Zimmer Tops Consensus Estimates with Fourth Quarter and 2002 Sales and Earnings

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Fourth Quarter Highlights:

- Net Sales increased 19% (17% constant currency) to $370 million
- Operating Profit Margin 30% and Net Margin 20%
- Earnings Per Share of $0.37, an increase of 37% over prior year pro forma*
- Worldwide Reconstructive Sales increased 23%
- Debt-to-Capital Ratio Reduced to 30% 2002 Highlights:
- Net Sales increased 16% (reported and constant currency) to $1.37 billion
- Earnings Per Share of $1.31, an increase of 34% over prior year pro forma*
- Worldwide Reconstructive Sales increased 20%, exceeding $1.0 billion
- Operating Cash Flow $220 million

Zimmer Holdings, Inc. (NYSE: ZMH) today announced net sales and earnings for the fourth quarter and year ended December 31, 2002, the company's first full year as an independent, publicly traded entity. The company's sales and earnings exceeded First Call consensus estimates for both the quarter and the full year.

Fourth Quarter Results

Net sales for the fourth quarter increased 19% (17% constant currency) to $370 million and net earnings increased 39% to $72 million over pro forma prior year of $312 million and $52 million, respectively. Diluted earnings per share increased 37% to $0.37 for the quarter versus pro forma

earnings of $0.27 for the prior year. On a reported basis, diluted earnings per share increased 68% for the quarter over $0.22 reported last year.

Twelve Month Results

Net sales for 2002 grew 16% (16% constant currency) to $1,372 million from $1,179 million in 2001. Net earnings for the year were $258 million, representing an increase of 35% over the pro forma prior year of $191 million. Diluted earnings per share for the year were $1.31, representing an increase of 34% over $0.98, pro forma, for 2001. On a reported basis, diluted earnings per share increased 70% over $0.77 last year.

In 2002, Zimmer celebrated its 75th year anniversary, became the first company since its inception to implant one million knees in the United States, and completed its first full year as a public company. "Our growth in sales continues to outpace the market, while operating and net earnings are increasing more rapidly than sales," said Zimmer Holdings, Inc. Chairman, President and Chief Executive Officer Ray Elliott. "We have reduced debt dramatically since our spin-off while continuing to invest in R&D at the top of our class. We enter 2003 in a position to continue our winning streak-with new products scheduled for market introduction throughout the year and a real feeling of excitement building around our industry-leading position in Minimally Invasive Solutions(TM) (MIS) for joint replacement."

Global Category Results

Global sales of reconstructive implants increased 23% for the fourth quarter (21% constant currency) and increased 20% for the year (20% constant currency) to $290 million and $1,062 million, respectively. Knee sales increased 24% for the fourth quarter (21% constant currency) and increased 22% for the year (21% constant currency) to $160 million and $586 million, respectively. Hip sales increased 22% for the fourth quarter (20% constant currency) and increased 17% for the year (17% constant currency) to $120 million and $441 million, respectively. Sales of trauma products increased 3% for the fourth quarter (2% constant currency) and 4% for the year (5% constant currency) to $34 million and $134 million, respectively. Sales of orthopaedic surgical products increased 10% for the fourth quarter (9% constant currency) and 8% for the year (9% constant currency) to $46 million and $177 million, respectively.

Geographic Results

The Americas led the company in overall dollar sales growth, increasing 19% in the fourth quarter and 18% for the year to $244 million and $933 million, respectively. For the fourth quarter, knee sales increased 23% led by growth in sales of the NexGen(R) Legacy(R) Posterior Stabilized Knee including the Flex Knee, NexGen Trabecular Metal tibial components, the NexGen Cruciate Retaining Knee with Prolong(TM) Crosslinked Polyethylene, and the M/G(TM) Unicompartmental Knee, which features

Minimally Invasive Solutions(TM) (MIS) Instrumentation. Hip sales increased 21% in the fourth quarter, driven by continued conversion to porous stems, Trabecular Metal acetabular cups, and increased sales of Trilogy(R) Acetabular System cups incorporating Longevity(R) Crosslinked Polyethylene Liners. Trauma product sales increased 4% in the quarter in large part due to increased sales of the Zimmer(R) Periarticular Plating System.

Asia Pacific net sales increased 11% in the fourth quarter (10% constant currency) and 6% for the year (8% constant currency) to $75 million and $270 million, respectively. For the fourth quarter, knee sales increased 15% (13% constant currency), reflecting continuing strong sales of the NexGen Legacy Posterior Stabilized Flex Knee and the M/G Unicompartmental Knee with MIS Instrumentation. Hip sales increased 17% in the fourth quarter (16% constant currency) driven primarily by continued conversion to porous stems and sales of Trilogy Acetabular System cups incorporating Longevity Crosslinked Polyethylene Liners. Trauma product sales decreased 8% (9% constant currency) reflecting a decline in M/DN(R) Intramedullary Fixation and compression hip screw sales, primarily in Japan.

Europe net sales increased 34% in the fourth quarter (24% constant currency) and 28% for the year (23% constant currency) to $51 million and $170 million, respectively. In 12 of the 16 Zimmer Europe markets, reconstructive sales grew by more than 30%. In the fourth quarter, knee sales increased 33% (22% constant currency) driven by strong sales of the NexGen Legacy System of knee prostheses as well as the M/G Unicompartmental Knee with MIS Instrumentation. Hip sales increased 35% in the third quarter (25% constant currency) supported by increased sales of Trilogy Acetabular System cups incorporating Longevity Crosslinked Polyethylene Liners, and VerSys(R) porous stems.

Guidance

The company has confirmed projections for the first quarter and full year 2003, including revenue growth of 13% to 15% and EPS growth of 15% to 17%, implying EPS in the range of $1.51 to $1.53.

The company will discuss 2002 fourth quarter and full-year results during an investor conference call to be held on Thursday, January 30, 2003 at 8am EST. A live audio webcast of Zimmer's conference call will be accessible through the Zimmer website at www.zimmer.com (Investor Relations section). The webcast will be archived for two weeks following the conference call.

Individuals who wish to dial into the conference call may do so at (800) 406-1106. International callers should dial (706) 634-7075. A digital recording will be available two hours after the completion of the conference from January 30, 2003 to February 13, 2003. To access the recording, US/Canada callers should dial (800) 642-1687, or for International callers, dial (706) 645-9291, and enter the Conference ID, 7470828.

Zimmer had previously announced that it will conduct a meeting for investment analysts on February 5, 2003, during the American Academy of Orthopaedic Surgeons meeting. The meeting will be held at the Sheraton Hotel in New Orleans, beginning at 5pm (CST), in the Rhythms Ballroom 1 & 2. The meeting will be hosted by Ray Elliott and Sam Leno, Senior Vice President and Chief Financial Officer.

Products and technologies being featured at the AAOS meeting will be highlighted in the presentations and at a technology exhibit. These include Minimally Invasive Solutions(TM) (MIS) for both Total Hips and Total Knees, including Computer-Aided Navigation Systems; biological repair and replacement technologies; and Trabecular Metal technology.

Analysts who wish to register for the meeting should contact Anne Ritenour at 574-372-4919 or by e-mail at anne.ritenour@zimmer.com .

Zimmer, based in Warsaw, Indiana, is a global leader in the design, development, manufacture and marketing of reconstructive orthopaedic implants and trauma products. Orthopaedic reconstruction implants restore joint function lost due to disease or trauma in joints such as knees, hips, shoulders and elbows. Trauma products are devices used primarily to reattach or stabilize damaged bone and tissue to support the body's natural healing process. Zimmer also manufactures and markets other products related to orthopaedic and general surgery. Zimmer was founded in 1927 and has more than 3,600 employees worldwide.

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* The company is presenting 2001 financial information in its release on a
  pro forma basis which excludes costs of separation incurred in its 2001
  spin-off from its former parent and includes interest expense for all
  periods.  The company believes this presentation provides more
  meaningful comparisons in understanding the current financial
  performance.
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This press release contains forward-looking statements based on current expectations, estimates, forecasts and projections about the orthopaedics industry, management's beliefs and assumptions made by management. Forward- looking statements may be identified by the use of forward-looking terms such as "may," "will," "expects," "believes," "anticipates," "plans," "estimates," "projects," "targets," "forecasts," and "seeks" or the negative of such terms or other variations on such terms or comparable terminology. These statements are not guarantees of future performance and involve risks, uncertainties and assumptions that could cause actual outcomes and results to differ materially. These risks and uncertainties include, but are not limited to, price and product competition, rapid technological development, demographic changes, dependence on new product development, the mix of our products and services, supply and prices of raw materials and products, customer demand for our products and services, our ability to successfully integrate acquired companies, control of costs and expenses, our ability to form and implement alliances, international growth, U.S. and foreign

government regulation, product liability and intellectual property litigation losses, reimbursement levels from third-party payors, general industry and market conditions and growth rates and general domestic and international economic conditions including interest rate and currency exchange rate fluctuations. For a further list and description of such risks and uncertainties, see the reports filed by Zimmer with the Securities and Exchange Commission. Zimmer disclaims any intention or obligation to update or revise any forward-looking statements, whether as a result of new information, future events or otherwise.

ZIMMER HOLDINGS, INC.
CONSOLIDATED STATEMENTS OF EARNINGS
FOR THE THREE MONTHS ENDED DECEMBER 31, 2002 and 2001
(in millions, except per share amounts)
(unaudited)

				% Increase/ (Decrease)	
		2001			
	2002	As Reported	Pro Forma*	As Reported	Pro Forma*
Net Sales	$370.2	$311.6	$311.6	18.8%	18.8%
Cost of products sold	93.7	84.0	83.0	11.5	12.9
Gross Profit	276.5	227.6	228.6	21.5	21.0
Research and development	21.8	17.9	17.7	21.8	23.2
Selling, general and administrative	143.6	137.7	125.0	4.3	14.9
Operating expenses	165.4	155.6	142.7	6.3	15.9
Operating Profit	111.1	72.0	85.9	54.3	29.3
Interest expense	2.1	4.4	4.4	(52.3)	(52.3)
Earnings before income taxes	109.0	67.6	81.5	61.2	33.7
Provision for income taxes	36.8	24.4	29.4	50.8	25.2
Net Earnings	$72.2	$43.2	$52.1	67.1	38.6
Earnings Per Common Share					
Basic	$0.37	$0.22	$0.27	68.2	37.0
Diluted	$0.37	$0.22	$0.27	68.2	37.0
Weighted Average Common Shares Outstanding					
Basic	195.1	193.8	193.8		
Diluted	197.4	195.2	195.2		

* 2001 pro forma earnings exclude costs of separation from the Company's former parent and include interest expense for all periods.

ZIMMER HOLDINGS, INC.
CONSOLIDATED STATEMENTS OF EARNINGS
FOR THE TWELVE MONTHS ENDED DECEMBER 31, 2002 and 2001
(in millions, except per share amounts)

%

		2001		Increase/ (Decrease)	
	2002	As Reported	Pro Forma*	As Reported	Pro Forma*
	(Unaudited)		(Unaudited)		
Net Sales	$1,372.4	$1,178.6	$1,178.6	16.4%	16.4%
Cost of products sold	344.8	321.6	309.7	7.2	11.3
Gross Profit	1,027.6	857.0	868.9	19.9	18.3
Research and development	80.7	71.6	68.4	12.7	18.0
Selling, general and administrative	546.0	537.1	482.2	1.7	13.2
Operating expenses	626.7	608.7	550.6	3.0	13.8
Operating Profit	400.9	248.3	318.3	61.5	26.0
Interest expense	12.0	7.4	21.4	62.2	(43.9)
Earnings before income taxes	388.9	240.9	296.9	61.4	31.0
Provision for income taxes	131.1	91.1	106.1	43.9	23.6
Net Earnings	$257.8	$149.8	$190.8	72.1	35.1
Earnings Per Common Share					
Basic	$1.33	$0.77	$0.99	72.7	34.3
Diluted	$1.31	$0.77	$0.98	70.1	33.7
Weighted Average Common Shares Outstanding					
Basic	194.5	193.7	193.7		
Diluted	196.8	194.3	194.3		

* 2001 pro forma earnings exclude costs of separation from the Company's former parent and include interest expense for all periods.

ZIMMER HOLDINGS, INC.

NET SALES BY GEOGRAPHIC REGION

FOR THE THREE AND TWELVE MONTHS ENDED DECEMBER 31, 2002 and 2001

(in millions)

(unaudited)

	Three Months Ended December 31,			Twelve Months Ended December 31,		
	2002	2001	% Increase (Decrease)	2002	2001	% Increase (Decrease)
Americas	$244.0	$205.8	18.6%	$932.9	$790.7	18.0%
Asia Pacific	75.1	67.7	10.9	269.6	255.2	5.6
Europe	51.1	38.1	34.1	169.9	132.7	28.0
Total	$370.2	$311.6	18.8	$1,372.4	$1,178.6	16.4

ZIMMER HOLDINGS, INC.

NET SALES BY PRODUCT CATEGORY

FOR THE THREE AND TWELVE MONTHS ENDED DECEMBER 31, 2002 and 2001

(in millions)

(unaudited)

	Three Months Ended December 31,			Twelve Months Ended December 31,		
	2002	2001	% Increase (Decrease)	2002	2001	% Increase (Decrease)
Reconstructive implants	$290.0	$236.5	22.6%	$1,061.7	$886.5	19.8%
Trauma	34.1	33.1	3.0	133.8	128.3	4.3
Orthopaedic surgical products	46.1	42.0	9.8	176.9	163.8	8.0
Total	$370.2	$311.6	18.8	$1,372.4	$1,178.6	16.4

ZIMMER HOLDINGS, INC.

CONDENSED CONSOLIDATED BALANCE SHEETS

AS OF DECEMBER 31, 2002 AND DECEMBER 31, 2001

(in millions)

	December 31, 2002	December 31, 2001
	(unaudited)	
Assets		
Current Assets:		
Cash and equivalents	$15.7	$18.4
Receivables, net	214.8	181.7
Inventories, net	257.6	200.0
Other current assets	124.3	108.5
Total Current Assets	612.4	508.6
Property, Plant and Equipment, net	157.8	148.2
Other Assets	88.7	88.2
Total Assets	$858.9	$745.0
Liabilities and Shareholders' Equity		
Current Liabilities	$244.1	$223.1
Short-term Debt	156.7	150.0
Other Long-term Liabilities	91.8	79.3
Long-term Debt	-	213.9
Shareholders' Equity	366.3	78.7
Total Liabilities and Shareholders' Equity	$858.9	$745.0

ZIMMER HOLDINGS, INC.

CONSOLIDATED OPERATING CASH FLOWS AND FREE CASH FLOW

FOR THE TWELVE MONTHS ENDED DECEMBER 31, 2002 and 2001

(in millions)

(unaudited)

	2002	2001

Cash Flows Provided By Operating Activities		
Net earnings	$257.8	$149.8
Depreciation	25.3	23.4
Income taxes	29.9	1.1
Receivables	(25.0)	2.6
Inventories	(59.7)	(50.2)
Accounts payable and accrued expenses	(12.2)	41.9
Other assets and liabilities	4.1	3.2
Net cash provided by operating activities	$220.2	$171.8
Free Cash Flow		
Net cash provided by operating activities	$220.2	$171.8
Less: additions to property, plant and equipment	(33.7)	(54.7)
Free cash flow as reported	$186.5	117.1
Separation costs and interest expense, net of tax		43.1
Pro forma free cash flow *		$160.2

* 2001 pro forma free cash flow excludes separation costs and includes full interest expense in each period presented.

SOURCE Zimmer Holdings, Inc.

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