998

<S>	<C>	<C>	<C>
U.S. statutory rate.....	35.0%	35.0%	35.0%
Foreign, net of tax credits.....	(1.0)	0.1	(2.5)
Effect of operations in Puerto Rico.....	(1.2)	(1.0)	(1.1)
Foreign sales corporation benefit.....	(1.8)	(2.3)	(2.3)
State and local taxes.....	2.7	3.2	3.1
Other.....	0.6	0.1	(0.9)
	---	---	---
	34.3%	35.1%	31.3%
	====	====	====

</TABLE>

Current deferred income taxes at December 31, 2000 and 1999 were \$37 million and \$44 million, respectively. The deferred income taxes included in other assets, at December 31, 2000 and 1999 were \$40 million and \$38 million,

respectively.

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ZIMMER
(A DIVISION OF BRISTOL-MYERS SQUIBB COMPANY)

NOTES TO THE COMBINED FINANCIAL STATEMENTS (CONTINUED)

NOTE 2. PROVISION FOR INCOME TAXES (CONTINUED)

The components of deferred income taxes consisted of:

<TABLE>
<CAPTION>

	DECEMBER 31,	
	2000	1999
	(DOLLARS IN MILLIONS)	
<S>	<C>	<C>
Inventory.....	\$26	\$29
Depreciation.....	15	12
Product liability.....	8	6
Other.....	28	35
	---	---
	\$77	\$82
	===	===

</TABLE>

NOTE 3. INVENTORIES

<TABLE>
<CAPTION>

	DECEMBER 31,	
	2000	1999
	(DOLLARS IN MILLIONS)	
<S>	<C>	<C>
Finished goods.....	\$116	\$110
Work in process.....	9	8
Raw materials.....	27	32
	---	---
Inventories, net.....	\$152	\$150
	====	====

</TABLE>

Reserves for obsolete and slow-moving inventory at December 31, 2000, 1999 and 1998 were \$41 million, \$37 million and \$35 million, respectively. Provisions charged to expense were \$12 million, \$5 million and \$7 million for the years ended December 31, 2000, 1999 and 1998, respectively. Amounts written off against the reserve were \$8 million, \$3 million and \$8 million for the years ended December 31, 2000, 1999 and 1998, respectively.

NOTE 4. PROPERTY, PLANT AND EQUIPMENT

<TABLE>
<CAPTION>

	DECEMBER 31,	
	2000	1999
	(DOLLARS IN MILLIONS)	
<S>	<C>	<C>
Land.....	\$ 8	\$ 8
Building and equipment.....	300	297
Construction in progress.....	7	9
	---	---
	315	314
Accumulated depreciation.....	(197)	(200)
	---	---
Property, plant and equipment, net.....	\$118	\$114
	====	====

</TABLE>

NOTE 5. ACCRUED EXPENSES

<TABLE>
<CAPTION>

DECEMBER 31,	
2000	1999

	(DOLLARS IN MILLIONS)	
<S>	<C>	<C>
Royalties.....	\$ 27	\$ 22
Commissions.....	18	19
Salaries and wages.....	16	13
Product liability.....	21	16
Other.....	44	39
	----	----
Total accrued expenses.....	\$126	\$109
	====	====

</TABLE>

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ZIMMER
(A DIVISION OF BRISTOL-MYERS SQUIBB COMPANY)

NOTES TO THE COMBINED FINANCIAL STATEMENTS (CONTINUED)

NOTE 6. STOCK COMPENSATION PLANS

A substantial majority of the Bristol-Myers Squibb employees who will be Zimmer employees following the Distribution hold stock option awards granted under Bristol-Myers Squibb plans in the years preceding the Distribution. These awards are expected to be converted to awards based on Zimmer common stock at the time of the Distribution, except in certain foreign jurisdictions where applicable laws, rules or regulations make it inadvisable to convert. Any awards converted will be adjusted to maintain both the pre-conversion aggregate intrinsic value of the award and the ratio of the exercise price per share to the market value per share in accordance with FASB Interpretation No. 44, ACCOUNTING FOR CERTAIN TRANSACTIONS INVOLVING STOCK COMPENSATION. All other provisions will remain in effect.

Under the Bristol-Myers Squibb 1997 Stock Incentive Plan, officers, directors and key employees may be granted options to purchase Bristol-Myers Squibb common stock at no less than 100% of the market price on the date the option is granted. Options generally become exercisable in installments of 25% per year on each of the first through the fourth anniversaries of the grant date and have a maximum term of 10 years. Additionally, the plan provides for the granting of stock appreciation rights whereby the grantee may surrender exercisable options and receive common stock and/or cash measured by the excess of the market price of the common stock over the option exercise price. The plan also provides for the granting of performance-based stock options to certain key executives.

In addition, the Bristol-Myers Squibb 1997 Stock Incentive Plan provides for the granting of shares of common stock to key Bristol-Myers Squibb employees subject to restrictions as to continuous employment except in the case of death or normal retirement. Restrictions generally expire over a 5-year period from the date of grant. Compensation expense is recognized over the restricted period. On December 31, 2000, a total of 30,668 restricted shares were outstanding under the plan to employees who will be part of the Zimmer organization following the Distribution. These restricted shares are expected to be converted to an equal value of Zimmer restricted shares subject to the terms and conditions as existed for the original awards.

Under the Bristol-Myers Squibb TeamShare Stock Option Plan, all full-time employees, excluding key executives, meeting certain years of service requirements, are granted options to purchase Bristol-Myers Squibb common stock at the market price on the date the options are granted. Individual grants generally become exercisable on or after the third anniversary of the grant date and have a maximum term of 10 years. As of December 31, 2000, a total of 1,463,200 shares were issuable pursuant to options under this plan in awards granted to employees who will be part of the Zimmer organization following the Distribution. These awards are expected to be converted to options based on Zimmer common stock at the time of the Distribution, except in certain foreign jurisdictions where applicable laws, rules or regulations make it inadvisable to convert. Any options converted will be adjusted to maintain the intrinsic value of the option. All other provisions will remain in effect.

Bristol-Myers Squibb applies Accounting Principles Board Opinion No. 25, ACCOUNTING FOR STOCK ISSUED TO EMPLOYEES, and related interpretations in accounting for its plans. Accordingly, no compensation expense has been recognized for stock-based compensation plans other than for restricted stock. If compensation cost attributable to awards granted to employees of Zimmer while at Bristol-Myers Squibb had been determined based upon the fair value at the grant date for awards under these plans, consistent with the methodology prescribed under Statement of Financial Accounting Standards No. 123, ACCOUNTING FOR STOCK-BASED COMPENSATION, Zimmer's net income would have been

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NOTES TO THE COMBINED FINANCIAL STATEMENTS (CONTINUED)

NOTE 6. STOCK COMPENSATION PLANS (CONTINUED)

reduced by approximately \$8 million, \$7 million and \$5 million for the years ended December 31, 2000, 1999 and 1998, respectively.

The fair value of the Bristol-Myers Squibb options granted to employees who will be part of the Zimmer organization following the distribution, during 2000, 1999 and 1998 was estimated at \$16.34 per common share, \$17.78 per common share and \$12.04 per common share, respectively, on the date of grant using the Black-Scholes option-pricing model with the following assumptions:

	2000	1999	1998
Dividend yield:.....	1.5%	2.4%	3.1%
Volatility:.....	24.5%	21.8%	18.2%
Risk-free interest rate:.....	6.3%	5.5%	6.3%
Assumed forfeiture rate:.....	3.0%	3.0%	3.0%
Expected life (years):.....	7	7	7

Stock option transactions were:

	SHARES OF COMMON STOCK UNDER PLANS	WEIGHTED AVERAGE OF EXERCISE PRICE OF SHARES UNDER PLANS
Balance, December 31, 1997.....	5,591,146	\$46.57
Granted.....	1,535,800	52.37
Exercised.....	(2,046,376)	16.83
Lapsed.....	(92,154)	36.73
Balance, December 31, 1998.....	4,988,416	43.66
Granted.....	832,300	66.95
Exercised.....	(914,534)	19.39
Lapsed.....	(76,375)	45.47
Balance, December 31, 1999.....	4,829,807	37.94
Granted.....	700,375	47.29
Exercised.....	(1,003,123)	25.31
Lapsed.....	(169,185)	57.99
Balance, December 31, 2000.....	4,357,874	\$42.74

The following table summarizes information concerning currently outstanding and exercisable Bristol-Myers Squibb options held by employees who will be part of the Zimmer organization following the Distribution:

PRICE RANGE	OUTSTANDING OPTIONS			OPTIONS EXERCISABLE	
	NUMBER OF SHARES	WEIGHTED AVERAGE REMAINING LIFE	WEIGHTED AVERAGE EXERCISE PRICE	NUMBER OF SHARES	WEIGHTED AVERAGE EXERCISE PRICE
\$10 - \$20	885,761	3.38	\$15.51	885,761	\$15.51
\$20 - \$30	370,400	5.38	23.70	370,400	23.70
\$30 - \$40	338,726	6.18	33.60	243,276	33.58
\$40 - \$50	653,075	8.90	45.05	21,600	40.47
\$50 - \$60	1,218,162	7.30	52.45	193,487	50.95
\$60 & up	891,750	8.38	66.21	208,768	65.06
	4,357,874			1,923,292	

NOTES TO THE COMBINED FINANCIAL STATEMENTS (CONTINUED)

NOTE 6. STOCK COMPENSATION PLANS (CONTINUED)

Prior to the Distribution, the Zimmer board of directors is expected to adopt, with the approval of Bristol-Myers Squibb as its sole shareholder, the establishment of stock incentive plans providing for future awards to Zimmer employees. Those plans will establish the number of shares that may be covered by awards, as well as the form of awards, along with the terms and conditions applicable to such awards.

NOTE 7. FINANCIAL INSTRUMENTS

Foreign exchange option contracts and forward contracts, purchased by Bristol-Myers Squibb on behalf of Zimmer, are used to hedge anticipated foreign currency transactions, primarily intercompany inventory transactions expected to occur within the next year.

The risk of loss associated with the types of foreign exchange option contracts entered into on behalf of Zimmer is limited to premium amounts paid for the option contracts. Gains related to the option contracts, which qualify as hedges of foreign currency anticipated transactions, are recognized in earnings when the hedged transactions are recognized. Gains and losses on foreign exchange forward contracts are recognized in the basis of the underlying transaction being hedged.

The notional amounts of foreign exchange option contracts entered into on behalf of Zimmer at December 31, 2000 and 1999, were \$39 million and \$13 million, respectively. The carrying value of these contracts, included in prepaid expenses, was \$1 million and \$0 at December 31, 2000 and 1999, respectively. Zimmer does not anticipate any material adverse effect on its financial position resulting from its involvement with these instruments, nor does it anticipate non-performance by any of its counterparties.

Zimmer has exposures to net foreign currency denominated assets and liabilities, which approximated \$49 million and \$185 million at December 31, 2000 and 1999, respectively, primarily in Europe and Japan. These exposures are managed by Bristol-Myers Squibb within its overall risk management program.

At December 31, 2000 and 1999, the carrying values of all financial instruments approximated their fair values.

NOTE 8. RELATED PARTY TRANSACTIONS

Bristol-Myers Squibb provides Zimmer certain services, which include administration of treasury, insurance, payroll, employee compensation and benefits, travel and meeting services, public and investor relations, real estate services, internal audit, corporate aviation and related services, telecommunications, computing services, corporate income tax and selected legal services. The financial information in these combined financial statements does not necessarily include all the expenses that would have been incurred had Zimmer been a separate, stand-alone entity. As such, the financial information herein may not necessarily reflect the combined financial position, results of operations and cash flows of Zimmer in the future or what they would have been had Zimmer been a separate, stand-alone entity during the periods presented. Management believes that the methods used to allocate expenses are reasonable. The allocation methods include relative sales, headcount, square footage, transaction processing costs and adjusted operating expenses. These services accounted for a

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NOTES TO THE COMBINED FINANCIAL STATEMENTS (CONTINUED)

NOTE 8. RELATED PARTY TRANSACTIONS (CONTINUED)

total expense of \$30 million, \$29 million and \$27 million for the years ended December 31, 2000, 1999 and 1998, respectively.

NOTE 9. SEGMENT INFORMATION

Zimmer designs, develops, manufactures and markets orthopaedic reconstructive implants, fracture management products and other products used for orthopaedic and general surgery. Operations are managed by three major geographic areas--the Americas, which is comprised principally of the United States and includes all the other countries in the Western Hemisphere; Asia Pacific, which is comprised primarily of Japan and includes other Asian and Pacific markets; and Europe, which is comprised principally of Europe and includes the Middle East and Africa. This structure is the basis for Zimmer's

reportable operating segment information discussed below. Segment performance is evaluated based on sales and segment operating profit, exclusive of operating expenses pertaining to global operations and corporate expenses. Global operations include United States based research, development engineering, brand management and operations and logistics.

Net Sales, Segment Operating Profit and Year-end Assets by segment are as follows:

<TABLE>
<CAPTION>

	NET SALES			SEGMENT OPERATING PROFIT			YEAR-END ASSETS	
	2000	1999	1998	2000	1999	1998	2000	1999
	(DOLLARS IN MILLIONS)			(DOLLARS IN MILLIONS)			(DOLLARS IN MILLIONS)	
<S>	<C>	<C>	<C>	<C>	<C>	<C>	<C>	<C>
Americas.....	\$655	\$588	\$559	\$313	\$276	\$250	\$347	\$341
Asia Pacific.....	265	235	189	101	77	78	174	181
Europe.....	121	116	113	19	23	24	76	84
	-----	-----	-----				----	----
Net sales.....	\$1,041	\$939	\$861					
	=====	=====	=====					
Global operations and corporate expenses.....				(165)	(145)	(141)		
				----	----	----		
Earnings before taxes and total assets.....				\$268	\$231	\$211	\$597	\$606
				=====	=====	=====	=====	=====

</TABLE>

Supplemental product information is presented below for revenues from external customers:

<TABLE>
<CAPTION>

	2000	1999	1998
	(DOLLARS IN MILLIONS)		
	<C>	<C>	<C>
<S>			
Reconstructive implants.....	\$764	\$679	\$609
Fracture management.....	124	113	103
Orthopaedic surgical products.....	153	147	149
	-----	-----	-----
	\$1,041	\$939	\$861
	=====	=====	=====

</TABLE>

Depreciation expenses were \$23 million, \$22 million and \$26 million and additions to fixed and other assets were \$29 million, \$33 million and \$20 million for the years ended December 31, 2000, 1999 and 1998, respectively, and related principally to the company's U.S. and Puerto Rico facilities.

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ZIMMER
(A DIVISION OF BRISTOL-MYERS SQUIBB COMPANY)

NOTES TO THE COMBINED FINANCIAL STATEMENTS (CONTINUED)

NOTE 10. RETIREMENT PLANS AND POSTRETIREMENT BENEFIT PLANS OTHER THAN PENSIONS

Substantially all Zimmer employees are covered under various Bristol-Myers Squibb retirement plans. The principal pension plan is the Bristol-Myers Squibb Company Retirement Income Plan. Plan benefits are primarily based on years of credited service and on participant's compensation. Plan assets consist principally of equity and fixed income securities and are held and invested as directed by Bristol-Myers Squibb. The Bristol-Myers Squibb funding policy is to contribute amounts to provide for current service and to fund past service liability. The portion of the Bristol-Myers Squibb contribution in 2000 attributed to the Zimmer participants was \$10 million. There were no contributions in 1999 and 1998. Included in the combined statement of earnings are allocations from Bristol-Myers Squibb to Zimmer of net retirement plan expenses of \$7 million, \$7 million and \$6 million for the years ended December 31, 2000, 1999 and 1998, respectively.

The principal defined contribution plan is the Bristol-Myers Squibb Company Savings and Investment Program. The company's contribution is based on employee contributions and the level of company match. The portions of the Bristol-Myers Squibb contribution attributed to the Zimmer participants was \$3 million in each of the three years ended December 31, 2000, 1999 and 1998.

Bristol-Myers Squibb provides comprehensive medical and group life benefits to substantially all U.S. retirees who elect to participate in the Bristol-Myers Squibb comprehensive medical and group life plans. The medical plan is contributory. Contributions are adjusted periodically and vary by date of retirement and the original retiring company. The life insurance plan is non-contributory. Plan assets, which are specifically identified to the obligation for the retired participants, principally consist of equity securities and fixed income securities and are held and invested as directed by Bristol-Myers Squibb.

Included in the combined statement of earnings are allocations from Bristol-Myers Squibb to Zimmer of the postretirement benefit plan expenses specifically attributable to the Zimmer participants which amounted to \$3 million in each of the three years ended December 31, 2000, 1999 and 1998.

NOTE 11. COMMITMENTS AND CONTINGENCIES

Zimmer is subject to product liability claims arising in the ordinary course of business. Bristol-Myers Squibb manages product liability claims risk on a company-wide basis. Bristol-Myers Squibb has, over the years, utilized a variety of programs in managing this risk, including self-insurance and third-party insurance (principally for catastrophic loss coverage). Zimmer is allocated a portion of the total Bristol-Myers Squibb cost each year for these programs, which is reflected in the combined statement of earnings.

Zimmer establishes accruals for product liability in conjunction with outside counsel based on current information and historical settlement information for open claims, related fees and for claims incurred but not reported. While it is not possible to predict with certainty the outcome of these cases, it is the opinion of management that they will not have a material adverse effect on Zimmer's results of operations, liquidity, or combined financial position.

In addition to product liability claims, Zimmer is subject to various other lawsuits and claims arising in the ordinary course of business, none of which are expected to have, upon ultimate resolution, a material adverse effect on Zimmer's combined results of operations, liquidity or financial position.

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INDEX TO UNAUDITED INTERIM COMBINED FINANCIAL STATEMENTS

UNAUDITED INTERIM COMBINED FINANCIAL STATEMENTS:

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Combined Balance Sheets as of March 31, 2001 and December 31, 2000.....	F-18
Combined Statements of Cash Flows for the Three Months Ended March 31, 2001 and 2000.....	F-19
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</TABLE>	

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ZIMMER
(A DIVISION OF BRISTOL-MYERS SQUIBB COMPANY)

COMBINED STATEMENTS OF EARNINGS, COMPREHENSIVE INCOME AND NET INVESTMENT
(UNAUDITED)

<TABLE>
<CAPTION>

	THREE MONTHS ENDED MARCH 31,	
	2001	2000
	(DOLLARS IN MILLIONS)	
<S>	<C>	<C>
STATEMENT OF EARNINGS		
NET SALES.....	\$286	\$254
EXPENSES:		
Cost of products sold.....	82	70
Selling.....	60	52
Marketing, promotion and distribution.....	44	42
Research and development.....	18	12
General and administrative.....	25	19

	229	195
EARNINGS BEFORE INCOME TAXES.....	57	59
Provision for income taxes.....	21	20
NET EARNINGS.....	\$36	\$39
STATEMENT OF COMPREHENSIVE INCOME		
NET EARNINGS.....	\$36	\$39
OTHER COMPREHENSIVE INCOME:		
Foreign currency translation.....	(5)	(3)
Unrealized foreign currency hedge gains (losses).....	5	--
Tax effect.....	(2)	--
Total Other Comprehensive Income.....	(2)	(3)
COMPREHENSIVE INCOME.....	\$34	\$36
STATEMENT OF NET INVESTMENT		
Balance at beginning of year.....	\$254	\$384
Net earnings.....	36	39
Net transactions with Bristol-Myers Squibb.....	(83)	(31)
Balance at end of quarter.....	\$207	\$392

</TABLE>

The accompanying notes are an integral part of these combined financial statements.

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ZIMMER
(A DIVISION OF BRISTOL-MYERS SQUIBB COMPANY)

COMBINED BALANCE SHEETS

(UNAUDITED)

<TABLE>

<CAPTION>

	MARCH 31, 2001	DECEMBER 31, 2000
	-----	-----
	(DOLLARS IN MILLIONS)	
	<C>	<C>
ASSETS		
CURRENT ASSETS:		
Receivables, net.....	\$196	\$189
Inventories.....	160	152
Prepaid expenses.....	42	41
Deferred income taxes.....	39	37
Total Current Assets.....	437	419
Property, Plant and Equipment.....	122	118
Other Assets.....	60	60
TOTAL ASSETS.....	\$619	\$597
LIABILITIES AND NET INVESTMENT IN ZIMMER		
CURRENT LIABILITIES:		
Accounts payable.....	\$ 63	\$ 55
Accrued expenses.....	142	126
Foreign taxes payable.....	12	11
Due to Bristol-Myers Squibb.....	190	144
Total Current Liabilities.....	407	336
OTHER COMPREHENSIVE INCOME.....	5	7
NET INVESTMENT IN ZIMMER.....	207	254
TOTAL LIABILITIES AND NET INVESTMENT IN ZIMMER.....	\$619	\$597

</TABLE>

The accompanying notes are an integral part of these combined financial statements.

ZIMMER
(A DIVISION OF BRISTOL-MYERS SQUIBB COMPANY)

COMBINED STATEMENTS OF CASH FLOWS

(UNAUDITED)

<TABLE>

<CAPTION>

	THREE MONTHS ENDED	
	MARCH 31,	
	2001	2000
	(DOLLARS IN MILLIONS)	
<S>	<C>	<C>
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net earnings.....	\$ 36	\$ 39
Depreciation.....	6	6
Income taxes.....	(1)	4
Receivables.....	(7)	(5)
Inventories.....	(8)	(3)
Accounts payable and accrued expenses.....	23	3
Other assets and liabilities.....	(2)	(1)
	----	----
Net Cash Provided by Operating Activities.....	47	43
	----	----
CASH FLOWS FROM INVESTING ACTIVITIES:		
Additions to fixed and other assets.....	(10)	(6)
	----	----
CASH FLOWS FROM FINANCING ACTIVITIES:		
Net increase (decrease) in Due to Bristol-Myers Squibb.....	46	(6)
Net transactions with Bristol-Myers Squibb.....	(83)	(31)
	----	----
Net Cash (Used) in Financing Activities.....	(37)	(37)
	----	----
INCREASE (DECREASE) IN CASH.....	\$ -	\$ -
	=====	=====

</TABLE>

The accompanying notes are an integral part of these combined financial statements.

ZIMMER
(A DIVISION OF BRISTOL-MYERS SQUIBB COMPANY)

NOTES TO INTERIM COMBINED FINANCIAL STATEMENTS

(UNAUDITED)

NOTE 1. BASIS OF PRESENTATION

The financial data presented herein is unaudited and should be read in conjunction with the combined financial statements and accompanying notes as of and for the three years ended December 31, 2000, included elsewhere in this filing. In the opinion of management, the financial data presented includes all adjustments, consisting only of normal recurring adjustments, necessary to present fairly the financial position, results of operations and cash flows for the interim periods presented. Results for interim periods should not be considered indicative of results for the full year.

Bristol-Myers Squibb Company ("Bristol-Myers Squibb") has announced a plan to create a separate company for its existing division relating to the design, development, manufacturing and marketing of orthopaedic reconstructive implants, fracture management products and other products used for orthopaedic and general surgery. The division is comprised of Zimmer, Inc., (a wholly-owned subsidiary of Bristol-Myers Squibb) and its wholly-owned subsidiaries, along with certain other Bristol-Myers Squibb-owned Zimmer operations (collectively, "Zimmer").

Zimmer Holdings, Inc. was incorporated in Delaware as a wholly-owned subsidiary of Bristol-Myers Squibb on January 12, 2001. On this date, 1,000 shares of the common stock of Zimmer Holdings, Inc., par value \$0.01 per share, were issued, authorized and outstanding. Bristol-Myers Squibb has announced that it intends to distribute all of the shares of Zimmer Holdings, Inc. in a tax free distribution (the "Distribution"). The Distribution is subject to certain conditions, including receipt of a favorable tax ruling. Prior to the Distribution, Bristol-Myers Squibb expects to transfer to Zimmer Holdings, Inc.

the assets and liabilities of Zimmer. Prior to the completion of the Distribution, Zimmer Holdings, Inc. expects to amend its certificate of incorporation to authorize additional shares of common stock. On the date of the Distribution, Bristol-Myers Squibb will distribute all of the shares of Zimmer Holdings, Inc. common stock to Bristol-Myers Squibb's stockholders.

The combined financial statements represent Zimmer, Inc., its wholly-owned subsidiaries and certain other Bristol-Myers Squibb-owned Zimmer operations; intercompany accounts, other than specific outstanding obligations due to Bristol-Myers Squibb, have been combined with invested capital and reported in the combined financial statements as net investment in Zimmer. An analysis of the Net Investment in Zimmer is summarized below:

<TABLE>
<CAPTION>

	MARCH 31, 2001	MARCH 31, 2000
	-----	-----
	(UNAUDITED, DOLLARS IN MILLIONS)	
<S>	<C>	<C>
Balance at beginning of quarter.....	\$ 254	\$ 384
Net earnings.....	36	39
Cash from operating activities transferred (to)		
Bristol-Myers Squibb.....	(47)	(43)
Cash transferred from Bristol-Myers Squibb to fund investments in fixed and other assets.....	10	6
Cash transferred (to) from Bristol-Myers Squibb to finance operations.....	(46)	6
	-----	-----
Balance at end of quarter.....	\$ 207	\$ 392
	=====	=====

</TABLE>

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ZIMMER
(A DIVISION OF BRISTOL-MYERS SQUIBB COMPANY)

NOTES TO INTERIM COMBINED FINANCIAL STATEMENTS (CONTINUED)

(UNAUDITED)

NOTE 1. BASIS OF PRESENTATION (CONTINUED)

Included in net earnings are expense allocations from Bristol-Myers Squibb for services of \$8 million in each of the quarters ended March 31, 2001 and 2000. Zimmer does not purchase product from or sell product to Bristol-Myers Squibb.

An analysis of the outstanding obligations due to Bristol-Myers Squibb is summarized below:

<TABLE>
<CAPTION>

	MARCH 31, 2001	MARCH 31, 2000
	-----	-----
	(UNAUDITED, DOLLARS IN MILLIONS)	
<S>	<C>	<C>
Balance at beginning of quarter.....	\$144	\$41
Cash transferred from Bristol-Myers Squibb.....	79	15
Cash transferred (to) Bristol-Myers Squibb.....	(31)	(19)
Interest accrued.....	1	1
Interest paid.....	(1)	(1)
Effect of exchange rates.....	(2)	(2)
	----	----
Balance at end of quarter.....	\$190	\$35
	====	====

</TABLE>

NOTE 2. INVENTORIES

<TABLE>
<CAPTION>

	MARCH 31, 2001	DECEMBER 31, 2000
	-----	-----
	(UNAUDITED, DOLLARS IN MILLIONS)	
<S>	<C>	<C>
Finished goods.....	\$122	\$116
Work in process.....	12	9
Raw materials.....	26	27

Inventories, net.....	----	----
	\$160	\$152
	=====	=====

</TABLE>

NOTE 3. PROPERTY, PLANT AND EQUIPMENT

<TABLE>
<CAPTION>

	MARCH 31, 2001	DECEMBER 31, 2000
	-----	-----
	(UNAUDITED, DOLLARS	IN MILLIONS)
<S>	<C>	<C>
Land.....	\$ 8	\$ 8
Building and equipment.....	308	300
Construction in progress.....	8	7
	-----	-----
	324	315
Accumulated depreciation.....	(202)	(197)
	-----	-----
Property, plant and equipment, net.....	\$ 122	\$ 118
	=====	=====

</TABLE>

NOTE 4. FINANCIAL INSTRUMENTS

Effective January 1, 2001, the Company adopted Statement of Financial Accounting Standard (SFAS) No. 133, "Accounting for Derivative Instruments and Hedging Activities," as amended, which requires that all derivative instruments be recognized as either assets or liabilities on the balance sheet and measured at fair value. The adoption of this accounting requirement did not have a material effect

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ZIMMER
(A DIVISION OF BRISTOL-MYERS SQUIBB COMPANY)

NOTES TO INTERIM COMBINED FINANCIAL STATEMENTS (CONTINUED)

(UNAUDITED)

NOTE 4. FINANCIAL INSTRUMENTS (CONTINUED)

on the Company's consolidated financial statements either at transition or for the three months ended March 31, 2001.

The Company is exposed to market risk due to changes in currency exchange rates. As a result, the Company utilizes foreign exchange option and forward contracts to offset the effect of exchange rate fluctuations on anticipated foreign currency transactions, primarily intercompany sales expected to occur within the next year. For these derivatives, which qualify as hedges of future cash flows, the effective portion of changes in fair value is temporarily recorded in comprehensive income, then recognized in earnings when the hedged item affects earnings. Any ineffective portion of hedges is reported in earnings as it occurs. The fair value of derivative instruments which is recorded in prepaid expenses at March 31, 2001 was \$5 million.

Substantially all of the \$3 million, net of taxes, gain on cash flow hedging deferred in other comprehensive income, is expected to be reclassified to earnings over the next year. The change in time value of options, excluded from the measure of effectiveness, reported in first quarter earnings, was not material.

NOTE 5. SEGMENT INFORMATION

Zimmer designs, develops, manufactures and markets orthopaedic reconstructive implants, fracture management products and other products used for orthopaedic and general surgery. Operations are managed by three major geographic areas--the Americas, which is comprised principally of the United States and includes all the other countries in the Western Hemisphere; Asia Pacific, which is comprised primarily of Japan and includes other Asian and Pacific markets; and Europe, which is comprised principally of Europe and includes the Middle East and Africa. This structure is the basis for Zimmer's reportable operating segment information discussed below. Segment performance is evaluated based on sales and segment operating profit, exclusive of operating expenses pertaining to global operations and corporate expenses. Global operations include U.S. based research, development engineering, brand management and operations and logistics.

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NOTES TO INTERIM COMBINED FINANCIAL STATEMENTS (CONTINUED)

(UNAUDITED)

NOTE 5. SEGMENT INFORMATION (CONTINUED)

Net Sales and Segment Operating Profit by segment are as follows:

	NET SALES		SEGMENT OPERATING PROFIT	
	THREE MONTHS ENDED MARCH 31,		THREE MONTHS ENDED MARCH 31,	
	2001	2000	2001	2000
	(UNAUDITED, DOLLARS IN MILLIONS)		(UNAUDITED, DOLLARS IN MILLIONS)	
<S>	<C>	<C>	<C>	<C>
Americas.....	\$193	\$162	\$94	\$80
Asia Pacific.....	61	63	25	25
Europe.....	32	29	4	5

Total.....	\$286	\$254		
	====	====		
Global operations and corporate expenses.....			(66)	(51)
			----	----
Earnings before taxes.....			\$57	\$59
			====	====

Supplemental product information is presented below for revenues from external customers:

	THREE MONTHS ENDED MARCH 31,	
	2001	2000
<S>	<C>	<C>
Reconstructive implants.....	\$213	\$187
Fracture management.....	33	32
Orthopaedic surgical products.....	40	35
	----	----
	\$286	\$254
	====	====

NOTE 6. COMMITMENTS AND CONTINGENCIES

Zimmer is subject to product liability claims arising in the ordinary course of business. Bristol-Myers Squibb manages product liability claims risk on a company-wide basis. Bristol-Myers Squibb has, over the years, utilized a variety of programs in managing this risk, including self-insurance and third-party insurance (principally for catastrophic loss coverage). Zimmer is allocated a portion of the total Bristol-Myers Squibb cost each year for these programs, which is reflected in the combined statement of earnings.

Zimmer establishes accruals for product liability in conjunction with outside counsel based on current information and historical settlement information for open claims, related fees and for claims incurred but not reported. While it is not possible to predict with certainty the outcome of these cases, it is the opinion of management that they will not have a material adverse effect on Zimmer's results of operations, liquidity or combined financial position.

In addition to product liability claims, Zimmer is subject to various other lawsuits and claims arising in the ordinary course of business, none of which are expected to have, upon ultimate resolution, a material adverse effect on Zimmer's combined results of operations, liquidity or financial position.