UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-K

ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For year ended December 31, 2017

Commission file number 001-16407

ZIMMER BIOMET HOLDINGS, INC.

(Exact name of registrant as specified in its charter)

Delaware	**13-4151777**
(State of Incorporation)	**(IRS Employer Identification No.)**
345 East Main Street **Warsaw, Indiana**	**46580**
(Address of principal executive offices)	**(Zip Code)**

Registrant's telephone number, including area code: (574) 267-6131

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

Title of each class	Name of each exchange on which registered
Common Stock, $.01 par value	**New York Stock Exchange**
1.414% Notes due 2022	**New York Stock Exchange**
2.425% Notes due 2026	**New York Stock Exchange**

Securities registered pursuant to Section 12(g) of the Act: None

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act.
Yes ☒ No ☐

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act.
Yes ☐ No ☒

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes ☒ No ☐

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§ 232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes ☒ No ☐

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of the registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K. ☒

Indicate by checkmark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, a smaller reporting company or an emerging growth company. See the definitions of "large accelerated filer", "accelerated filer", "smaller reporting company" and "emerging growth company" in Rule 12b-2 of the Exchange Act. (Check One):

Large accelerated filer	☒	Accelerated filer	☐
Non-accelerated filer	☐ (Do not check if a smaller reporting company)	Smaller reporting company	☐
Emerging growth company	☐		

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act. ☐

Indicate by checkmark whether the registrant is a shell company (as defined Exchange Act Rule 12b-2). Yes ☐ No ☒

The aggregate market value of shares held by non-affiliates was $25,893,487,085 (based on the closing price of these shares on the New York Stock Exchange on June 30, 2017 and assuming solely for the purpose of this calculation that all directors and executive officers of the registrant are "affiliates"). As of February 15, 2018, 203,146,925 shares of the registrant's $.01 par value common stock were outstanding.

Documents Incorporated by Reference

Document	Form 10-K
Portions of the Proxy Statement with respect to the 2018 Annual Meeting of Stockholders	Part III

ZIMMER BIOMET HOLDINGS, INC.
2017 FORM 10-K ANNUAL REPORT
Cautionary Note About Forward-Looking Statements

This Annual Report on Form 10-K includes "forward-looking" statements within the meaning of federal securities laws, including, among others, statements about our expectations, plans, strategies or prospects. We generally use the words "may," "will," "expect," "believe," "anticipate," "plan," "estimate," "project," "assume," "guide," "target," "forecast," "see," "seek," "can," "should," "could," "would," "intend" "predict," "potential," "strategy," "is confident that," "future," "opportunity," "work toward," and similar expressions to identify forward-looking statements. All statements other than statements of historical or current fact are, or may be deemed to be, forward-looking statements. Such statements are based upon the current beliefs, expectations and assumptions of management and are subject to significant risks, uncertainties and changes in circumstances that could cause actual results to differ materially from the forward-looking statements. A detailed discussion of risks and uncertainties that could cause actual results and events to differ materially from such forward-looking statements is included in the section titled "Risk Factors" (refer to Part I, Item 1A of this report). Readers of this report are cautioned not to rely on these forward-looking statements, since there can be no assurance that these forward-looking statements will prove to be accurate. We expressly disclaim any obligation to update or revise any forward-looking statements, whether as a result of new information, future events or otherwise. You are advised, however, to consult any further disclosures we make on related subjects in our Quarterly Reports on Form 10-Q and Current Reports on Form 8-K.

TABLE OF CONTENTS

		Page
PART I		4
Item 1.	Business	4
Item 1A.	Risk Factors	13
Item 1B.	Unresolved Staff Comments	24
Item 2.	Properties	25
Item 3.	Legal Proceedings	25
Item 4.	Mine Safety Disclosures	25
PART II		26
Item 5.	Market for the Registrant's Common Equity, Related Stockholder Matters and Issuer Purchases of Equity Securities	26
Item 6.	Selected Financial Data	27
Item 7.	Management's Discussion and Analysis of Financial Condition and Results of Operations	28
Item 7A.	Quantitative and Qualitative Disclosures About Market Risk	41
Item 8.	Financial Statements and Supplementary Data	45
Item 9.	Changes in and Disagreements with Accountants on Accounting and Financial Disclosure	94
Item 9A.	Controls and Procedures	94
Item 9B.	Other Information	96
PART III		97
Item 10.	Directors, Executive Officers and Corporate Governance	97
Item 11.	Executive Compensation	97
Item 12.	Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters	97
Item 13.	Certain Relationships and Related Transactions and Director Independence	97
Item 14.	Principal Accounting Fees and Services	97
PART IV		98
Item 15.	Exhibits, Financial Statement Schedules	98
Item 16.	10-K Summary	102

PART I

Item 1. Business

Overview

Zimmer Biomet is a global leader in musculoskeletal healthcare. We design, manufacture and market orthopaedic reconstructive products; sports medicine, biologics, extremities and trauma products; office based technologies; spine, craniomaxillofacial and thoracic products; dental implants; and related surgical products. We collaborate with healthcare professionals around the globe to advance the pace of innovation. Our products and solutions help treat patients suffering from disorders of, or injuries to, bones, joints or supporting soft tissues. Together with healthcare professionals, we help millions of people live better lives. In this report, "Zimmer Biomet," "we," "us," "our," "the Company" and similar words refer collectively to Zimmer Biomet Holdings, Inc. and its subsidiaries. "Zimmer Biomet Holdings" refers to the parent company only.

Zimmer Biomet Holdings was incorporated in Delaware in 2001. Our history dates to 1927, when Zimmer Manufacturing Company, a predecessor, was founded in Warsaw, Indiana. On August 6, 2001, we were spun off from our former parent and became an independent public company.

On June 24, 2015 (the "Closing Date"), we acquired LVB Acquisition, Inc. ("LVB"), the parent company of Biomet, Inc. ("Biomet"), and LVB and Biomet became our wholly-owned subsidiaries (sometimes hereinafter referred to as the "Biomet merger" or the "merger"). In connection with the merger, we changed our name from Zimmer Holdings, Inc. to Zimmer Biomet Holdings, Inc. "Zimmer" used alone refers to the business or information of us and our subsidiaries on a stand-alone basis without inclusion of the business or information of LVB or any of its subsidiaries.

Customers, Sales and Marketing

Our primary customers include orthopaedic surgeons, neurosurgeons, oral surgeons, and other specialists, dentists, hospitals, stocking distributors, healthcare dealers and, in their capacity as agents, healthcare purchasing organizations or buying groups. These customers range from large multinational enterprises to independent clinicians and dentists.

We have operations throughout the world. We manage our operations through three major geographic operating segments and four product category operating segments. Our three major geographic operating segments are the Americas, which is comprised principally of the U.S. and includes other North, Central and South American markets; EMEA, which is comprised principally of Europe and includes the Middle East and African markets; and Asia Pacific, which is comprised primarily of Japan, China and Australia and includes other Asian and Pacific markets. Our four product category operating segments, which are individually not as significant as our geographic operating segments, are as follows: 1) Spine, less Asia Pacific ("Spine"); 2) Office Based Technologies; 3) Craniomaxillofacial and Thoracic ("CMF"); and 4) Dental.

We market and sell products through three principal channels: 1) direct to healthcare institutions, such as hospitals, referred to as direct channel accounts; 2) through stocking distributors and healthcare dealers; and 3) directly to dental practices and dental laboratories. With direct channel accounts, inventory is generally consigned to sales agents or customers. With sales to stocking distributors, healthcare dealers, dental practices and dental laboratories, title to product passes upon shipment or upon implantation of the product. Direct channel accounts represented approximately 75 percent of our net sales in 2017. No individual direct channel account, stocking distributor, healthcare dealer, dental practice or dental laboratory accounted for more than 1 percent of our net sales for 2017.

We stock inventory in our warehouse facilities and retain title to consigned inventory in an effort to have sufficient quantities available when products are needed for surgical procedures. Safety stock levels are determined based on a number of factors, including demand, manufacturing lead times and quantities required to maintain service levels. We also carry trade accounts receivable balances based on credit terms that are generally consistent with local market practices.

We utilize a network of sales associates, sales managers and support personnel, some of whom are employed or contracted by independent distributors and sales agencies. We invest a significant amount of time and expense in training sales associates in how to use specific products and how to best inform surgeons of product features and uses. Sales force representatives must have strong technical selling skills and medical education to provide technical support for surgeons.

In response to the different healthcare systems throughout the world, our sales and marketing strategies and organizational structures differ by region. We utilize a global approach to sales force training, marketing and medical education to provide consi stent, high quality service. Additionally, we keep current with key surgical developments and other issues related to orthopaedic surgeons, neurosurgeons, other specialists, dentists and oral surgeons and the medical procedures they perform.

We allocate resources to achieve our operating profit goals through seven operating segments. Our operating segments are comprised of both geographic and product category business units. We are organized through a combination of geographic and product category operating segments for various reasons, including the distribution channels through which products are sold. Our product category operating segments generally have distribution channels focused specifically on those product categories, whereas our geographic operating segments have distribution channels that sell multiple product categories. The following is a summary of our seven operating segments. See Note 17 to the consolidated financial statements for more information regarding our segments.

Americas. The Americas geographic operating segment is our largest operating segment. The U.S. accounts for 94 percent of net sales in this region. The U.S. sales force consists of a combination of employees and independent sales agents, most of whom sell products exclusively for Zimmer Biomet. The sales force in the U.S. receives a commission on product sales and is responsible for many operating decisions and costs.

In this region, we contract with group purchasing organizations and managed care accounts and have promoted unit growth by offering volume discounts to customer healthcare institutions within a specified group. Generally, we are designated as one of several preferred purchasing sources for specified products, although members are not obligated to purchase our products. Contracts with group purchasing organizations generally have a term of three years, with extensions as warranted.

In the Americas, we monitor and rank independent sales agents and our direct sales force across a range of performance metrics, including the achievement of sales targets and maintenance of efficient levels of working capital.

EMEA. The EMEA geographic operating segment is our second largest operating segment. France, Germany, Italy, Spain and the United Kingdom collectively account for 56 percent of net sales in the region. This segment also includes other key markets, including Switzerland, Benelux, Nordic, Central and Eastern Europe, the Middle East and Africa. Our sales force in this segment is comprised of direct sales associates, commissioned agents, independent distributors and sales support personnel. We emphasize the advantages of our clinically proven, established designs and innovative solutions and new and enhanced materials and surfaces. In most European countries, healthcare is sponsored by the government and therefore government budgets impact healthcare spending, which can affect our sales in this segment.

Asia Pacific. The Asia Pacific geographic operating segment includes key markets such as Japan, China, Australia, New Zealand, Korea, Taiwan, India, Thailand, Singapore, Hong Kong and Malaysia. Japan is the largest market within this segment, accounting for 45 percent of the region's sales. In Japan and most countries in the Asia Pacific region, we maintain a network of dealers, who act as order agents on behalf of hospitals in the region, and sales associates, who build and maintain relationships with orthopaedic surgeons and neurosurgeons in their markets. The knowledge and skills of these sales associates play a critical role in providing service, product information and support to surgeons. We have a research and development center in Beijing, China, which focuses on products and technologies designed to meet the unique needs of Asian patients and their healthcare providers.

Spine. The Spine product category operating segment includes all spine product results except those in Asia Pacific. The U.S. accounts for the majority of sales in this operating segment. The market dynamics of the Spine business are similar to those described in the geographic operating segments. However, the Spine business maintains a separate sales force of employees and independent sales agents.

Office Based Technologies . Our Office Based Technologies product category operating segment only sells to U.S. customers. In this product category, we market our products to doctors who prescribe them for use by patients. The products are mostly provided directly by Zimmer Biomet to patients and are paid for through patients' insurance or by patients themselves. Products are also sold through wholesale channels on a limited basis.

CMF . Our CMF product category operating segment competes across the world through a combination of direct and independent sales agents. The U.S. accounts for the majority of sales in this operating segment. The U.S. sales

force consists of a combination of employees and independent sales agents. Internationally, our primary customers are independent stocking distributors who market our prod ucts to their customers.

Dental . Our Dental product category operating segment competes across the world. Our sales force is primarily composed of employees who market our products to customers. We sell directly to dental practices or dental laboratories, or to independent stocking distributors depending on the market.

Seasonality

Our business is seasonal in nature to some extent, as many of our products are used in elective procedures, which typically decline during the summer months and can increase at the end of the year once annual deductibles have been met on health insurance plans.

Distribution

We distribute our products both through large, centralized warehouses and through smaller, market specific facilities, depending on the needs of the market. We maintain large, centralized warehouses in the U.S. and Europe to be able to efficiently distribute our products to customers in those regions. In addition to these centralized warehouses, we maintain smaller distribution facilities in the U.S. and in each of the countries where we have a direct sales presence. In many locations, our inventory is consigned to the healthcare institution.

We generally ship our orders via expedited courier. Since most of our sales occur at the time of an elective procedure, we generally do not have firm orders.

Products

Our products include orthopaedic reconstructive products; sports medicine, biologics, extremities and trauma products; office based technologies; spine and CMF products; dental implants; and related surgical products.

KNEES

Total knee replacement surgeries typically include a femoral component, a patella (knee cap), a tibial tray and an articular surface (placed on the tibial tray). Knee replacement surgeries include first-time, or primary, joint replacement procedures and revision procedures for the replacement, repair or enhancement of an implant or component from a previous procedure. 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. Our knee portfolio also includes early intervention and joint preservation products, which seek to preserve the joint by repairing or regenerating damaged tissues and by treating osteoarthritis.

Our significant knee brands include the following:

- Persona ® The Personalized Knee System
- NexGen ® Complete Knee Solution
- Vanguard ® Knee System
- Oxford ® Partial Knee

HIPS

Total hip replacement surgeries replace both the head of the femur and the socket portion of the pelvis (acetabulum) of the natural hip. Hip procedures include first-time, or primary, joint replacement as well as revision procedures. Hip implant procedures involve the use of bone cement to attach or affix the prosthetic components to the surrounding bone, or are press-fit into bone, which means that they have a surface that bone affixes to through either ongrowth or ingrowth technologies.

Our significant hip brands include the following:

- Zimmer ® M/L Taper Hip Prosthesis
- Taperloc ® Hip System
- Arcos ® Modular Hip System
- Continuum ® Acetabular System
- G7 ® Acetabular System

S.E.T.

Our S.E.T. product category includes surgical, sports medicine, biologics, foot and ankle, extremities and trauma products. Our surgical products are used to support various surgical procedures. Our sports medicine products are primarily for the repair of soft tissue injuries, most commonly used in the knee and shoulder. Our biologics products are used as early intervention for joint preservation or to support surgical procedures. Our foot and ankle and extremities products are designed to treat arthritic conditions and fractures in the foot, ankle, shoulder, elbow and wrist. Our trauma products are used to stabilize damaged or broken bones and their surrounding tissues to support the body's natural healing process.

Our significant S.E.T. brands include the following:

- Transposal ® and Transposal Ultra ® Fluid Waste Management Systems
- A.T.S. ® Tourniquet Systems
- JuggerKnot ® Soft Anchor System
- Gel-One ® [1] Cross-linked Hyaluronate
- Zimmer ® Trabecular Metal ™ Reverse Shoulder System
- Comprehensive ® Shoulder
- Zimmer ® Natural Nail ® System
- A.L.P.S. ® Plating System

SPINE and CMF

Our spine products division designs, manufactures and distributes medical devices and surgical instruments to deliver comprehensive solutions for individuals with back or neck pain caused by degenerative conditions, deformities or traumatic injury of the spine. Our CMF division includes face and skull reconstruction products as well as products that fixate and stabilize the bones of the chest in order to facilitate healing or reconstruction after open heart surgery, trauma or for deformities of the chest.

Our significant spine and CMF brands include the following:

- Polaris™ Spinal System
- Timberline ® Lateral Fusion System
- Mobi-C ® Cervical Disc
- SternaLock ® Blu Closure System
- SternaLock ® Rigid Sternal Fixation

DENTAL

Our dental products division manufactures and/or distributes: 1) dental reconstructive implants – for individuals who are totally without teeth or are missing one or more teeth; 2) dental prosthetic products – aimed at providing a more

[1] Registered trademark of Seikagaku Corporation

natural restoration to resemble the original teeth; and 3) dental regenerative products – for soft tissue and bone rehabilitation.

Our significant dental brands include the following:

- Tapered Screw-Vent ® Implant System
- 3i T3 ® Implant

OTHER

Our other product category primarily includes our bone cement and office based technology products. Our significant brands include the following:

- PALACOS ® [2] Bone Cement
- SpinalPak ® Spinal Fusion Stimulator

Research and Development

We have extensive research and development activities to develop new surgical techniques, materials, biologics and product designs. The research and development teams work closely with our strategic brand marketing function. The rapid commercialization of innovative new materials, biologics products, implant and instrument designs and surgical techniques remains one of our core strategies and continues to be an important driver of sales growth.

We are broadening our offerings in each of our product categories and exploring new technologies with possible applications in multiple areas. Our primary research and development facility is located in Warsaw, Indiana. We have other research and development personnel based in, among other places, Canada, China, France, Switzerland and other U.S. locations. As of December 31, 2017, we employed approximately 1,900 research and development employees worldwide.

We expect to continue to identify innovative technologies, which may include acquiring complementary products or businesses, establishing technology licensing arrangements or strategic alliances.

Government Regulation and Compliance

We are subject to government regulation in the countries in which we conduct business. In the U.S., numerous laws and regulations govern all the processes by which our products are brought to market. These include, among others, the Federal Food, Drug and Cosmetic Act and regulations issued or promulgated thereunder. The U.S. Food and Drug Administration ("FDA") has enacted regulations that control all aspects of the development, manufacture, advertising, promotion and postmarket surveillance of medical products, including medical devices. In addition, the FDA controls the access of products to market through processes designed to ensure that only products that are safe and effective are made available to the public.

Most of our new products fall into an FDA medical device classification that requires the submission of a Premarket Notification (510(k)) to the FDA. This process requires us to demonstrate that the device to be marketed is at least as safe and effective as, that is, substantially equivalent to, a legally marketed device. We must submit information that supports our substantial equivalency claims. Before we can market the new device, we must receive an order from the FDA finding substantial equivalence and clearing the new device for commercial distribution in the U.S.

Other devices we develop and market are in a category (class) for which the FDA has implemented stringent clinical investigation and Premarket Approval ("PMA") requirements. The PMA process requires us to provide clinical and laboratory data that establishes that the new medical device is safe and effective. The FDA will approve the new device for commercial distribution if it determines that the data and information in the PMA application constitute valid scientific evidence and that there is reasonable assurance that the device is safe and effective for its intended use(s).

2 Registered trademark of Heraeus Medical GmbH

All of our devices marketed in the U.S. have been cleared or approved by the FDA, with the exception of some devices which are exempt or were in commercial distribution prior to May 28, 1976. The FDA has grandfathered these devices, so new FDA submissions are not required.

Both before and after a product is commercially released, we have ongoing responsibilities under FDA regulations. The FDA reviews design and manufacturing practices, labeling and record keeping, and manufacturers' required reports of adverse experiences and other information to identify potential problems with marketed medical devices. We are also subject to periodic inspection by the FDA for compliance with its Quality System Regulation (21 CFR Part 820) ("QSR"), among other FDA requirements, such as restrictions on advertising and promotion. Our manufacturing operations, and those of our third-party manufacturers, are required to comply with the QSR, which addresses a company's responsibility for product design, testing and manufacturing quality assurance and the maintenance of records and documentation. The QSR requires that each manufacturer establish a quality system by which the manufacturer monitors the manufacturing process and maintains records that show compliance with FDA regulations and the manufacturer's written specifications and procedures relating to the devices. QSR compliance is necessary to receive and maintain FDA clearance or approval to market new and existing products. The FDA conducts announced and unannounced periodic and on-going inspections of medical device manufacturers to determine compliance with the QSR. If in connection with these inspections the FDA believes the manufacturer has failed to comply with applicable regulations and/or procedures, it may issue inspectional observations on Form 483 that would necessitate prompt corrective action. If FDA inspectional observations are not addressed and/or corrective action is not taken in a timely manner and to the FDA's satisfaction, the FDA may issue a warning letter (which would similarly necessitate prompt corrective action) and/or proceed directly to other forms of enforcement action, including the imposition of operating restrictions, including a ceasing of operations, on one or more facilities, enjoining and restraining certain violations of applicable law pertaining to medical devices and assessing civil or criminal penalties against our officers, employees or us. The FDA could also issue a corporate warning letter, a recidivist warning letter or a consent decree of permanent injunction. The FDA may also recommend prosecution to the U.S. Department of Justice ("DOJ"). Any adverse regulatory action, depending on its magnitude, may restrict us from effectively manufacturing, marketing and selling our products and could have a material adverse effect on our business, financial condition and results of operations. For information regarding certain warning letters and FDA Form 483 inspectional observations that we are addressing, see Note 19 to the consolidated financial statements.

The FDA, in cooperation with U.S. Customs and Border Protection ("CBP"), administers controls over the import of medical devices into the U.S. The CBP imposes its own regulatory requirements on the import of our products, including inspection and possible sanctions for noncompliance. We are also subject to foreign trade controls administered by certain U.S. government agencies, including the Bureau of Industry and Security within the Commerce Department and the Office of Foreign Assets Control within the Treasury Department ("OFAC").

There are also requirements of state, local and foreign governments that we must comply with in the manufacture and marketing of our products.

In many of the foreign countries in which we market our products, we are subject to local regulations affecting, among other things, design and product standards, packaging requirements and labeling requirements. Many of the regulations applicable to our products in these countries are similar to those of the FDA. The member countries of the European Union (the "EU") have adopted the European Medical Device Directive, which creates a single set of medical device regulations for products marketed in all member countries. Compliance with the Medical Device Directive and certification to a quality system (e.g., ISO 13485 certification) enable the manufacturer to place a CE mark on its products. To obtain authorization to affix the CE mark to a product, a recognized European Notified Body must assess a manufacturer's quality system and the product's conformity to the requirements of the Medical Device Directive. We are subject to inspection by the Notified Bodies for compliance with these requirements. In May 2017, a new EU Medical Device Regulation was published that will impose significant additional premarket and postmarket requirements. The regulation has a three-year implementation period, and after that time all products marketed in the EU will require certification according to these new requirements. In addition, many countries, including Canada and Japan, have very specific additional regulatory requirements for quality assurance and manufacturing with which we must comply.

Further, we are subject to other federal, state and foreign laws concerning healthcare fraud and abuse, including false claims and anti-kickback laws, as well as the U.S. Physician Payments Sunshine Act and similar state and foreign healthcare professional payment transparency laws. These laws are administered by, among others, the DOJ, the Office of Inspector General of the Department of Health and Human Services ("OIG-HHS"), state attorneys general and various foreign government agencies. Many of these agencies have increased their enforcement activities with respect to medical device manufacturers in recent years. Violations of these laws are

punishable by criminal and/or civil sanctions, including, in some instances, fines, imprisonment and, within the U.S., exclusion from participation in government healthcare programs, including Medicare, Medicaid and Veterans Admi nistration health programs.

Our operations in foreign countries are subject to the extraterritorial application of the U.S. Foreign Corrupt Practices Act ("FCPA"). Our global operations are also subject to foreign anti-corruption laws, such as the United Kingdom ("UK") Bribery Act, among others. As part of our global compliance program, we seek to address anti-corruption risks proactively. On January 12, 2017, we resolved previously-disclosed FCPA matters involving Biomet and certain of its subsidiaries. As part of that settlement, we entered into a Deferred Prosecution Agreement ("DPA") with the DOJ. For information regarding the DPA, see Note 19 to the consolidated financial statements.

Our facilities and operations are also subject to complex federal, state, local and foreign environmental and occupational safety laws and regulations, including those relating to discharges of substances in the air, water and land, the handling, storage and disposal of wastes and the clean-up of properties contaminated by pollutants. We do not expect that the ongoing costs of compliance with these environmental requirements will have a material impact on our consolidated earnings, capital expenditures or competitive position.

In addition, we are subject to federal, state and international data privacy and security laws and regulations that govern the collection, use, disclosure and protection of health-related and other personal information. Certain of our affiliates are subject to privacy and security regulations promulgated under the Health Insurance Portability and Accountability Act of 1996 and the Health Information Technology for Economic and Clinical Health Act (collectively, "HIPAA"). The FDA also has issued guidance to which we may be subject concerning data security for medical devices.

International data protection laws, including the EU Data Protection Directive and member state implementing legislation, may also apply to some of our operations. The EU Data Protection Directive imposes strict obligations and restrictions on the ability to collect, analyze and transfer EU personal data. Moreover, the General Data Protection Regulation, an EU-wide regulation that will be fully enforceable by May 25, 2018, will introduce new data protection requirements in the EU and substantial fines for violations of the data protection rules.

Failure to comply with U.S. and international data protection laws and regulations could result in government enforcement actions (which could include civil and/or criminal penalties), private litigation and/or adverse publicity and could negatively affect our operating results and business.

Competition

The orthopaedics and broader musculoskeletal care industry is highly competitive. In the global markets for our knees, hips, and S.E.T. products, our major competitors include: the DePuy Synthes Companies of Johnson & Johnson; Stryker Corporation; and Smith & Nephew plc. There are smaller competitors in these product categories as well who have success by focusing on smaller subsegments of the industry.

In the spine and CMF categories, we compete globally primarily with the spinal and biologic business of Medtronic plc, the DePuy Synthes Companies, Stryker Corporation, NuVasive, Inc. and Globus Medical, Inc.

In the dental implant category, we compete primarily with Nobel Biocare Holding AG (part of the Danaher Corporation), Straumann Holding AG and Dentsply Sirona Inc.

Competition within the industry is primarily based on pricing, technology, innovation, quality, reputation and customer service. A key factor in our continuing success in the future will be our ability to develop new products and improve existing products and technologies.

Manufacturing and Raw Materials

We manufacture our products at various sites. We also strategically outsource some manufacturing to qualified suppliers who are highly capable of producing components.

The manufacturing operations at our facilities are designed to incorporate the cellular concept for production and to implement tenets of a manufacturing philosophy focused on continuous improvement efforts in product quality, lead time reduction and capacity optimization. Our continuous improvement efforts are driven by Lean and Six Sigma methodologies. In addition, at certain of our manufacturing facilities, many of the employees are cross-trained to perform a broad array of operations.

We generally target operating our manufacturing facilities at optimal levels of total capacity. We continually evaluate the potential to in‑source and outsource production as part of our manufacturing strategy to provide value to our stakeholders.

In most of our manufacturing network, we have improved our manufacturing processes to harmonize and optimize our quality systems and to protect our profitability and offset the impact of inflationary costs. We have, for example, employed computer-assisted robots and multi-axis grinders to precision polish medical devices; automated certain manufacturing and inspection processes, including on-machine inspection and process controls; purchased state-of-the-art equipment; in-sourced core products and processes; and negotiated cost reductions from third-party suppliers. Our Warsaw North Campus facility is in the process of implementing many of these manufacturing process improvements. These process improvements are an integral part of our quality remediation plans.

We use a diverse and broad range of raw materials in the manufacturing of our products. We purchase all of our raw materials and select 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. To date, we have not experienced any significant difficulty in locating and obtaining the materials necessary to fulfill our production schedules.

Intellectual Property

Patents and other proprietary rights are important to the continued success of our business. We also rely upon trade secrets, know-how, continuing technological innovation 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 may have access to proprietary information. We own or control through licensing arrangements over 8,000 issued patents and patent applications throughout the world that relate to aspects of the technology incorporated in many of our products.

Employees

As of December 31, 2017, we employed approximately 18,200 employees worldwide, including approximately 1,900 employees dedicated to research and development. Approximately 8,500 employees are located within the U.S. and approximately 9,700 employees are located outside of the U.S., primarily throughout Europe and in Japan. We have approximately 7,900 employees dedicated to manufacturing our products worldwide. The Warsaw, Indiana production facilities employ approximately 2,700 employees in the aggregate.

We have production employees represented by a labor union in each of Dover, Ohio and Bridgend, South Wales. We have other employees in Europe who are represented by Works Councils. We believe that our relationship with our employees is satisfactory.

EXECUTIVE OFFICERS

The following table sets forth certain information with respect to our executive officers as of February 19, 2018.

Name	Age	Position
Bryan C. Hanson	51	President and Chief Executive Officer
Aure Bruneau	43	Group President, Spine, CMF, Thoracic and Surgery Assisting Technology
Tony W. Collins	49	Vice President, Corporate Controller and Chief Accounting Officer
Robert D. Delp	48	President, Americas
Daniel P. Florin	53	Executive Vice President and Chief Financial Officer
Katarzyna Mazur-Hofsaess, M.D., Ph.D.	54	President, Europe, Middle East and Africa
David A. Nolan Jr.	52	Group President, Biologics, Extremities, Sports Medicine, Surgical, Trauma, Foot and Ankle, Office Based Technologies and Zimmer Biomet Signature Solutions
Chad F. Phipps	46	Senior Vice President, General Counsel and Secretary
Daniel E. Williamson	52	Group President, Joint Reconstruction
Sang Yi	55	President, Asia Pacific

Mr. Hanson was appointed President and Chief Executive Officer and a member of the Board of Directors in December 2017. Previously, Mr. Hanson served as Executive Vice President and President, Minimally Invasive Therapies Group of Medtronic plc from Janua ry 2015 until joining Zimmer Biomet. Prior to that, he was Senior Vice President and Group President, Covidien of Covidien plc from October 2014 to January 2015; Senior Vice President and Group President, Medical Devices and United States of Covidien from October 2013 to September 2014; Senior Vice President and Group President of Covidien for the Surgical Solutions business from July 2011 to October 2013; and President of Covidien's Energy-based Devices business from July 2006 to June 2011. Mr. Hanson he ld several other positions of increasing responsibility in sales, marketing and general management with Covidien from October 1992 to July 2006.

Mr. Bruneau was appointed Group President with responsibility for the Company's, Spine, Craniomaxillofacial, Thoracic and Surgery Assisting Technology businesses in December 2017. Prior to that, Mr. Bruneau served as Vice President and General Manager with global responsibility for the Company's Craniomaxillofacial and Thoracic businesses beginning in June 2015. He also led the integration of the Robotics business until assuming his current role. Previously, Mr. Bruneau served in Vice President roles of increasing responsibility in marketing, business development and general management at Biomet from September 2008 until June 2015. Prior to joining Biomet, Mr. Bruneau held numerous positions with Sofamor Danek Group and Medtronic over a 12-year period.

Mr. Collins was appointed Vice President, Corporate Controller and Chief Accounting Officer effective June 2015. Prior to that, Mr. Collins served as Vice President, Finance for the Global Reconstructive Division and Global Operations organization. He joined the Company in 2010 as Vice President, Finance for the Global Reconstructive Division and U.S. Commercial organization. Previously, Mr. Collins held the position of Vice President, Finance and served as the chief financial officer of the Commercial segment of Oshkosh Corporation from 2007 to 2010. From 1997 to 2007, he was employed at Guidant Corporation and Boston Scientific Corporation, where he held a number of positions of increasing responsibility, including Finance Director and chief financial officer of the Guidant Japan organization, Global Director of Operations Finance and Director of Strategic Planning.

Mr. Delp was appointed President, Americas effective January 2017. He is responsible for the Company's sales and management of the direct and indirect sales channels in the Americas region, including the United States, Canada and Latin America. He served as Vice President, U.S. Sales from June 2015 until assuming his current role. Mr. Delp previously served in commercial Vice President roles with Biomet from October 2007 until June 2015. Prior to those appointments, Mr. Delp held numerous positions within the musculoskeletal healthcare field, where he began his career in 1995.

Mr. Florin was appointed Executive Vice President and Chief Financial Officer in February 2018. Prior to that appointment, he served as Senior Vice President and Chief Financial Officer from June 2015 to February 2018. In addition, he served as Interim Chief Executive Officer from July 2017 to December 2017. Prior to the Biomet merger, Mr. Florin served as Senior Vice President and Chief Financial Officer of Biomet from June 2007 to June 2015. Before joining Biomet, he served as Vice President and Corporate Controller of Boston Scientific Corporation from 2001 through May 2007. Prior to that, Mr. Florin served in financial leadership positions within Boston Scientific Corporation and its various business units. Before joining Boston Scientific Corporation, Mr. Florin worked for C.R. Bard from October 1990 through June 1995.

Dr. Mazur-Hofsaess was appointed President, Europe, Middle East and Africa (EMEA) in April 2013. She is responsible for the sales, marketing and distribution of products in the EMEA region. Dr. Mazur-Hofsaess joined the Company in February 2010 as Senior Vice President, EMEA Sales and Marketing and was appointed President, EMEA Reconstructive in February 2012. She has more than 20 years' experience within the pharmaceutical, diagnostics and medical device sectors. Prior to joining the Company, Dr. Mazur-Hofsaess served in various management positions at Abbott Laboratories beginning in 2001, most recently as Vice President, Diagnostics – Europe.

Mr. Nolan was appointed Group President effective June 2015. He has responsibility for the Company's Biologics, Extremities, Sports Medicine, Surgical, Trauma, Foot and Ankle, Office Based Technologies and Zimmer Biomet Signature Solutions businesses. He joined the Company in November 2012 as Senior Vice President, Sales. From January 2014 to June 2015, he served as Senior Vice President, Sales and Advanced Solutions. Prior to joining the Company, Mr. Nolan served as President, Biomet Sports Medicine, Extremities and Trauma from 2011 to 2012 and as President, Biomet Sports Medicine from 2001 to 2011. He joined Biomet in 1996.

Mr. Phipps was appointed Senior Vice President, General Counsel and Secretary in May 2007. He has global responsibility for the Company's Legal Affairs and he serves as Secretary to the Board of Directors. Mr. Phipps

also oversees the Company's Government Affairs, Corporate Communication and Public Relations activities. Previously , Mr. Phipps served as Associate General Counsel and Corporate Secretary from December 2005 to May 2007. He joined the Company in September 2003 as Associate Counsel and Assistant Secretary. Prior to joining the Company, he served as Vice President and G eneral Counsel of L&N Sales and Marketing, Inc. in Pennsylvania and he practiced law with the firm of Morgan, Lewis & Bockius in Philadelphia, focusing on corporate and securities law, mergers and acquisitions and financial transactions.

Mr. Williamson was appointed Group President, Joint Reconstruction with responsibility for the Company's Knee, Hip, Bone Cement, Patient-Matched Implants and Personalized Solutions businesses effective June 2015. Prior to the Biomet merger, he served as Senior Vice President, Biomet and President, Global Reconstructive Joints from February 2014 to June 2015. Prior to that, Mr. Williamson served as Biomet's Vice President and General Manager, Global Bone Cement and Biomaterials Research from September 2011 to February 2014, and as Corporate Vice President, Global Biologics and Biomaterials from May 2006 to September 2011. Mr. Williamson previously served as Biomet's Vice President, Business Development from December 2003 to May 2006. He began his career with Biomet in 1990 as a Product Development Engineer.

Mr. Yi was appointed President, Asia Pacific effective June 2015. He is responsible for the sales, marketing and distribution of products in the Asia Pacific region. Mr. Yi joined the Company in March 2013 as Senior Vice President, Asia Pacific. Previously, he served as Vice President and General Manager of St. Jude Medical for Asia Pacific and Australia from 2005 to 2013. Prior to that, Mr. Yi held several leadership positions over a ten-year period with Boston Scientific Corporation, ultimately serving as Vice President for North Asia.

AVAILABLE INFORMATION

Our Internet address is www.zimmerbiomet.com. We routinely post important information for investors on our website in the "Investor Relations" section, which may be accessed from our homepage at www.zimmerbiomet.com or directly at http://investor.zimmerbiomet.com. We use this website as a means of disclosing material, non-public information and for complying with our disclosure obligations under Regulation FD. Accordingly, investors should monitor the Investor Relations section of our website, in addition to following our press releases, Securities and Exchange Commission ("SEC") filings, public conference calls, presentations and webcasts. Our goal is to maintain the Investor Relations website as a portal through which investors can easily find or navigate to pertinent information about us, free of charge, including:

- our Annual Reports on Form 10-K, Quarterly Reports on Form 10-Q, Current Reports on Form 8-K and amendments to those reports filed or furnished pursuant to Section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended ("Exchange Act"), as soon as reasonably practicable after we electronically file that material with or furnish it to the SEC;
- announcements of investor conferences and events at which our executives talk about our products and competitive strategies, as well as archives of these events;
- press releases on quarterly earnings, product announcements, legal developments and other material news that we may post from time to time;
- corporate governance information including our Corporate Governance Guidelines, Code of Business Conduct and Ethics, Code of Ethics for Chief Executive Officer and Senior Financial Officers, information concerning our Board of Directors and its committees, including the charters of the Audit Committee, Compensation and Management Development Committee, Corporate Governance Committee and Quality, Regulatory and Technology Committee, and other governance-related policies;
- stockholder services information, including ways to contact our transfer agent and information on how to sign up for direct deposit of dividends or enroll in our dividend reinvestment plan; and
- opportunities to sign up for email alerts and RSS feeds to have information provided in real time.

The information available on our website is not incorporated by reference in, or a part of, this or any other report we file with or furnish to the SEC.

Item 1A. Risk Factors

We operate in a rapidly changing economic and technological environment that presents numerous risks, many of which are driven by factors that we cannot control or predict. Our business, financial condition and results of

operations may be impacted by a number of factors. In addition to the factors discussed elsewhere in this report, the following risks and uncertainties could materially harm our business, financial condition or resul ts of operations, including causing our actual results to differ materially from those projected in any forward-looking statements. The following list of significant risk factors is not all-inclusive or necessarily in order of importance. Additional risk s and uncertainties not presently known to us, or that we currently deem immaterial, also may materially adversely affect us in future periods. You should carefully consider these risks and uncertainties before investing in our securities.

We may experience a disruption of our business activities due to the transition to a new Chief Executive Officer.

Effective as of December 19, 2017, our Board of Directors appointed Bryan C. Hanson as President and Chief Executive Officer and a member of the Board of Directors. Recently hired executives may view the business differently than prior members of management, and over time may make changes to our strategic focus, operations, business plans, existing personnel and their responsibilities. We can give no assurances that we will be able to properly manage any such shift in focus, or that any changes to our business would ultimately prove successful. In addition, leadership transitions and management changes can be inherently difficult to manage and may cause uncertainty or a disruption to our business or may increase the likelihood of turnover in key officers and employees. Our success depends in part on having a successful leadership team. If we cannot effectively manage leadership transitions and management changes, it could make it more difficult to successfully operate our business and pursue our business goals. We can give no assurances that we will be able to retain the services of any of our current executives or other key employees. If we do not succeed in attracting well-qualified employees, retaining and motivating existing employees or integrating new executives and employees, our business could be materially and adversely affected.

We incurred substantial additional indebtedness in connection with the Biomet and LDR mergers and may not be able to meet all of our debt obligations.

We incurred substantial additional indebtedness in connection with the Biomet merger in 2015 and the LDR Holding Corporation ("LDR") merger in 2016. At December 31, 2017, our total indebtedness was $10.1 billion, as compared to $1.4 billion at December 31, 2014 . We funded the cash portion of the Biomet merger consideration, the pay-off of certain indebtedness of Biomet and the payment of transaction-related expenses through a combination of available cash-on-hand and proceeds from debt financings, including proceeds from a $7.65 billion issuance of senior unsecured notes in March 2015 and borrowings of $3.0 billion under a five-year term loan ("U.S. Term Loan A") in June 2015. In addition, in September 2016, we borrowed $750 million under a three-year unsecured term loan facility and utilized these funds to repay outstanding borrowings under our revolving facility incurred in connection with the acquisition of LDR. Also, in December 2016, we issued €1.0 billion aggregate principal amount of Euro-denominated senior notes and used the proceeds to repay a portion of the U.S. dollar-denominated senior notes issued in connection with the Biomet merger. Further, in September 2017, we borrowed 21.3 billion Japanese Yen under a five-year term loan and utilized these funds to pay down a portion of U.S. Term Loan A. As of December 31, 2017, our debt service obligations, comprised of principal and interest (excluding capital leases and equipment notes), during the next 12 months are expected to be $1,522.4 million. As a result of the increase in our debt, demands on our cash resources have increased. The increased level of debt could, among other things:

- require us to dedicate a large portion of our cash flow from operations to the servicing and repayment of our debt, thereby reducing funds available for working capital, capital expenditures, research and development expenditures and other general corporate requirements;
- limit our ability to obtain additional financing to fund future working capital, capital expenditures, research and development expenditures and other general corporate requirements;
- limit our flexibility in planning for, or reacting to, changes in our business and the industry in which we operate;
- restrict our ability to make strategic acquisitions or dispositions or to exploit business opportunities;
- place us at a competitive disadvantage compared to our competitors that have less debt;
- adversely affect our credit rating, with the result that the cost of servicing our indebtedness might increase and our ability to obtain surety bonds could be impaired;

- adversely affect the market price of our common stock; and
- limit our ability to apply proceeds from a future offering or asset sale to purposes other than the servicing and repayment of debt.

If we fail to comply with the terms of the DPA that we entered into in January 2017, we may be subject to criminal prosecution and/or exclusion from federal healthcare programs.

On January 12, 2017, we resolved previously-disclosed FCPA matters involving Biomet and certain of its subsidiaries. As part of the settlement, we entered into a DPA with the DOJ. A copy of the DPA is incorporated by reference as an exhibit to this report.

If we do not comply with the terms of the DPA, we could be subject to prosecution for violating the internal controls provisions of the FCPA and the conduct of Biomet and its subsidiaries described in the DPA, which conduct pre-dated our acquisition of Biomet, as well as any new or continuing violations. We could also be subject to exclusion by OIG-HHS from participation in federal healthcare programs, including Medicaid and Medicare. Any of these events could have a material adverse effect on our business, financial condition, results of operations and cash flows.

We may not be able to effectively integrate acquired businesses into our operations or achieve expected cost savings or profitability from our acquisitions.

Our acquisitions involve numerous risks, including:

- unforeseen difficulties in integrating personnel and sales forces, operations, manufacturing, logistics, research and development, information technology, communications, purchasing, accounting, marketing, administration and other systems and processes;
- difficulties harmonizing and optimizing quality systems and operations;
- diversion of financial and management resources from existing operations;
- unforeseen difficulties related to entering geographic regions where we do not have prior experience;
- potential loss of key employees;
- unforeseen liabilities associated with businesses acquired; and
- inability to generate sufficient revenue or realize sufficient cost savings to offset acquisition or investment costs.

As a result, if we fail to evaluate and execute acquisitions properly, we might not achieve the anticipated benefits of such acquisitions and we may incur costs in excess of what we anticipate. These risks would likely be greater in the case of larger acquisitions.

Interruption of our manufacturing operations could adversely affect our business, financial condition and results of operations.

We have manufacturing sites all over the world. In some instances, however, the manufacturing of certain of our product lines is concentrated in one or more of our plants. Damage to one or more of our facilities from weather or natural disaster-related events, such as the recent hurricanes that affected our employees and operations at our Guaynabo, Puerto Rico and Ponce, Puerto Rico manufacturing facilities, or issues in our manufacturing arising from failure to follow specific internal protocols and procedures, compliance concerns relating to the QSR and Good Manufacturing Practice requirements, equipment breakdown or malfunction or other factors could adversely affect our ability to manufacture our products. In the event of an interruption in manufacturing, we may be unable to move quickly to alternate means of producing affected products or to meet customer demand. In the event of a significant interruption, for example, as a result of a failure to follow regulatory protocols and procedures, we may experience lengthy delays in resuming production of affected products due primarily to the need for regulatory approvals. As a result, we may experience loss of market share, which we may be unable to recapture, and harm to our reputation, which could adversely affect our business, financial condition and results of operations.

Disruptions in the supply of the materials and components used in manufacturing our products could adversely affect our business, financial condition and results of operations.

We purchase many of the materials and components used in manufacturing our products from third-party vendors and we outsource some key manufacturing activities. Certain of these materials and components and outsourced activities can only be obtained from a single source or a limited number of sources due to quality considerations, expertise, costs or constraints resulting from regulatory requirements. In certain cases, we may not be able to establish additional or replacement vendors for such materials or components or outsourced activities in a timely or cost effective manner, largely as a result of FDA regulations that require validation of materials and components prior to their use in our products and the complex nature of our and many of our vendors' manufacturing processes. A reduction or interruption in the supply of materials or components used in manufacturing our products; an inability to timely develop and validate alternative sources if required; or a significant increase in the price of such materials or components could adversely affect our business, financial condition and results of operations.

Moreover, we are subject to the SEC's rule regarding disclosure of the use of certain minerals, known as "conflict minerals" (tantalum, tin and tungsten (or their ores) and gold), which are mined from the Democratic Republic of the Congo and adjoining countries. This rule could adversely affect the sourcing, availability and pricing of materials used in the manufacture of our products, which could adversely affect our manufacturing operations and our profitability. In addition, we are incurring additional costs to comply with this rule, including costs related to determining the source of any relevant minerals and metals used in our products. We have a complex supply chain and we may not be able to sufficiently verify the origins of the minerals and metals used in our products through our due diligence procedures. As a result, we may face reputational challenges with our customers and other stakeholders.

We are subject to various governmental regulations relating to the manufacturing, labeling and marketing of our products, non-compliance with which could adversely affect our business, financial condition and results of operations.

The products we design, develop, manufacture and market are subject to rigorous regulation by the FDA and numerous other federal, state and foreign governmental authorities. The process of obtaining regulatory approvals to market these products 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.

Both before and after a product is commercially released, we have ongoing responsibilities under FDA regulations and other local, state and foreign requirements. Compliance with these requirements, including the QSR, recordkeeping regulations, labeling and promotional requirements and adverse event reporting regulations, is subject to continual review and is monitored rigorously through periodic inspections by the FDA and other regulators, which may result in observations (such as on Form 483), and in some cases warning letters, that require corrective action, or other forms of enforcement. If the FDA or another regulator were to conclude that we are not in compliance with applicable laws or regulations, or that any of our products are ineffective or pose an unreasonable health risk, they could ban such products, detain or seize adulterated or misbranded products, order a recall, repair, replacement, or refund of payment of such products, refuse to grant pending premarket approval applications, refuse to provide certificates for exports, and/or require us to notify healthcare professionals and others that the products present unreasonable risks of substantial harm to the public health. The FDA or other regulators may also impose operating restrictions, including a ceasing of operations, on one or more facilities, enjoin and restrain certain violations of applicable law pertaining to our products and assess civil or criminal penalties against our officers, employees or us. The FDA or other regulators could also issue a corporate warning letter, a recidivist warning letter, a consent decree of permanent injunction, and/or recommend prosecution. Any adverse regulatory action, depending on its magnitude, may restrict us from effectively manufacturing, marketing and selling our products and could have a material adverse effect on our business, financial condition and results of operations.

In 2012, we received a warning letter from the FDA citing concerns relating to certain processes pertaining to products manufactured at our Ponce, Puerto Rico manufacturing facility. In May 2016, we received a warning letter from the FDA related to observed non-conformities with current good manufacturing practice requirements of the QSR at our facility in Montreal, Quebec, Canada. As of December 31, 2017, these warning letters remained pending. Until the violations are corrected, we may become subject to additional regulatory action by the FDA as described above, the FDA may refuse to grant premarket approval applications and/or the FDA may refuse to grant export certificates, any of which could have a material adverse effect on our business, financial condition and results

of operations. Additional information regarding these and other FDA regulatory matters can be found in Note 19 to the consolidated financial statements.

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 could be harmed.

If we fail to comply with healthcare fraud and abuse or data privacy and security laws and regulations, we could face substantial penalties and our business, operations and financial condition could be adversely affected.

Our industry is subject to various federal, state and foreign laws and regulations pertaining to healthcare fraud and abuse, including the federal False Claims Act, the federal Anti-Kickback Statute, the federal Stark law, the federal Physician Payments Sunshine Act and similar state and foreign laws. In addition, we are subject to various federal and foreign laws concerning anti-corruption and anti-bribery matters, sales to countries or persons subject to economic sanctions and other matters affecting our international operations. Violations of these laws are punishable by criminal and/or civil sanctions, including, in some instances, fines, imprisonment and, within the U.S., exclusion from participation in government healthcare programs, including Medicare, Medicaid and Veterans Administration health programs. These laws are administered by, among others, the DOJ, the OIG-HHS, the SEC, the OFAC, the Bureau of Industry and Security of the U.S. Department of Commerce and state attorneys general.

We are also subject to federal, state and international data privacy and security laws and regulations that govern the collection, use, disclosure and protection of health-related and other personal information. Certain of our affiliates are subject to privacy and security regulations promulgated under HIPAA. The FDA also has issued guidance to which we may be subject concerning data security for medical devices.

International data protection laws, including the EU Data Protection Directive and member state implementing legislation, may also apply to some of our operations and restrict our ability to collect, analyze and transfer EU personal data. Moreover, the General Data Protection Regulation, an EU-wide regulation that will be fully enforceable by May 25, 2018, will introduce new data protection requirements in the EU and substantial fines for violations of the data protection rules.

The interpretation and enforcement of the laws and regulations described above are uncertain and subject to change. Failure to comply with U.S. and international data protection laws and regulations could result in government enforcement actions (which could include civil and/or criminal penalties), private litigation and/or adverse publicity and could negatively affect our operating results and business.

We are increasingly dependent on sophisticated information technology and if we fail to effectively maintain or protect our information systems or data, including from data breaches, our business could be adversely affected.

We are increasingly dependent on sophisticated information technology for our products and infrastructure. As a result of technology initiatives, recently enacted regulations, changes in our system platforms and integration of new business acquisitions, including the Biomet merger, we have been consolidating and integrating the number of systems we operate and have upgraded and expanded our information systems capabilities. We also have outsourced elements of our operations to third parties, and, as a result, we manage a number of third-party vendors who may or could have access to our confidential information. Our information systems, and those of third-party vendors with whom we contract, require an ongoing commitment of significant resources to maintain, protect and enhance existing systems and develop new systems to keep pace with continuing changes in information technology, evolving systems and regulatory standards and the increasing need to protect patient and customer information. In addition, given their size and complexity, these systems could be vulnerable to service interruptions or to security breaches from inadvertent or intentional actions by our employees, third-party vendors and/or business partners, or from cyber-attacks by malicious third parties attempting to gain unauthorized access to our products, systems or confidential information (including, but not limited to, intellectual property, proprietary business information and personal information). Cyber-attacks, such as those involving the deployment of malware, are increasing in their frequency, sophistication and intensity and have become increasingly difficult to detect. If we fail to maintain or protect our information systems and data integrity effectively, we could:

- lose existing customers;
- have difficulty attracting new customers;
- have problems in determining product cost estimates and establishing appropriate pricing;

- have difficulty preventing, detecting, and controlling fraud;
- have disputes with customers, physicians, and other healthcare professionals;
- have regulatory sanctions or penalties imposed;
- incur increased operating expenses;
- incur expenses or lose revenues as a result of a data privacy breach; or
- suffer other adverse consequences.

While we have invested heavily in the protection of our data and information technology, there can be no assurance that our activities related to consolidating the number of systems we operate, upgrading and expanding our information systems capabilities, protecting and enhancing our systems and implementing new systems will be successful. Despite our efforts, we cannot assure you that cyber-attacks or data breaches will not occur or that systems issues will not arise in the future. Any significant breakdown, intrusion, breach, interruption, corruption or destruction of these systems could have a material adverse effect on our business and reputation.

Our success depends on our ability to effectively develop and market our products against those of our competitors.

We operate in a highly competitive environment. 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, we must continue to develop and acquire new products and technologies. Competition is primarily on the basis of:

- pricing;
- technology;
- innovation;
- quality;
- reputation; and
- customer service.

In markets outside of the U.S., other factors influence competition as well, including:

- local distribution systems;
- complex regulatory environments; and
- differing medical philosophies and product preferences.

Our competitors may:

- have greater financial, marketing and other resources than us;
- respond more quickly to new or emerging technologies;
- undertake more extensive marketing campaigns;
- adopt more aggressive pricing policies; or
- be more successful in attracting potential customers, employees and strategic partners.

Any of these factors, alone or in combination, could cause us to have difficulty maintaining or increasing sales of our products.

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 U.S. and abroad depends significantly upon our agents' and distributors' sales and service expertise in the marketplace. Many of these agents have developed professional relationships with existing

and potential customers because of the agents' detailed knowledge of products and instruments. A loss of a significant number of our agents could have a material adverse effect on our business 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;
- changing demographics;
- slowing industry growth rates;
- declines in the musculoskeletal implant market;
- the introduction of new products and technologies;
- evolving surgical philosophies; and
- evolving industry standards.

Without the timely introduction of new products and enhancements, our products may become obsolete over time. If that happens, 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 instruments and 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.

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 with respect to third-party reimbursement.

Moreover, innovations generally require a substantial investment in research and development before we can determine their commercial viability and we may not have the financial resources necessary to fund the production. 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.

If third-party payors decline to reimburse our customers for our products or reduce reimbursement levels, the demand for our products may decline and our ability to sell our products profitably may be harmed.

We sell our products and services to hospitals, doctors, dentists and other healthcare providers, all of which receive reimbursement for the healthcare 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.

In addition, third-party payors are increasingly attempting to contain healthcare costs by limiting both coverage and the level of reimbursement for medical products and services. If third-party payors reduce reimbursement levels to hospitals and other healthcare providers for our products, demand for our products may decline, or we may experience increased pressure to reduce the prices of our products, which could have a material adverse effect on our sales and results of operations.

We have also experienced downward pressure on product pricing and other effects of healthcare reform in our international markets. If key participants in government healthcare systems reduce the reimbursement levels for our products, our sales and results of operations may be adversely affected.

The ongoing cost-containment efforts of healthcare purchasing organizations may have a material adverse effect on our results of operations.

Many customers for our products have formed group purchasing organizations in an effort to contain costs. 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. 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. Our failure to respond to the cost-containment efforts of group purchasing organizations may cause us to lose market share to our competitors and could have a material adverse effect on our sales and results of operations.

We conduct a significant amount of our sales activity outside of the U.S., which subjects us to additional business risks and may cause our profitability to decline due to increased costs.

We sell our products in more than 100 countries and derived approximately 40 percent of our net sales in 2017 from outside the U.S. We intend to continue to pursue growth opportunities in sales internationally, including in emerging markets, which could expose us to additional 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 U.S.;
- trade protection measures and import or export requirements that may prevent us from shipping products to a particular market and may increase our operating costs;
- foreign exchange controls that might prevent us from repatriating cash earned in countries outside the U.S.;
- complex data privacy requirements and labor relations laws;
- extraterritorial effects of U.S. laws such as the FCPA;
- effects of foreign anti-corruption laws, such as the UK Bribery Act;
- difficulty in staffing and managing foreign operations;
- labor force instability;
- potentially negative consequences from changes in tax laws; and
- political and economic instability.

Violations of foreign laws or regulations could result in fines, criminal sanctions against us, our officers or our employees, prohibitions on the conduct of our business and damage to our reputation.

We may have additional tax liabiliti es.

We are subject to income taxes in the U.S. and many foreign jurisdictions. Significant judgment is required in determining our worldwide provision for income taxes. In the ordinary course of our business, there are many transactions and calculations where the ultimate tax determination is uncertain. We regularly are under audit by tax authorities. Although we believe our tax estimates are reasonable, the final determination of tax audits and any related litigation could be materially different from our historical income tax provisions and accruals. The results of an audit or litigation could have a material effect on our financial statements in the period or periods for which that determination is made.

The Tax Cuts and Jobs Act of 2017 was signed into law on December 22, 2017 (the "2017 Tax Act"), with significant changes to the U.S. corporate income tax system, including a federal corporate income tax rate reduction from 35 percent to 21 percent, limitations on the deductibility of interest expense, and the transition of U.S. international taxation from a worldwide tax system to a territorial tax system. The U.S. Treasury has provided limited guidance on aspects of the 2017 Tax Act, and we anticipate further guidance will be provided in the future. On December 22, 2017, the SEC issued Staff Accounting Bulletin No. 118 ("SAB 118"), expressing its views on the application of Financial Accounting Standards Board Accounting Standards Codification Topic 740, *Income Taxes* , in the reporting period that includes December 22, 2017 . For the financial statements that include the reporting period in which the 2017 Tax Act was enacted, SAB 118 provides a provisional approach to reflect the income tax effects of the 2017 Tax Act. The actual effects of the 2017 Tax Act and the final amounts recorded may differ materially from our current estimates of provisional amounts included in this Annual Report on Form 10-K. Further, our tax expense and cash flow could be materially impacted as we finalize the financial accounting for the 2017 Tax Act, and incorporate future regulatory guidance provided by the U.S. Treasury.

We are subject to risks arising from currency exchange rate fluctuations, which can increase our costs, cause our profitability to decline and expose us to counterparty risks.

A substantial portion of our foreign revenues is generated in Europe and Japan. The U.S. Dollar value of our foreign-generated revenues varies with currency exchange rate fluctuations. Significant increases in the value of the U.S. Dollar relative to the Euro or the Japanese Yen, as well as other currencies, could have a material adverse effect on our results of operations. Although we address currency risk management through regular operating and financing activities, and, on a limited basis, through the use of derivative financial instruments, those actions may not prove to be fully effective.

Pending and future product liability claims and litigation could adversely impact our financial condition and results of operations and impair our reputation.

Our business exposes us to potential product liability risks that are inherent in the design, manufacture and marketing of medical devices. In the ordinary course of business, we are the subject of product liability lawsuits alleging that component failures, manufacturing flaws, design defects or inadequate disclosure of product-related risks or product-related information resulted in an unsafe condition or injury to patients. As discussed further in Note 19 to the consolidated financial statements, we are defending product liability lawsuits relating to the Durom ® Acetabular Component ("Durom Cup"), certain products within the NexGen Knee System, and the M2a-Magnum ™ hip system. The majority of the Durom Cup cases are pending in a federal Multidistrict Litigation ("MDL") in the District of New Jersey (*In Re: Zimmer Durom Hip Cup Products Liability Litigation*); the majority of the NexGen Knee System cases are pending in a federal MDL in the Northern District of Illinois (*In Re: Zimmer NexGen Knee Implant Products Liability Litigation*); and the majority of the M2a-Magnum hip system cases are pending in a federal MDL in the Northern District of Indiana (*In Re: Biomet M2a Magnum Hip Implant Products Liability Litigation*). We are also currently defending a number of other product liability lawsuits and claims related to various other products. Any product liability claim brought against us, with or without merit, can be costly to defend. 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.

Although we maintain third-party product liability insurance coverage, we have substantial self-insured retention amounts that we must pay in full before obtaining any insurance proceeds to pay for defense costs, or to satisfy a judgment or settlement. Furthermore, even if any product liability loss is covered by our insurance, it is possible that claims against us may exceed the coverage limits of our insurance policies and we would have to pay the amount of any defense costs, settlement or judgment that is in excess of our policy limits. Product liability claims in excess of applicable insurance could have a material adverse effect on our business, financial condition and results of operations.

We are substantially dependent on patent and other proprietary rights, and failing to protect such rights or to be successful in litiga tion related to our rights or the rights of others may result in our payment of significant monetary damages and/or royalty payments, negatively impact our ability to sell current or future products, or prohibit us from enforcing our patent and other propr ietary rights against others.

Claims of intellectual property infringement and litigation regarding patent and other intellectual property rights are commonplace in our industry and are frequently time consuming and costly. At any given time, we may be involved as either plaintiff or defendant in a number of patent infringement actions, the outcomes of which may not be known for prolonged periods of time. While it is not possible to predict the outcome of patent and other intellectual property litigation, such litigation could result in our payment of significant monetary damages and/or royalty payments, negatively impact our ability to sell current or future products, or prohibit us from enforcing our patent and proprietary rights against others, which could have a material adverse effect on our business and results of operations.

Patents and other proprietary rights are essential to our business. We rely on a combination of patents, trade secrets and non-disclosure and other agreements to protect our proprietary intellectual property, and we will continue to do so. While we intend to defend against any threats to our intellectual property, these patents, trade secrets and other agreements may not adequately protect our intellectual property. Further, our currently pending or future patent applications may not result in patents being issued to us, patents issued to or licensed by us in the past or in the future may be challenged or circumvented by competitors, and such patents may be found invalid, unenforceable or insufficiently broad to protect our technology or to provide us with any competitive advantage. Third parties could obtain patents that may require us to negotiate licenses to conduct our business, and the required licenses may not be available on reasonable terms or at all.

In addition, intellectual property rights may be unavailable or of limited effect in some foreign countries. If we do not obtain sufficient international protection for our intellectual property, our competitiveness in international markets could be impaired, which could limit our growth and revenue.

We also attempt to protect our trade secrets, proprietary know-how and continuing technological innovation with security measures, including the use of non-disclosure and other agreements with our employees, consultants and collaborators. We cannot be certain that these agreements will not be breached, that we will have adequate remedies for any breach, that others will not independently develop substantially equivalent proprietary information, or that third parties will not otherwise gain access to our trade secrets or proprietary knowledge.

We are involved in legal proceedings that may result in adverse outcomes.

In addition to intellectual property and product liability claims and lawsuits, we are involved in various commercial and securities litigation and claims and other legal proceedings that arise from time to time in the ordinary course of our business. For example, as discussed further in Note 19 to the consolidated financial statements, we are defending a purported class action lawsuit, *Shah v. Zimmer Biomet Holdings, Inc. et al.,* filed against us, certain of our current and former officers, certain current and former members of our Board of Directors, and certain former stockholders of ours who sold shares of our common stock in secondary public offerings in 2016, alleging that we and other defendants violated federal securities laws by making materially false and/or misleading statements and/or omissions about our compliance with FDA regulations and our ability to continue to accelerate our organic revenue growth rate in the second half of 2016. Although we believe we have substantial defenses in these matters, litigation and other claims are subject to inherent uncertainties and management's view of these matters may change in the future. Given the uncertain nature of legal proceedings generally, we are not able in all cases to estimate the amount or range of loss that could result from an unfavorable outcome. We could in the future incur judgments or enter into settlements of claims that could have a material adverse effect on our results of operations in any particular period.

Future material impairments in the carrying value of our intangible assets, including goodwill, would negatively affect our operating results.

Our assets include intangible assets, primarily goodwill. At December 31, 2017, we had $10.7 billion in goodwill. The goodwill results from our acquisition activity, including the Biomet and LDR mergers, and represents the excess of the consideration transferred over the fair value of the net assets acquired. We assess at least annually whether events or changes in circumstances indicate that the carrying value of our intangible assets may not be recoverable. As discussed further in Note 9 to the consolidated financial statements, we recorded goodwill impairment charges of $304.7 million in 2017. If the operating performance at one or more of our business units falls significantly below current levels, if competing or alternative technologies emerge, or if market conditions or

future cash flow estimates for one or more of our businesses decline, we could be required to record additional goodwill impairment charges. Any write-off of a material port ion of our unamortized intangible assets would negatively affect our results of operations.

We identified a material weakness in our internal control over financial reporting as of December 31, 2016. While the particular material weakness has been remediated as of December 31, 2017, additional material weaknesses or relapses of this material weakness could result in a material misstatement in our financial statements.

We are responsible for establishing and maintaining adequate internal control over financial reporting, as defined in Rules 13a-15(f) and 15d-15(f) under the Exchange Act. As discussed in Part II, Item 9A of this report, we identified a material weakness in our internal control over financial reporting as of December 31, 2016 related to management's controls over accounting for income taxes. A material weakness is defined as a deficiency, or combination of deficiencies, in internal control over financial reporting, such that there is a reasonable possibility that a material misstatement of our annual or interim financial statements will not be prevented or detected on a timely basis. During 2017, we executed our remediation plans to address the material weakness. However, if the remedial measures are not adhered to or if additional material weaknesses or significant deficiencies in internal control over financial reporting are discovered or occur in the future, our consolidated financial statements may contain material misstatements and we could be required to restate our financial results.

Developments relating to the UK's referendum vote in favor of leaving the EU could adversely affect us.

The UK held a referendum in June 2016 in which voters approved the UK's voluntary exit from the EU, commonly referred to as "Brexit". The effects of Brexit are expected to be far-reaching. Brexit and the perceptions as to its impact may adversely affect business activity and economic conditions in Europe and globally and could contribute to instability in global financial and foreign exchange markets. Brexit could also have the effect of disrupting the free movement of goods, services and people between the UK and the EU; however, the full effects of Brexit are uncertain and will depend on any agreements the UK may make to retain access to EU markets. Brexit could also lead to legal uncertainty and potentially divergent national laws and regulations as the UK determines which EU laws to replace or replicate. Also, as a result of Brexit, other European countries may seek to conduct referenda with respect to their continuing membership with the EU. Given these possibilities and others we may not anticipate, as well as the lack of comparable precedent, the full extent to which our business, results of operations and financial condition could be adversely affected by Brexit is uncertain.

Anti-takeover provisions in our organizational documents could delay or prevent a change of control.

Certain provisions of our Restated Certificate of Incorporation, our Restated By-Laws and the Delaware General Corporation Law may have an anti-takeover effect and may delay, defer or prevent a merger, acquisition, tender offer, takeover attempt or other change of control transaction that a stockholder might consider in its best interest, including those attempts that might result in a premium over the market price for the shares held by our stockholders.

These provisions provide for, among other things:

- the ability of our board of directors to issue one or more series of preferred stock without further stockholder action;
- advance notice for nominations of directors by stockholders and for stockholders to include matters to be considered at our annual meetings;
- certain limitations on convening special stockholder meetings; and
- the prohibition on engaging in a "business combination" with an "interested stockholder" for three years after the time at which a person became an interested stockholder unless certain conditions are met, as set forth in Section 203 of the Delaware General Corporation Law.

These anti-takeover provisions could make it more difficult for a third party to acquire us, even if the third party's offer may be considered beneficial by many of our stockholders. As a result, our stockholders may be limited in their ability to obtain a premium for their shares.

Our Restated By-Laws designate certain Delaware courts as the sole and exclusive forum for certain types of actions and proceedings that may be initiated by our stockholders, which could limit our stockholders' ability to obtain a favorable judicial foru m for disputes with us or our directors, officers or other employees.

Our Restated By-Laws provide that, unless we consent in writing to the selection of an alternative forum, a state court located within the State of Delaware (or, if no state court located in the State of Delaware has jurisdiction, the federal district court for the District of Delaware) will be the sole and exclusive forum for any stockholder (including any beneficial owner) to bring (i) any derivative action or proceeding brought on our behalf, (ii) any action asserting a claim of breach of fiduciary duty owed by any of our directors, officers or other employees to us or our stockholders, (iii) any action asserting a claim against us or any of our directors, officers or other employees arising pursuant to any provision of the Delaware General Corporation Law or our Restated Certificate of Incorporation or our Restated By-Laws, as either may be amended from time to time, or (iv) any action asserting a claim against us or any of our directors, officers or other employees governed by the internal affairs doctrine. Any person or entity purchasing or otherwise acquiring any interest in shares of our common stock is deemed to have received notice of and consented to the foregoing provisions. This choice of forum provision may limit a stockholder's ability to bring a claim in a judicial forum that it finds favorable for disputes with us or our directors, officers or other employees, which may discourage such lawsuits against us and our directors, officers and employees. Alternatively, if a court were to find this choice of forum provision inapplicable to, or unenforceable in respect of, one or more of the specified types of actions or proceedings, we may incur additional costs associated with resolving such matters in other jurisdictions, which could adversely affect our business, financial condition or results of operations.

Item 1B. Unresolved Staff Comments

Not Applicable.

Item 2. Pr operties

The following are our principal properties:

Location	Use	Owned / Leased	Square Feet
Warsaw, Indiana	Research & Development, Manufacturing, Warehousing, Marketing & Administration	Owned	1,900,000
Warsaw, Indiana	Corporate Headquarters & The Zimmer Biomet Institute	Owned	115,000
Warsaw, Indiana	Manufacturing & Warehousing	Leased	170,000
Westminster, Colorado	Spine Business Unit Headquarters	Leased	105,000
Jacksonville, Florida	CMF Business Unit Headquarters & Manufacturing	Owned	85,000
Palm Beach Gardens, Florida	Dental Business Unit Headquarters & Manufacturing	Owned	190,000
Palm Beach Gardens, Florida	Manufacturing	Leased	45,000
Southaven, Mississippi	Distribution Center	Leased	190,000
Parsippany, New Jersey	Office, Research & Development, Manufacturing, Warehousing & The Zimmer Biomet Institute	Leased	235,000
Dover, Ohio	Surgical Business Unit Headquarters & Manufacturing	Owned	140,000
Dover, Ohio	Surgical Business Unit Headquarters & Manufacturing	Leased	60,000
Austin, Texas	Offices & Manufacturing	Leased	90,000
Beijing, China	Manufacturing	Leased	95,000
Changzhou, China	Manufacturing	Owned	75,000
Jinhua, China	Manufacturing	Owned	135,000
Valence, France	Manufacturing	Owned	120,000
Berlin, Germany	Manufacturing	Owned	50,000
Eschbach, Germany	Distribution Center	Owned	100,000
Galway, Ireland	Manufacturing	Owned	125,000
Shannon, Ireland	Offices & Manufacturing	Owned	125,000
Hazeldonk, The Netherlands	Distribution Center	Leased	295,000
Ponce, Puerto Rico	Offices, Manufacturing & Warehousing	Owned	225,000
Singapore	Regional Headquarters	Leased	30,000
Bridgend, South Wales	Manufacturing	Owned	185,000
Bridgend, South Wales	Manufacturing	Leased	100,000
Valencia, Spain	Manufacturing	Owned	70,000
Valencia, Spain	Manufacturing	Leased	10,000
Winterthur, Switzerland	Regional Headquarters, Offices, Research & Development & Manufacturing	Leased	420,000

In addition to the above, we maintain sales and administrative offices and warehouse and distribution facilities in more than 40 countries around the world. We believe that all of the facilities and equipment are in good condition, well maintained and able to operate at present levels. We believe the current facilities, including manufacturing, warehousing, research and development and office space, provide sufficient capacity to meet ongoing demands.

Item 3. Legal Proceedings

Information pertaining to legal proceedings in which we are involved can be found in Note 19 to our consolidated financial statements included in Part II, Item 8 of this report and is incorporated herein by reference.

Item 4. Mine Safety Disclosures

Not Applicable.

PART II

Item 5. Market for the Registrant's Common Equity, Related Stockholder Matters and Issuer Purchases of Equity Securities

Our common stock is traded on the New York Stock Exchange and the SIX Swiss Exchange under the symbol "ZBH." The high and low sales prices for our common stock on the New York Stock Exchange and the dividends declared for the calendar quarters of fiscal years 2017 and 2016 are as follows:

QUARTERLY HIGH-LOW SHARE PRICES AND DECLARED DIVIDENDS

	High	Low	Declared Dividends
Year Ended December 31, 2017:			
First Quarter	$ 122.11	$ 103.33	$ 0.24
Second Quarter	$ 129.39	$ 116.54	$ 0.24
Third Quarter	$ 132.61	$ 110.13	$ 0.24
Fourth Quarter	$ 124.46	$ 108.72	$ 0.24
Year Ended December 31, 2016:			
First Quarter	$ 107.22	$ 88.27	$ 0.24
Second Quarter	$ 123.43	$ 105.53	$ 0.24
Third Quarter	$ 133.19	$ 119.22	$ 0.24
Fourth Quarter	$ 133.21	$ 95.63	$ 0.24

We expect to continue paying cash dividends on a quarterly basis; however, future dividends are subject to approval of the Board of Directors and may be adjusted as business needs or market conditions change. As further discussed in Note 11 to the consolidated financial statements, our debt facilities restrict the payment of dividends under certain circumstances.

As of February 16, 2018, there were approximately 22,000 holders of record of our common stock. A substantially greater number of holders of our common stock are "street name" or beneficial holders, whose shares of record are held by banks, brokers and other financial institutions. On February 16, 2018, the closing price of our common stock, as reported on the New York Stock Exchange, was $120.48 per share.

The information required by this Item concerning equity compensation plans is incorporated herein by reference to Item 12 of this report.

Item 6. Selected Financial Data

The financial information for each of the past five years ended December 31 is set forth below (in millions, except per share amounts):

	2017	2016	2015 (1)	2014	2013
STATEMENT OF EARNINGS DATA					
Net sales	$ 7,824.1	$ 7,683.9	$ 5,997.8	$ 4,673.3	$ 4,623.4
Net earnings of Zimmer Biomet Holdings, Inc.	1,813.8	305.9	147.0	720.3	780.4
Earnings per common share					
Basic	$ 8.98	$ 1.53	$ 0.78	$ 4.26	$ 4.60
Diluted	8.90	1.51	0.77	4.20	4.54
Dividends declared per share of common stock	$ 0.96	$ 0.96	$ 0.88	$ 0.88	$ 0.80
Average common shares outstanding					
Basic	201.9	200.0	187.4	169.0	169.6
Diluted	203.7	202.4	189.8	171.7	171.8
BALANCE SHEET DATA					
Total assets	$ 25,964.5	$ 26,684.4	$ 27,160.6	$ 9,658.0	$ 9,595.0
Long-term debt	8,917.5	10,665.8	11,497.4	1,425.5	1,672.3
Other long-term obligations	2,291.3	3,967.2	4,155.9	656.8	583.6
Stockholders' equity	11,735.5	9,669.9	9,889.4	6,551.7	6,310.6

(1) Includes the results of Biomet starting on June 24, 2015 and Biomet balance sheet data as of December 31, 2015.

Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations

The following discussion and analysis should be read in conjunction with the consolidated financial statements and the corresponding notes included elsewhere in this Annual Report on Form 10-K. Certain percentages presented in this discussion and analysis are calculated from the underlying whole-dollar amounts and therefore may not recalculate from the rounded numbers used for disclosure purposes. Certain amounts in the 2016 and 2015 consolidated financial statements have been reclassified to conform to the 2017 presentation.

On June 24, 2015, we completed our merger with Biomet and its results of operations have been included in our results starting on that date. The Biomet merger was a transformational event for us and has had significant effects on all aspects of our business. Accordingly, our sales and expenses have increased significantly since the merger date compared to prior periods.

EXECUTIVE LEVEL OVERVIEW

2017 Results

Net sales increased by 1.8 percent in 2017 compared to 2016 primarily due to the acquisition of LDR Holding Corporation in the third quarter of 2016 and solid performance from our Asia Pacific operating segment. In 2017, we experienced challenges across our Knees, Hips and S.E.T. product categories as a result of production delays from our Warsaw North Campus facility. The production shortfall directly impacted our ability to fully meet case demand. Throughout 2017, we worked to improve our production levels at this facility, but we continued to experience insufficient inventory levels across some brands within our Knee, Hip and S.E.T. product categories which impacted our ability to increase revenue.

Our net earnings increased significantly in 2017 compared to 2016 primarily due to a $1,272.4 million income tax benefit we recorded related to the 2017 Tax Act. Additionally, net earnings increased in 2017 compared to 2016 due to a decrease in inventory step-up expense, lower Biomet integration-related expenses, lower performance-based compensation expense as a result of not achieving our 2017 operating plans and the recognition of $111.3 million of tax benefit as a result of lower tax rates unrelated to the impact of the 2017 Tax Act. Partially offsetting these favorable items were $304.7 million of goodwill impairment charges on our Spine and Office Based Technologies reporting units and higher spending on quality remediation at our Warsaw North Campus facility.

2018 Outlook

In December 2017, we announced the appointment of a new Chief Executive Officer ("CEO"). Our new CEO has begun an in-depth review of our business and formulating strategies to improve our performance. His initial review likely will conclude during the first quarter and the implementation of those strategies will likely have an impact on our results in 2018. In the meantime, we have identified several immediate opportunities to improve our operational execution and address certain near-term challenges. We will continue to work toward completing our quality remediation efforts at our Warsaw North Campus facility and continue to invest in best-in-class quality management systems. We will remain focused on fully restoring the supply of certain key brands within our Knee, Hip and S.E.T. product categories. We also have several key product launches planned in 2018 that we believe will be a catalyst for our future performance.

There are a few known items that are expected to impact our 2018 results. Increased manufacturing costs related to quality remediation at our Warsaw North Campus facility in 2017 will be recognized in 2018 as we sell that inventory. We expect ongoing benefits from the reduction of the U.S. corporate tax rate, but we plan to reinvest those savings into the business to drive sales growth. Additionally, due to underperformance against our operating plans in 2017, we expect expenses from our performance-based compensation programs to increase if we are able to achieve our plans in 2018. We also expect our special items expense to decrease as we complete our Biomet integration plans and substantially complete our quality remediation at our Warsaw North Campus facility.

U.S. Tax Reform

2017 Tax Act: The 2017 Tax Act includes a broad range of provisions, many of which significantly differ from those contained in previous U.S. tax law. Changes in tax law are accounted for in the period of enactment. As such, our 2017 consolidated financial statements reflect the immediate tax effect of the 2017 Tax Act.

The 2017 Tax Act contains several key provisions including, among other things:

- a one-time tax on the mandatory deemed repatriation of post-1986 unremitted foreign earnings and profits, referred to as the toll charge;

- a reduction in the corporate income tax rate from 35 percent to 21 percent for tax years beginning after December 31, 2017;

- the introduction of a new U.S. tax on certain off-shore earnings referred to as global intangible low-taxed income ("GILTI") at an effective tax rate of 10.5 percent for tax years beginning after December 31, 2017 (increasing to 13.125 percent for tax years beginning after December 31, 2025), with a partial offset by foreign tax credits; and

- the introduction of a territorial tax system beginning in 2018 by providing a 100 percent dividend received deduction on certain qualified dividends from foreign subsidiaries.

During the fourth quarter of 2017, we recorded an income tax benefit of $1,272.4 million, which was comprised of the following:

- income tax benefit of $715.0 million related to the one-time deemed repatriation of foreign earnings. This is composed of a $1,181.0 million benefit from the removal of a deferred tax liability we had recorded for the repatriation of foreign earnings prior to the 2017 Tax Act offset by $466.0 million for the toll charge recognized under the 2017 Tax Act. In accordance with the 2017 Tax Act, we expect to elect to pay the toll charge in installments over eight years. As of December 31, 2017, we have recorded current and non-current income tax liabilities related to the toll charge of $82.0 million and $384.0 million, respectively.

- an income tax benefit of $557.4 million, primarily related to the remeasurement of our deferred tax assets and liabilities at the enacted corporate income tax rate of 21 percent.

The net benefit recorded was based on currently available information and interpretations made in applying the provisions of the 2017 Tax Act as of the time of filing this Annual Report on Form 10-K. We further refined our estimates related to the impact of the 2017 Tax Act subsequent to the issuance of our earnings release for the fourth quarter of 2017. In accordance with authoritative guidance issued by the SEC, the income tax effect for certain aspects of the 2017 Tax Act represent provisional amounts for which our accounting is incomplete, but with respect to which a reasonable estimate could be determined and recorded during the fourth quarter of 2017. The actual effects of the 2017 Tax Act and final amounts recorded may differ materially from our current estimate of provisional amounts due to, among other things, further interpretive guidance that may be issued by U.S. tax authorities or regulatory bodies, including the SEC and the Financial Accounting Standards Board ("FASB"). We will continue to analyze the 2017 Tax Act and any additional guidance that may be issued so we can finalize the full effects of applying the new legislation on our financial statements in the measurement period, which ends in the fourth quarter of 2018. See Note 15 to our consolidated financial statements for additional details related to the 2017 Tax Act.

RESULTS OF OPERATIONS

We analyze sales by three geographies, the Americas, EMEA and Asia Pacific, and by the following product categories: Knees, Hips, S.E.T., Dental, Spine & CMF and Other. This sales analysis differs from our reportable operating segments, which are based upon our senior management organizational structure and how we allocate resources towards achieving operating profit goals. We analyze sales by geography because the underlying market trends in any particular geography tend to be similar across product categories and because we primarily sell the same products in all geographies.

As previously disclosed, sales increased significantly in 2016 when compared to prior years due to the inclusion of Biomet sales for the entire year. Therefore, we analyze 2015 sales on a pro forma basis because it represents how the Zimmer and Biomet underlying businesses may have performed on a combined basis. Pro forma sales assume the Biomet merger occurred on January 1, 2014 and therefore include the net sales of Biomet in 2015 prior to the closing of the merger.

Net Sales by Geography

The following tables present net sales by geography and the components of the percentage changes (dollars in millions):

	Year Ended December 31,									
	2017	2016	% Inc		Volume/ Mix		Price		Foreign Exchange	
Americas	$ 4,865.6	$ 4,802.2	1.3	%	3.7	%	(2.5)	%	0.1	%
EMEA	1,745.2	1,730.4	0.9		2.1		(1.9)		0.7	
Asia Pacific	1,213.3	1,151.3	5.4		9.4		(3.1)		(0.9)	
Total	$ 7,824.1	$ 7,683.9	1.8		4.3		(2.5)		-	

	Year Ended December 31,									
	2016	2015	% Inc		Volume/ Mix		Price		Foreign Exchange	
Americas	$ 4,802.2	$ 3,662.4	31.1	%	33.4	%	(2.1)	%	(0.2)	%
EMEA	1,730.4	1,417.8	22.0		26.1		(0.7)		(3.4)	
Asia Pacific	1,151.3	917.6	25.5		24.5		(2.5)		3.5	
Total	$ 7,683.9	$ 5,997.8	28.1		30.3		(1.8)		(0.4)	

“Foreign Exchange” used in the tables in this report represents the effect of changes in foreign currency exchange rates on sales.

The following table presents our 2016 net sales, and our 2015 pro forma net sales, by geography and the components of the percentage changes (dollars in millions):

	Year Ended December 31,						
	2016	Pro Forma 2015	% Inc/(Dec)	Volume/ Mix	Price	Divestiture Impact	Foreign Exchange
Americas	$ 4,802.2	$ 4,685.2	2.5%	5.2%	(1.6)%	(0.9)%	(0.2)%
EMEA	1,730.4	1,767.9	(2.1)	1.9	(0.6)	(0.8)	(2.6)
Asia Pacific	1,151.3	1,064.7	8.1	8.0	(2.1)	(0.7)	2.9
Total	$ 7,683.9	$ 7,517.8	2.2	4.9	(1.5)	(0.9)	(0.3)

Net Sales by Product Category

The following tables present net sales by product category and the components of the percentage changes (dollars in millions):

	Year Ended December 31,									
	2017	2016	% Inc/(Dec)		Volume/ Mix		Price		Foreign Exchange	
Knees	$ 2,737.1	$ 2,752.6	(0.6)	%	2.2	%	(2.8)	%	-	%
Hips	1,879.1	1,867.9	0.6		3.6		(3.0)		-	
S.E.T.	1,709.1	1,644.4	3.9		6.0		(2.0)		(0.1)	
Dental	418.6	427.9	(2.2)		(0.3)		(2.3)		0.4	
Spine & CMF	759.5	662.0	14.7		15.8		(1.4)		0.3	
Other	320.7	329.1	(2.5)		(0.9)		(1.7)		0.1	
Total	$ 7,824.1	$ 7,683.9	1.8		4.3		(2.5)		-	

	Year Ended December 31,									
	2016	2015	% Inc		Volume/ Mix		Price		Foreign Exchange	
Knees	$ 2,752.6	$ 2,276.8	20.9	%	23.6	%	(2.0)	%	(0.7)	%
Hips	1,867.9	1,533.0	21.8		24.6		(2.6)		(0.2)	
S.E.T.	1,644.4	1,214.6	35.4		36.9		(1.4)		(0.1)	
Dental	427.9	335.7	27.5		25.7		2.1		(0.3)	
Spine & CMF	662.0	404.4	63.7		66.7		(2.9)		(0.1)	
Other	329.1	233.3	41.1		43.4		(1.8)		(0.5)	
Total	$ 7,683.9	$ 5,997.8	28.1		30.3		(1.8)		(0.4)	

The following table presents our 2016 net sales, and our 2015 pro forma n et sales, by product category and the components of the percentage changes (dollars in millions):

	Year Ended December 31,						
	2016	Pro Forma 2015	% Inc/(Dec)	Volume/ Mix	Price	Divestiture Impact	Foreign Exchange
Knees	$ 2,752.6	$ 2,735.9	0.6%	4.2%	(1.6)%	(1.4)%	(0.6)%
Hips	1,867.9	1,842.6	1.4	3.7	(2.1)	-	(0.2)
S.E.T.	1,644.4	1,571.8	4.6	6.1	(1.1)	(0.4)	-
Dental	427.9	454.8	(5.9)	(7.2)	1.5	-	(0.2)
Spine & CMF	662.0	583.5	13.5	15.5	(2.0)	-	-
Other	329.1	329.2	-	7.7	(1.2)	(6.2)	(0.3)
Total	$ 7,683.9	$ 7,517.8	2.2	4.9	(1.5)	(0.9)	(0.3)

The following table presents net sales by product category by geography for our Knees and Hips product categories, which represent our most significant product categories (dollars in millions):

	Year Ended December 31,				
	2017	2016	2015	2017 vs. 2016 % Inc/(Dec)	2016 vs. 2015 % Inc
Knees					
Americas	$ 1,660.2	$ 1,688.6	$ 1,391.5	(1.7) %	21.4 %
EMEA	644.2	637.8	535.2	1.0	19.2
Asia Pacific	432.7	426.2	350.1	1.5	21.7
Total	$ 2,737.1	$ 2,752.6	$ 2,276.8	(0.6)	20.9
Hips					
Americas	$ 975.6	$ 987.5	$ 789.7	(1.2) %	25.0 %
EMEA	518.6	522.4	455.2	(0.7)	14.8
Asia Pacific	384.9	358.0	288.1	7.5	24.3
Total	$ 1,879.1	$ 1,867.9	$ 1,533.0	0.6	21.8

The following table presents our 2017 and 2016 net sales, and our 2015 pro forma net sales, by product category by geography for our Knees and Hips product categories, which represent our most significant product categories (dollars in millions):

	Year Ended December 31,				
	2017	2016	Pro Forma 2015	2017 vs. 2016 % Inc/(Dec)	2016 vs. 2015 % Inc/(Dec)
Knees					
Americas	$ 1,660.2	$ 1,688.6	$ 1,684.6	(1.7)%	0.2%
EMEA	644.2	637.8	649.5	1.0	(1.8)
Asia Pacific	432.7	426.2	401.8	1.5	6.1
Total	$ 2,737.1	$ 2,752.6	$ 2,735.9	(0.6)	0.6
Hips					
Americas	$ 975.6	$ 987.5	$ 980.3	(1.2)%	0.7%
EMEA	518.6	522.4	537.2	(0.7)	(2.8)
Asia Pacific	384.9	358.0	325.1	7.5	10.1
Total	$ 1,879.1	$ 1,867.9	$ 1,842.6	0.6	1.4

Demand (Volume/Mix) Trends

Increased volume and changes in the mix of product sales contributed 4.3 percentage points of year-over-year sales growth during 2017. Volume/mix growth was driven by acquisitions in 2016, recent product introductions, sales in key emerging markets and an aging population.

We believe long-term indicators point toward sustained growth driven by an a ging global population, growth in emerging markets, obesity, proven clinical benefits, new material technologies, advances in surgical techniques and more active lifestyles, among other factors. In addition, demand for clinically proven premium products a nd patient specific devices are expected to continue to positively affect sales growth in markets that recognize the value of these advanced technologies.

Pricing Trends

Global selling prices had a negative effect of 2.5 percentage points on year-over-year sales during 2017. In the majority of countries in which we operate, we continue to experience pricing pressure from governmental healthcare cost containment efforts and from local hospitals and health systems.

Foreign Currency Exchange Rates

In 2017, changes in foreign currency exchange rates had a minimal effect on sales. We address currency risk through regular operating and financing activities and through the use of forward contracts and foreign currency options solely to manage foreign currency volatility and risk. Changes in foreign currency exchange rates affect sales growth, but due to offsetting gains/losses on hedge contracts and options, which are recorded in cost of products sold, the effect on net earnings in the near term is reduced. If foreign currency exchange rates remain at levels consistent with the end of 2017, this will have a favorable effect on sales in 2018 due to the weakening of the U.S. Dollar versus the Euro and other currencies.

Sales by Product Category

Knees

Knee sales declined in 2017 compared to 2016 after growing in recent years due to the previously mentioned supply issues, a price reduction mandate in India and continued pricing pressure. Knee sales volume/mix growth was led by Persona ® The Personalized Knee System and the Oxford ® Partial Knee.

Hips

Hips sales continued to experience year-over-year sales growth driven by volume/mix growth primarily resulting from strong performance in our Asia Pacific operating segment. Volume/mix growth was partially offset by the previously mentioned supply issues and continued pricing pressure. Hip sales volume/mix growth was led by our Taperloc ® Hip System, Arcos ® Modular Hip System and G7 ® Acetabular System.

S.E.T.

Our S.E.T. sales have continued to increase driven primarily by a growing emphasis on sales force specialization, strong performance by key brands and 2016 acquisitions, partially offset by the previously mentioned supply issues and continued pricing pressure.

Dental

Dental sales continued to decline. In 2017, the decline was driven by the restructuring of our dental organization in certain European markets.

Spine & CMF

Spine and CMF sales continued to increase, due to the full year impact of the LDR acquisition and continued strong performance of our Thoracic products. However, sales were lower than expected due to sales force integration issues and additional complexities of merging the Zimmer, Biomet and LDR supply chains.

The following table presents estimated* 2017 global market size and market share information (dollars in billions):

	Global Market Size	Global Market % Growth**	Zimmer Biomet Market Share	Zimmer Biomet Market Position
Knees	$ 7.7	2-3%	36 %	1
Hips	6.0	1-2	31	1
S.E.T.	15.7	4-5	11	5
Dental	4.7	5	9	4
Spine & CMF	10.1	1	8	5

* Estimates are not precise and are based on competitor annual filings, Wall Street equity research and Company estimates

** Excludes the effect of changes in foreign currency exchange rates on sales growth

Expenses as a Percent of Net Sales

	Year Ended December 31,				
	2017	2016	2015	2017 vs. 2016 Inc/(Dec)	2016 vs. 2015 Inc/(Dec)
Cost of products sold, excluding intangible asset amortization	27.3%	31.0%	30.0%	(3.7) %	1.0 %
Intangible asset amortization	7.7	7.4	5.6	0.3	1.8
Research and development	4.7	4.8	4.5	(0.1)	0.3
Selling, general and administrative	38.0	38.2	38.1	(0.2)	0.1
Goodwill impairment	3.9	-	-	3.9	-
Special items	8.1	8.0	14.0	0.1	(6.0)
Operating Profit	10.3	10.7	7.8	(0.4)	2.9

Cost of Products Sold and Intangible Asset Amortization

The following table sets forth the factors that contributed to the gross margin changes in each of 2017 and 2016 compared to the prior year:

	Year Ended December 31,	
	2017	2016
Prior year gross margin	61.6%	64.4%
Lower average selling prices	(0.6)	(0.6)
Average cost per unit	(0.1)	(0.7)
Excess and obsolete inventory	-	0.4
Discontinued products inventory charges	1.0	(1.0)
Foreign currency hedges	(1.1)	(0.9)
Inventory step-up	3.8	1.2
U.S. medical device excise tax	0.7	0.3
Intangible asset amortization	(0.3)	(1.6)
Other	-	0.1
Current year gross margin	65.0%	61.6%

The increase in gross margin percentage in 2017 compared to 2016 was primarily due to a decrease in inventory step-up charges. The reduction in inventory step-up charges resulted from the Biomet inventory that was stepped-up to fair value having been fully recognized by June 30, 2016. In 2016, we recognized significant excess and obsolete inventory charges for certain product lines we intend to discontinue, but did not recognize significant charges in 2017, resulting in improvement to our gross margin percentage. Additional favorability was driven by lower medical device excise tax expense due to the two year moratorium on the U.S. medical device excise tax and a favorable resolution on past excise taxes that were paid. Under the applicable accounting rules that we apply to the U.S. medical device excise tax, we had a portion of the tax paid prior to the moratorium included in the cost of inventory and recognized expense through the fourth quarter of 2016. In January 2018, the moratorium on this tax

was extended through December 31, 2019. These favorable items were partially offset by lower hedge gains of $5.1 million in 2017 compared to $87.7 million in 2016 and the effect of lower average selling prices.

The decrease in gross margin percentage in 2016 compared to 2015 was primarily due to increased intangible asset amortization from the 2016 acquisitions, excess and obsolete inventory charges for certain product lines we intend to discontinue, lower average selling prices and lower hedge gains from our foreign currency hedging program in 2016 compared to 2015. These unfavorable items were partially offset by lower inventory step-up charges from the Biomet merger and lower expense from the U.S. medical device excise tax, in each case in 2016 compared to 2015.

Operating Expenses

After taking into consideration an increase in expenses related to the Biomet merger and other 2016 acquisitions, research and development ("R&D") spending has remained generally consistent as a percentage of sales, as we continue to invest in new technologies to address unmet clinical needs.

After taking into consideration an increase in expenses related to the Biomet merger and other 2016 acquisitions, selling, general and administrative ("SG&A") expenses as a percentage of sales have remained generally consistent. In 2017, we recognized increased freight costs due to expedited product shipments and increased investments in our specialized sales forces. These increases were partially offset by continued savings in various SG&A expense categories stemming from our synergies initiatives and lower performance-based compensation expense as a result of not achieving our 2017 operating plans.

In 2017, we recognized goodwill impairment charges related to our Spine and Office Based Technologies reporting units. For more information regarding these charges, see Note 9 to the consolidated financial statements.

We recognize expenses resulting directly from our business combinations, employee termination benefits, certain R&D agreements, certain contract terminations, consulting and professional fees and asset impairment or loss on disposal charges connected with global restructuring, quality and operational excellence initiatives, and other items as "Special items" in our consolidated statements of earnings. We recognized significant expenses in 2015 due to Biomet merger-related expenses, such as the acceleration of unvested LVB stock options and LVB stock-based awards, retention bonuses paid to Biomet employees and third-party sales agents who remained with Biomet through the Closing Date, severance expense and contract terminations. Expenses declined in 2016 due to the absence of certain of these expenses. In 2017, Biomet-related integration expenses continued to decline, but we have incurred additional costs related to quality remediation at our Warsaw North Campus facility. See Note 2 to the consolidated financial statements for more information regarding "Special items" charges.

Other Expense, Interest Income, Interest Expense, and Income Taxes

In 2017, other expense, net, primarily included the net expense related to remeasuring monetary assets and liabilities denominated in a foreign currency other than an entity's functional currency, partially offset by foreign currency forward exchange contracts we enter into to mitigate any gain or loss. In 2016, other expense, net, primarily included a $53.3 million loss on debt extinguishment. It also included losses on the sale of certain assets and the net expense related to remeasuring monetary assets and liabilities denominated in a foreign currency other than an entity's functional currency, offset by foreign currency forward exchange contracts we enter into to mitigate any gain or loss. In 2015, other expense, net, included a $22.0 million loss on debt extinguishment, debt issuance costs that we recognized for a bridge credit agreement that we entered into in May 2014 in connection with the Biomet merger, the net expense related to remeasuring monetary assets and liabilities, partially offset by a gain related to selling certain product line rights and assets.

Net interest expense decreased in 2017 compared to 2016 primarily due to our issuance of Euro notes in the fourth quarter of 2016 and lower average outstanding debt balances due to debt repayments. We used the proceeds of these Euro notes, which have a lower interest rate than most of our other debt, to repay certain senior notes with higher interest rates. In 2016, net interest expense increased compared to 2015 due to the issuance of the debt in connection with the LDR acquisition in July 2016 and the Biomet merger in March 2015.

Our effective tax rate ("ETR") on earnings before income taxes was negative 290.3 percent, positive 23.8 percent and positive 4.6 percent for the years ended December 31, 2017, 2016 and 2015, respectively. We have incurred significant expenses associated with the Biomet merger and other acquisitions, which were generally recognized in higher income tax jurisdictions. Accordingly, our ETR was reduced, as our earnings were lower in these higher

income tax jurisdictions. Additionally, other discrete adjustments have occurred that have significantly affected our ETR. The 2017 ETR was driven by the p rovisional income tax benefit we recorded of $1,272.4 million from the 2017 Tax Act, as well as $111.3 million of tax benefit we recorded from lower tax rates unrelated to the impact of the 2017 Tax Act. In 2016, we recognized $40.6 million of tax benefit from the favorable resolution of certain tax matters with taxing authorities, which was partially offset by $27.6 million of additional tax provision related to finalizing the tax accounts related to the Biomet merger. The 2015 tax rate resulted from ope rating losses in the U.S. caused by significant expenses incurred in connection with the Biomet merger.

Our future ETR is expected to be favorably impacted by the 2017 Tax Act as a result of a reduction in the U.S. corporate income tax rate from 35 percent to 21 percent partially offset by a new U.S. tax on certain off-shore earnings, referred to as GILTI, at an effective tax rate of 10.5 percent for tax years beginning after December 31, 2017 (increasing to 13.125 percent for tax years beginning after December 31, 2025), with a partial offset from foreign tax credits. See Note 15 to our consolidated financial statements for further details related to the 2017 Tax Act. Our ETR in future periods could also potentially be impacted by changes in our mix of pre-tax earnings; changes in tax rates, tax laws or their interpretation, including the European Union rules on state aid; the outcome of various federal, state and foreign audits; and the expiration of certain statutes of limitations. Currently, we cannot reasonably estimate the impact of these items on our financial results.

Segment Operating Profit

Similar to our consolidated results, our segment operating profit has been significantly impacted by the addition of Biomet sales and expenses to these segments. In the Americas, operating profit and operating profit as a percentage of sales in 2017 were similar to 2016. The Americas segment was unfavorably impacted in 2017 compared to 2016 by price declines, higher contribution of sales from products with lower gross profit margins and higher freight costs. These unfavorable impacts were offset by lower U.S. medical device excise tax expense and continued savings from our SG&A synergies initiatives. In EMEA, operating profit and operating profit as a percentage of sales decreased in 2017 compared to 2016, primarily due to price declines and a reduced impact of hedge gains. In Asia Pacific, operating profit and operating profit as a percentage of sales decreased in 2017 compared to 2016 due to price declines and a reduced impact of hedge gains.

Non-GAAP Operating Performance Measures

We use financial measures that differ from financial measures determined in accordance with GAAP to evaluate our operating performance. These non-GAAP financial measures exclude the impact of inventory step-up; certain inventory and manufacturing-related charges connected to discontinuing certain product lines, quality enhancement and remediation efforts; intangible asset amortization; “Special items;” goodwill impairment; financing and other expenses/gains related to the Biomet merger and other acquisitions; debt extinguishment costs; the interest expense incurred on the senior notes issued in connection with the Biomet merger during the period prior to the consummation of the Biomet merger; any related effects on our income tax provision associated with these items; the effect of the 2017 Tax Act; and other certain tax adjustments. Other certain tax adjustments include internal restructuring transactions that provide us access to cash in a tax efficient manner, resolution of certain matters with taxing authorities, favorable tax rate changes, adjustments to deferred tax liabilities recognized as part of acquisition-related accounting, the resolution of unrecognized tax positions established through goodwill as part of acquisition accounting and any tax item that would otherwise be distortive to the expected future tax rate. We use these non-GAAP financial measures internally to evaluate the performance of the business and believe they are useful measures that provide meaningful supplemental information to investors to consider when evaluating our performance. We believe these measures offer the ability to make period-to-period comparisons that are not impacted by certain items that can cause dramatic changes in reported operating results, to perform trend analysis, to better identify operating trends that may otherwise be masked or distorted by these types of items and to provide additional transparency of certain items. In addition, certain of these non-GAAP financial measures are used as performance metrics in our incentive compensation programs.

Our non-GAAP adjusted net earnings used for internal management purposes for the years ended December 31, 2017, 2016 and 2015 were $1,636.4 million, $1,610.8 million, and $1,310.5 million, respectively, and our non-GAAP adjusted diluted earnings per share were $8.03, $7.96, and $6.90, respectively.

The following are reconciliations from our GAAP net earnings and diluted earnings per share to our non-GAAP adjusted net earnings and non-GAAP adjusted diluted earnings per share used for internal management purposes (in millions, except per share amounts).

	Year ended December 31,		
	2017	2016	2015
Net Earnings of Zimmer Biomet Holdings, Inc.	$ 1,813.8	$ 305.9	$ 147.0
Inventory step-up and other inventory and manufacturing related charges	84.6	469.1	348.8
Intangible asset amortization	603.9	565.9	337.4
Goodwill impairment	304.7	-	-
Special items			
Biomet merger-related	248.0	487.3	619.1
Other special items	385.1	124.5	220.4
Merger-related and other expense in other expense, net	2.6	3.6	1.0
Debt extinguishment cost	-	53.3	22.0
Interest expense on Biomet merger financing	-	-	70.0
Taxes on above items (1)	(421.5)	(449.0)	(487.6)
Biomet merger-related measurement period tax adjustments (2)	-	52.7	-
U.S. tax reform (3)	(1,272.4)	-	-
Other certain tax adjustments (4)	(112.4)	(2.5)	32.4
Adjusted Net Earnings	$ 1,636.4	$ 1,610.8	$ 1,310.5

(1) The tax effect for the U.S. jurisdiction is calculated based on an effective rate considering federal and state taxes, as well as permanent items. For jurisdictions outside the U.S., the tax effect is calculated based upon the statutory rates where the items were incurred.

(2) The 2016 period includes negative effects from finalizing the tax accounts for the Biomet merger. Under the applicable U.S. GAAP rules, these measurement period adjustments are recognized on a prospective basis in the period of change.

(3) The 2017 Tax Act resulted in a net favorable provisional adjustment due to the reduction of deferred tax liabilities for unremitted earnings and revaluation of deferred tax liabilities to a 21 percent rate, which was partially offset by provisional tax charges related to the toll charge provision of the 2017 Tax Act.

(4) In 2017, other certain tax adjustments related to tax benefits from lower tax rates unrelated to the impact of the 2017 Tax Act, net favorable resolutions of various tax matters and net favorable adjustments from internal restructuring transactions. The 2016 adjustment primarily related to a favorable adjustment to certain deferred tax liabilities recognized as part of acquisition-related accounting and favorable resolution of certain tax matters with taxing authorities offset by internal restructuring transactions that provide us access to offshore funds in a tax efficient manner. The 2015 amount related primarily to adjustments to deferred tax liabilities recognized as part of acquisition-related accounting and other integration related items.

	Year ended December 31,		
	2017	2016	2015
Diluted EPS	$ 8.90	$ 1.51	$ 0.77
Inventory step-up and other inventory and manufacturing related charges	0.42	2.32	1.84
Intangible asset amortization	2.96	2.80	1.78
Goodwill impairment	1.49	-	-
Special items			
Biomet merger-related	1.22	2.40	3.26
Other special items	1.89	0.62	1.16
Merger-related and other expense in other expense, net	0.01	0.02	-
Debt extinguishment cost	-	0.26	0.12
Interest expense on Biomet merger financing	-	-	0.37
Taxes on above items (1)	(2.06)	(2.22)	(2.57)
Biomet merger-related measurement period tax adjustments (2)	-	0.26	-
U.S. tax reform (3)	(6.25)	-	-
Other certain tax adjustments (4)	(0.55)	(0.01)	0.17
Adjusted Diluted EPS	$ 8.03	$ 7.96	$ 6.90

(1) The tax effect for the U.S. jurisdiction is calculated based on an effective rate considering federal and state taxes, as well as permanent items. For jurisdictions outside the U.S., the tax effect is calculated based upon the statutory rates where the items were incurred.

(2) The 2016 period includes negative effects from finalizing the tax accounts for the Biomet merger. Under the applicable U.S. GAAP rules, these measurement period adjustments are recognized on a prospective basis in the period of change.

(3) The 2017 Tax Act resulted in a net favorable provisional adjustment due to the reduction of deferred tax liabilities for unremitted earnings and revaluation of deferred tax liabilities to a 21 percent rate, which was partially offset by provisional tax charges related to the toll charge provision of the 2017 Tax Act.

(4) In 2017, other certain tax adjustments related to tax benefits from lower tax rates unrelated to the impact of the 2017 Tax Act, net favorable resolutions of various tax matters and net favorable adjustments from internal restructuring transactions. The 2016 adjustment primarily related to a favorable adjustment to certain deferred tax liabilities recognized as part of acquisition-related accounting and favorable resolution of certain tax matters with taxing authorities offset by internal restructuring transactions that provide us access to offshore funds in a tax efficient manner. The 2015 amount related primarily to adjustments to deferred tax liabilities recognized as part of acquisition-related accounting and other integration related items.

LIQUIDITY AND CAPITAL RESOURCES

Cash flows provided by operating activities were $1,582.3 million in 2017 compared to $1,632.2 million and $849.8 million in 2016 and 2015, respectively. The decline in operating cash flows in 2017 compared to 2016 was driven by additional investments in inventory, additional expenses for quality remediation and $30.5 million in penalties paid to resolve previously-disclosed FCPA matters involving Biomet and certain of its subsidiaries as discussed in Note 19 to our consolidated financial statements included in Item 8 of this report. These unfavorable items were partially offset by an estimated $174 million of incremental cash flows from our sale of accounts receivable in certain countries. The increased operating cash flows in 2016 compared to 2015 were primarily from the inclusion of Biomet cash flows for the entire year. Operating cash flows also increased by an estimated $103.1 million due to our sales of accounts receivable in certain countries in 2016. Conversely, in 2015 we had various significant cash outflows, including a $97.6 million loss on our forward starting interest rate swaps we settled and expenses related to completing the Biomet merger.

Cash flows used in investing activities were $510.8 million in 2017 compared to $1,691.5 million and $7,557.9 million in 2016 and 2015, respectively. Instrument and property, plant and equipment additions reflected ongoing investments in our product portfolio and optimization of our manufacturing and logistics network. The 2015 and 2016 periods included cash outflows for the Biomet merger and LDR and other business acquisitions. Additionally, the 2017 period reflects no investing activity related to available-for-sale debt securities because as investments matured we used the cash to pay off debt.

Cash flows used in financing activities were $1,210.5 million in 2017 . Our primary use of available cash in 2017 was for debt repayment. We borrowed amounts under a new Japan Term Loan B and used the borrowings to pay down a portion of our U.S. Term Loan A. Overall, we had approximately $1,250 million of net principal re payments on our senior notes and term loans in 2017. Additionally in 2017, we had net cash inflows of $103.5 million on factoring programs that had not been remitted. Since our factoring programs started at the end of 2016, we did not have similar cash f lows in prior periods. 2015 and 2016 financing cash flows reflected borrowings necessary to complete the Biomet merger and LDR acquisition.

In February, May, July and December 2017, our Board of Directors declared cash dividends of $0.24 per share. We expect to continue paying cash dividends on a quarterly basis; however, future dividends are subject to approval of the Board of Directors and may be adjusted as business needs or market conditions change. As further discussed in Note 11 to the consolidated financial statements, our debt facilities restrict the payment of dividends in certain circumstances.

In February 2016, our Board of Directors authorized a $1.0 billion share repurchase program effective March 1, 2016, with no expiration date. The previous program expired on February 29, 2016. As of December 31, 2017, all $1.0 billion remained authorized for repurchase under the program.

We will continue to exercise disciplined capital allocation designed to drive stockholder value creation. We intend to use available cash for reinvestment in the business, debt repayment, dividends and opportunistic share repurchases. If the right opportunities arise, we may also use available cash to pursue business development opportunities.

As discussed in Note 15 to our consolidated financial statements, the Internal Revenue Service (“IRS”) has issued proposed adjustments for years 2005 through 2012 reallocating profits between certain of our U.S. and foreign subsidiaries. We have disputed these proposed adjustments and continue to pursue resolution with the IRS. Although the ultimate timing for resolution of the disputed tax issues is uncertain, future payments may be significant to our operating cash flows.

As discussed in Note 19 to our consolidated financial statements, as of December 31, 2017, a short-term liability of $78.0 million and long-term liability of $121.4 million related to Durom Cup product liability claims was recorded on our consolidated balance sheet. We expect to continue paying these claims over the next few years. We maintain insurance for product liability claims, subject to self-insurance retention requirements. We have recovered insurance proceeds from certain of our insurance carriers for Durom Cup-related claims. While we may recover additional insurance proceeds in the future for Durom Cup-related claims, we do not have a receivable recorded on our consolidated balance sheet as of December 31, 2017 for any possible future insurance recoveries for these claims. We also had a short-term liability of $36.0 million recorded on our consolidated balance sheet as of December 31, 2017 related to Biomet metal-on-metal hip implant claims.

At December 31, 2017, we had eleven tranches of senior notes outstanding as follows (dollars in millions):

Principal		Interest Rate		Maturity Date
$ 1,150.0		2.000	%	April 1, 2018
500.0		4.625		November 30, 2019
1,500.0		2.700		April 1, 2020
300.0		3.375		November 30, 2021
750.0		3.150		April 1, 2022
600.4	*	1.414		December 13, 2022
2,000.0		3.550		April 1, 2025
600.4	*	2.425		December 13, 2026
253.4		4.250		August 15, 2035
317.8		5.750		November 30, 2039
395.4		4.450		August 15, 2045

* Euro denominated debt securities

We also had four term loans with total principal of $1,801.1 million outstanding as of December 31, 2017.

We have a five-year unsecured multicurrency revolving facility of $1.5 billion (the "Multicurrency Revolving Facility") that will mature on September 30, 2021. There were no outstanding borrowings on this facility as of December 31, 2017. We also have other available uncommitted credit facilities totaling $58.4 million.

For additional information on our debt, see Note 11 to our consolidated financial statements.

We place our cash and cash equivalents in highly-rated financial institutions and limit the amount of credit exposure to any one entity. We invest only in high-quality financial instruments in accordance with our internal investment policy.

As of December 31, 2017, $382.2 million of our cash and cash equivalents were held in jurisdictions outside of the U.S. Of this amount, $81.9 million is denominated in U.S. Dollars and, therefore, bears no foreign currency translation risk. The balance of these assets is denominated in currencies of the various countries where we operate. We intend to repatriate at least $3.6 billion of unremitted earnings in future years.

Management believes that cash flows from operations and available borrowings under the Multicurrency Revolving Facility are sufficient to meet our working capital, capital expenditure and debt service needs, as well as to return cash to stockholders in the form of dividends and share repurchases. Should additional investment opportunities arise, we believe that our earnings, balance sheet and cash flows will allow us to obtain additional capital, if necessary.

CONTRACTUAL OBLIGATIONS

We have entered into contracts with various third parties in the normal course of business that will require future payments. The following table illustrates our contractual obligations (in millions):

Contractual Obligations	Total	2018	2019 and 2020	2021 and 2022	2023 and Thereafter
Long-term debt	$ 10,172.3	$ 1,225.0	$ 3,439.1	$ 1,941.2	$ 3,567.0
Interest payments	2,208.4	297.4	487.9	332.0	1,091.1
Operating leases	311.3	66.7	100.0	62.7	81.9
Purchase obligations	265.1	152.3	75.2	4.9	32.7
Toll charge tax liability	466.0	82.0	61.4	61.4	261.2
Other long-term liabilities	372.8	-	256.5	33.7	82.6
Total contractual obligations	$ 13,795.9	$ 1,823.4	$ 4,420.1	$ 2,435.9	$ 5,116.5

$67.1 million of the other long-term liabilities on our balance sheet as of December 31 , 2017 are liabilities related to defined benefit pension plans. Defined benefit plan liabilities are based upon the underfunded status of the respective plans; they are not based upon future contributions. Due to uncertainties regarding future plan asset performance, changes in interest rates and our intentions with respect to voluntary contributions, we are unable to reasonably estimate future contributions beyond 2017. Therefore, this table does not include any amounts related to future contributions to our plans. See Note 14 to our consolidated financial statements for further information on our defined benefit plans.

Under the 2017 Tax Act, we recorded a $466.0 million income tax expense related to the toll charge liability for the one-time deemed repatriation of unremitted foreign earnings. This amount is recorded in current and non-current income tax liabilities on our consolidated balance sheets as of December 31, 2017. We expect to elect to pay the toll charge in installments over eight years.

Also included in long-term liabilities on our consolidated balance sheets are liabilities related to unrecognized tax benefits and corresponding interest and penalties thereon. Due to the uncertainties inherent in these liabilities, such as the ultimate timing and resolution of tax audits, we are unable to reasonably estimate the amount or period in which potential tax payments related to these positions will be made. Therefore, this table does not include any obligations related to unrecognized tax benefits. See Note 15 to our consolidated financial statements for further information on these tax-related accounts.

We have entered into various agreements that may result in future payments dependent upon various events such as the achievement of certain product R&D milestones, sales milestones, or, at our discretion, maintenance of exclusive

rights to distribute a product. Since there is uncertainty on the timing or whether such payments will have to be made, we have not included them in this table. These pay ments could range from $0 to $61 million.

CRITICAL ACCOUNTING ESTIMATES

Our financial results are affected by the selection and application of accounting policies and methods. Significant accounting policies which require management's judgment are discussed below.

Excess Inventory and Instruments - We must determine as of each balance sheet date how much, if any, of our inventory may ultimately prove to be unsaleable or unsaleable at our carrying cost. Similarly, we must also determine if instruments on hand will be put to productive use or remain undeployed as a result of excess supply. Accordingly, inventory and instruments are written down to their net realizable value. To determine the appropriate net realizable value, we evaluate current stock levels in relation to historical and expected patterns of demand for all of our products and instrument systems and components. The basis for the determination is generally the same for all inventory and instrument items and categories except for work-in-process inventory, which is recorded at cost. Obsolete or discontinued items are generally destroyed and completely written off. Management evaluates the need for changes to the net realizable values of inventory and instruments based on market conditions, competitive offerings and other factors on a regular basis.

Income Taxes - Our income tax expense, deferred tax assets and liabilities and reserves for unrecognized tax benefits reflect management's best assessment of estimated future taxes to be paid. We are subject to income taxes in the U.S. and numerous foreign jurisdictions. Significant judgments and estimates are required in determining the consolidated income tax expense.

We estimate income tax expense and income tax liabilities and assets by taxable jurisdiction. Realization of deferred tax assets in each taxable jurisdiction is dependent on our ability to generate future taxable income sufficient to realize the benefits. We evaluate deferred tax assets on an ongoing basis and provide valuation allowances unless we determine it is "more likely than not" that the deferred tax benefit will be realized.

The calculation of our tax liabilities involves dealing with uncertainties in the application of complex tax laws and regulations in a multitude of jurisdictions across our global operations. We are subject to regulatory review or audit in virtually all of those jurisdictions and those reviews and audits may require extended periods of time to resolve. We record our income tax provisions based on our knowledge of all relevant facts and circumstances, including existing tax laws, our experience with previous settlement agreements, the status of current examinations and our understanding of how the tax authorities view certain relevant industry and commercial matters.

We recognize tax liabilities in accordance with the FASB's guidance on income taxes and we adjust these liabilities when our judgment changes as a result of the evaluation of new information not previously available. Due to the complexity of some of these uncertainties, the ultimate resolution may result in a payment that is materially different from our current estimate of the tax liabilities. These differences will be reflected as increases or decreases to income tax expense in the period in which they are determined.

Commitments and Contingencies - Accruals for product liability and other claims are established with the assistance of internal and external legal counsel based on current information and historical settlement information for claims, related legal fees and for claims incurred but not reported. We use an actuarial model to assist management in determining an appropriate level of accruals for product liability claims. Historical patterns of claim loss development over time are statistically analyzed to arrive at factors which are then applied to loss estimates in the actuarial model.

In addition to our general product liability, we have recorded provisions totaling $489.7 million related to the Durom Cup. See Note 19 to our consolidated financial statements for further discussion of the Durom Cup litigation.

Goodwill and Intangible Assets - We evaluate the carrying value of goodwill and indefinite life intangible assets annually, or whenever events or circumstances indicate the carrying value may not be recoverable. We evaluate the carrying value of finite life intangible assets whenever events or circumstances indicate the carrying value may not be recoverable. Significant assumptions are required to estimate the fair value of goodwill and intangible assets, most notably estimated future cash flows generated by these assets. As such, these fair value measurements use significant unobservable inputs. Changes to these assumptions could require us to record impairment charges on these assets.

We have six reporting units with goodw ill assigned to them. In the fourth quarter of 2017, we determined our Spine, less Asia Pacific ("Spine") reporting unit's carrying value was in excess of its estimated fair value. Fair value was determined using income and market approaches. Fair value under the income approach was determined by discounting to present value the estimated future cash flows of the reporting unit. Fair value under the market approach utilized the guideline public company methodology, which uses valuation indicators determ ined from other businesses that are similar to our Spine reporting unit. As a result, we recorded a goodwill impairment charge for the Spine reporting unit of $272.0 million in 2017. As of December 31, 2017, $421.5 million of goodwill remains for this re porting unit.

Also, in the third quarter of 2017, we recognized a goodwill impairment charge of $32.7 million on our Office Based Technologies reporting unit using a market approach. The $32.7 million impairment represented the entire goodwill balance of the reporting unit and, therefore, no goodwill remains.

See Note 9 to our consolidated financial statements for further discussion and the factors that contributed to these impairment charges and the factors that could lead to further impairment.

For our other five reporting units that have goodwill assigned to them, their estimated fair value exceeded their carrying value by more than 10 percent. We estimated the fair value of those reporting units using the income and market approaches. If we do not achieve our forecasted operating results or if market valuation indicators decline, we could be required to recognize additional goodwill impairment charges in the future.

RECENT ACCOUNTING PRONOUNCEMENTS

See Note 2 to our consolidated financial statements for information on how recent accounting pronouncements have affected or may affect our financial position, results of operations or cash flows.

Item 7A. Quantitative and Qualitative Disclosures About Market Risk

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, interest rates and commodity prices that could affect our financial condition, results of operations and cash flows. We manage our exposure to these and other market risks through regular operating and financing activities and through the use of derivative financial instruments. We use derivative financial instruments solely as risk management tools and not for speculative investment purposes.

FOREIGN CURRENCY EXCHANGE RISK

We operate on a global basis and are exposed to the risk that our financial condition, results of operations and cash flows could be adversely affected by changes in foreign currency exchange rates. We are primarily exposed to foreign currency exchange rate risk with respect to transactions and net assets denominated in Euros, Swiss Francs, Japanese Yen, British Pounds, Canadian Dollars, Australian Dollars, Korean Won, Swedish Krona, Czech Koruna, Thai Baht, Taiwan Dollars, South African Rand, Russian Rubles, Indian Rupees, Turkish Lira, Polish Zloty, Danish Krone, and Norwegian Krone. We manage the foreign currency exposure centrally, on a combined basis, which allows us to net exposures and to take advantage of any natural offsets. To reduce the uncertainty of foreign currency exchange rate movements on transactions denominated in foreign currencies, we enter into derivative financial instruments in the form of foreign currency exchange forward contracts and options with major financial institutions. These forward contracts and options are designed to hedge anticipated foreign currency transactions, primarily intercompany sale and purchase transactions, for periods consistent with commitments. Realized and unrealized gains and losses on these contracts and options that qualify as cash flow hedges are temporarily recorded in other comprehensive income, then recognized in cost of products sold when the hedged item affects net earnings.

For contracts outstanding at December 31, 2017, we had obligations to purchase U.S. Dollars and sell Euros, Japanese Yen, British Pounds, Canadian Dollars, Australian Dollars, Korean Won, Swedish Krona, Czech Koruna, Thai Baht, Taiwan Dollars, South African Rand, Russian Rubles, Indian Rupees, Turkish Lira, Polish Zloty, Danish Krone, and Norwegian Krone and purchase Swiss Francs and sell U.S. Dollars at set maturity dates ranging from January 2018 through June 2020. The notional amounts of outstanding forward contracts entered into with third parties to purchase U.S. Dollars at December 31, 2017 were $1,735.9 million. The notional amounts of outstanding forward contracts entered into with third parties to purchase Swiss Francs at December 31, 2017 were $291.3 million. The weighted average contract rates outstanding at December 31, 2017 were Euro:USD 1.17, USD:Swiss

Franc 0.94, USD:Japanese Yen 106.74, British Pound:USD 1.39, USD:Canadian Dollar 1.30, Australian Dollar:USD 0.75, USD:Korean Won 1,137, USD:Swedish Krona 8.36, USD:Czech Kor una 23.01, USD:Thai Baht 34.82, USD:Taiwan Dollar 30.86, USD:South African Rand 14.26, USD:Russian Ruble 63.05, USD:Indian Ruppee 69.12, USD:Turkish Lira 3.96, USD:Polish Zloty 3.80, USD:Danish Krone 6.42, and USD:Norwegian Krone 8.19.

We maintain written policies and procedures governing our risk management activities. Our policy requires that critical terms of hedging instruments be the same as hedged forecasted transactions. On this basis, with respect to cash flow hedges, changes in cash flows attributable to hedged transactions are generally expected to be completely offset by changes in the fair value of hedge instruments. As part of our risk management program, we also perform sensitivity analyses to assess potential changes in revenue, operating results, cash flows and financial position relating to hypothetical movements in currency exchange rates. A sensitivity analysis of changes in the fair value of foreign currency exchange forward contracts outstanding at December 31, 2017 indicated that, if the U.S. Dollar uniformly changed in value by 10 percent relative to the various currencies, with no change in the interest differentials, the fair value of those contracts would increase or decrease earnings before income taxes in periods through June 2020, depending on the direction of the change, by the following average approximate amounts (in millions):

Currency	Average Amount
Euro	$ 59.5
Swiss Franc	29.8
Japanese Yen	47.7
British Pound	4.7
Canadian Dollar	16.3
Australian Dollar	19.3
Korean Won	3.2
Swedish Krona	2.4
Czech Koruna	1.5
Thai Baht	0.8
Taiwan Dollars	3.8
South African Rand	0.9
Russian Rubles	1.6
Indian Rupees	1.3
Turkish Lira	0.1
Polish Zloty	2.9
Danish Krone	3.9
Norwegian Krone	2.0

Any change in the fair value of foreign currency exchange forward contracts as a result of a fluctuation in a currency exchange rate is expected to be largely offset by a change in the value of the hedged transaction. Consequently, foreign currency 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 net assets, excluding goodwill, in legal entities with non-U.S. Dollar functional currencies of $2,839.5 million at December 31, 2017, primarily in Euros, Japanese Yen and Australian Dollars.

We enter into foreign currency forward exchange contracts with terms of one month to manage currency exposures for monetary assets and liabilities denominated in a currency other than an entity’s functional currency. As a result, foreign currency remeasurement gains/losses recognized in earnings are generally offset with gains/losses on the foreign currency forward exchange contracts in the same reporting period.

For details about these and other financial instruments, including fair value methodologies, see Note 13 to our consolidated financial statements.

COMMODITY PRICE RISK

We purchase raw material commodities such as cobalt chrome, titanium, tantalum, polymer and sterile packaging. We enter into supply contracts generally with terms of 12 to 24 months, where available, on these commodities to alleviate the effect of market fluctuation in prices. As part of our risk management program, we perform sensitivity analyses related to potential commodity price changes. A 10 percent price change across all these commodities would not have a material effect on our consolidated financial position, results of operations or cash flows.

INTEREST RATE RISK

In the normal course of business, we are exposed to market risk from changes in interest rates that could affect our results of operations and financial condition. We manage our exposure to interest rate risks through our regular operations and financing activities.

We invest our cash and cash equivalents primarily in highly-rated corporate commercial paper and bank deposits. The primary investment objective is to ensure capital preservation. Currently, we do not use derivative financial instruments in our investment portfolio.

We are exposed to interest rate risk on our debt obligations and our cash and cash equivalents.

We have multiple variable-to-fixed interest rate swap agreements that we have designated as cash flow hedges of the variable interest rate obligations on our U.S. Term Loan B. The total notional amount is $375.0 million. The interest rate swaps minimize the exposure to changes in the LIBOR interest rates while the variable-rate debt is outstanding. The weighted average fixed interest rate for all of the outstanding interest rate swap agreements is approximately 0.82 percent through September 30, 2019.

The interest rate swap agreements are intended to manage our exposure to interest rate movements by converting variable-rate debt into fixed-rate debt. The objective of the instruments is to limit exposure to interest rate movements.

For details about these and other financial instruments, including fair value methodologies, see Note 13 to our consolidated financial statements.

Based upon our overall interest rate exposure as of December 31, 2017, a change of 10 percent in interest rates, assuming the principal amount outstanding remains constant, would not have a material effect on net interest expense. This analysis does not consider the effect of the change in the level of overall economic activity that could exist in such an environment.

CREDIT RISK

Financial instruments, which potentially subject us to concentrations of credit risk, are primarily cash and cash equivalents, derivative instruments, counterparty transactions and accounts receivable.

We place our investments in highly-rated financial institutions or highly-rated debt securities and limit the amount of credit exposure to any one entity. We believe we do not have any significant credit risk on our cash and cash equivalents.

We are exposed to credit loss if the financial institutions or counterparties issuing the debt security fail to perform. However, this loss is limited to the amounts, if any, by which the obligations of the counterparty to the financial instrument contract exceed our obligation. We also minimize exposure to credit risk by dealing with a diversified group of major financial institutions. We manage credit risk by monitoring the financial condition of our counterparties using standard credit guidelines. We do not anticipate any nonperformance by any of the counterparties.

Our concentrations of credit risks with respect to trade accounts receivable is li mited due to the large number of customers and their dispersion across a number of geographic areas and by frequent monitoring of the creditworthiness of the customers to whom credit is granted in the normal course of business. Substantially all of our tr ade receivables are concentrated in the public and private hospital and healthcare industry in the U.S. and internationally or with distributors or dealers who operate in international markets and, accordingly, are exposed to their respective business, eco nomic and country specific variables. Our ability to collect accounts receivable in some countries depends in part upon the financial stability of these hospital and healthcare sectors and the respective countries' national economic and healthcare systems . Most notably, in Europe healthcare is typically sponsored by the government. Since we sell products to public hospitals in those countries, we are indirectly exposed to government budget constraints. To the extent the respective governments' ability t o fund their public hospital programs deteriorates, we may have to record significant bad debt expenses in the future.

While we are exposed to risks from the broader healthcare industry in Europe and around the world, there is no significant net exposure due to any individual customer. Exposure to credit risk is controlled through credit approvals, credit limits and monitoring procedures, and we believe that reserves for losses are adequate.

Item 8. Financial Statemen ts and Supplementary Data

Zimmer Biomet Holdings, Inc.
Index to Consolidated Financial Statements

Financial Statements:	**Page**
Report of Independent Registered Public Accounting Firm	46
Consolidated Statements of Earnings for the Years Ended December 31, 2017, 2016 and 2015	48
Consolidated Statements of Comprehensive Income (Loss) for the Years Ended December 31, 2017, 2016 and 2015	49
Consolidated Balance Sheets as of December 31, 2017 and 2016	50
Consolidated Statements of Stockholders' Equity for the Years Ended December 31, 2017, 2016 and 2015	51
Consolidated Statements of Cash Flows for the Years Ended December 31, 2017, 2016 and 2015	52
Notes to Consolidated Financial Statements	53

Report of Independent Regist ered Public Accounting Firm

To the Board of Directors and Stockholders of Zimmer Biomet Holdings, Inc.

Opinions on the Financial Statements and Internal Control over Financial Reporting

We have audited the accompanying consolidated balance sheets of Zimmer Biomet Holdings, Inc. and its subsidiaries as of December 31, 2017 and 2016 and the related consolidated statements of earnings, comprehensive income (loss), stockholders' equity and cash flows for each of the three years in the period ended December 31, 2017, including the related notes and the financial statement schedule of valuation and qualifying accounts for each of the three years in the period ended December 31, 2017 appearing under Item 15(a)(2), (collectively referred to as the "consolidated financial statements"). We also have audited the Company's internal control over financial reporting as of December 31, 2017, based on criteria established in *Internal Control - Integrated Framework* (2013) issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO).

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of the Company as of December 31, 2017 and 2016 **,** and the results of their operations and their cash flows for each of the three years in the period ended December 31, 2017 in conformity with accounting principles generally accepted in the United States of America. Also in our opinion, the Company maintained, in all material respects, effective internal control over financial reporting as of December 31, 2017, based on criteria established in *Internal Control - Integrated Framework* (2013) issued by the COSO.

Basis for Opinions

The Company's management is responsible for these consolidated financial statements, for maintaining effective internal control over financial reporting, and for its assessment of the effectiveness of internal control over financial reporting , included in Management's Annual Report on Internal Control over Financial Reporting appearing under Item 9A . Our responsibility is to express opinions on the Company's consolidated financial statements and on the Company's internal control over financial reporting based on our audits. We are a public accounting firm registered with the Public Company Accounting Oversight Board (United States) ("PCAOB") and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audits i n accordance with the standards of the PCAOB. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement, whether due to error or fraud, and whether effective internal control over financial reporting was maintained in all material respects.

Our audits of the consolidated financial statements included performing procedures to assess the risks of material misstatement of the consolidated financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the consolidated financial statements. Our audits also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements. Our audit of internal control over financial reporting included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, and testing and evaluating the design and operating effectiveness of internal control based on the assessed risk. Our audits also included performing such other procedures as we considered necessary in the circumstances. We believe that our audits provide a reasonable basis for our opinions.

Definition and Limitations of Internal Control over Financial Reporting

A company's internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal control over financial reporting includes those policies and procedures that (i) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (ii) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (iii) provide reasonable

assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

/s/ PricewaterhouseCoopers LLP
Chicago, Illinois
February 27, 2018

We have served as the Company's auditor since 2000.

ZIMMER BIOMET HOLDINGS, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF EARNINGS
(in millions, except per share amounts)

	For the Years Ended December 31,		
	2017	**2016**	**2015**
Net Sales	$ 7,824.1	$ 7,683.9	$ 5,997.8
Cost of products sold, excluding intangible asset amortization	2,132.9	2,381.8	1,800.6
Intangible asset amortization	603.9	565.9	337.4
Research and development	367.4	365.6	268.8
Selling, general and administrative	2,973.9	2,932.9	2,284.2
Goodwill impairment	304.7	-	-
Special items (Note 2)	633.1	611.8	839.5
Operating expenses	7,015.9	6,858.0	5,530.5
Operating Profit	808.2	825.9	467.3
Other expense, net	(18.3)	(71.3)	(36.9)
Interest income	2.2	2.9	9.4
Interest expense	(327.5)	(357.9)	(286.6)
Earnings before income taxes	464.6	399.6	153.2
(Benefit) provision for income taxes	(1,348.8)	95.0	7.0
Net earnings	1,813.4	304.6	146.2
Less: Net loss attributable to noncontrolling interest	(0.4)	(1.3)	(0.8)
Net Earnings of Zimmer Biomet Holdings, Inc.	$ 1,813.8	$ 305.9	$ 147.0
Earnings Per Common Share - Basic	$ 8.98	$ 1.53	$ 0.78
Earnings Per Common Share - Diluted	$ 8.90	$ 1.51	$ 0.77
Weighted Average Common Shares Outstanding			
Basic	201.9	200.0	187.4
Diluted	203.7	202.4	189.8
Cash Dividends Declared Per Common Share	$ 0.96	$ 0.96	$ 0.88

The accompanying notes are an integral part of these consolidated financial statements.

ZIMMER BIOMET HOLDINGS, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (LOSS)
(in millions)

	For the Years Ended December 31,		
	2017	2016	2015
Net Earnings	$ 1,813.4	$ 304.6	$ 146.2
Other Comprehensive Income (Loss):			
Foreign currency cumulative translation adjustments, net of tax	445.0	(130.0)	(305.2)
Unrealized cash flow hedge (losses)/gains, net of tax	(95.0)	28.3	52.7
Reclassification adjustments on cash flow hedges, net of tax	(3.8)	(25.8)	(93.0)
Unrealized gains/(losses) on securities, net of tax	-	0.5	(0.2)
Adjustments to prior service cost and unrecognized actuarial assumptions, net of tax	4.6	22.0	(21.4)
Total Other Comprehensive Income (Loss)	350.8	(105.0)	(367.1)
Comprehensive Income (Loss)	2,164.2	199.6	(220.9)
Comprehensive Loss Attributable to Noncontrolling Interest	(1.3)	(0.5)	(0.3)
Comprehensive Income (Loss) Attributable to Zimmer Biomet Holdings, Inc.	$ 2,165.5	$ 200.1	$ (220.6)

The accompanying notes are an integral part of these consolidated financial statements.

ZIMMER BIOMET HOLDINGS, INC. AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS
(in millions)

	As of December 31,	
	2017	**2016**
ASSETS		
Current Assets:		
Cash and cash equivalents	$ 524.4	$ 634.1
Accounts receivable, less allowance for doubtful accounts	1,494.6	1,604.4
Inventories	2,081.8	1,959.4
Prepaid expenses and other current assets	414.5	465.7
Total Current Assets	4,515.3	4,663.6
Property, plant and equipment, net	2,038.6	2,037.9
Goodwill	10,668.4	10,643.9
Intangible assets, net	8,353.4	8,785.4
Other assets	388.8	553.6
Total Assets	$ 25,964.5	$ 26,684.4
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current Liabilities:		
Accounts payable	$ 330.2	$ 364.5
Income taxes payable	165.2	183.5
Other current liabilities	1,299.8	1,257.9
Current portion of long-term debt	1,225.0	575.6
Total Current Liabilities	3,020.2	2,381.5
Deferred income taxes, net	1,101.5	3,030.9
Long-term income tax payable	744.0	473.7
Other long-term liabilities	445.8	462.6
Long-term debt	8,917.5	10,665.8
Total Liabilities	14,229.0	17,014.5
Commitments and Contingencies (Note 19)		
Stockholders' Equity:		
Common stock, $0.01 par value, one billion shares authorized, 306.5 million (304.7 million in 2016) issued	3.1	3.1
Paid-in capital	8,514.9	8,368.5
Retained earnings	10,022.8	8,467.1
Accumulated other comprehensive loss	(83.2)	(434.0)
Treasury stock, 103.9 million shares (104.1 million shares in 2016)	(6,721.8)	(6,735.8)
Total Zimmer Biomet Holdings, Inc. stockholders' equity	11,735.8	9,668.9
Noncontrolling interest	(0.3)	1.0
Total Stockholders' Equity	11,735.5	9,669.9
Total Liabilities and Stockholders' Equity	$ 25,964.5	$ 26,684.4

The accompanying notes are an integral part of these consolidated financial statements.

ZIMMER BIOMET HOLDINGS, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY
(in millions)

	Zimmer Biomet Holdings, Inc. Stockholders								
	Common Shares		Paid-in Capital	Retained Earnings	Accumulated Other Comprehensive Income (Loss)	Treasury Shares		Noncontrolling Interest	Total Stockholders' Equity
	Number	Amount				Number	Amount		
Balance January 1,2015	268.4	$ 2.7	$ 4,330.7	$ 8,362.1	$ 38.1	(98.7)	$ (6,183.7)	$ 1.8	$ 6,551.7
Net earnings	-	-	-	147.0	-	-	-	(0.8)	146.2
Other comprehensive loss	-	-	-	-	(367.1)	-	-	0.5	(366.6)
Cash dividends declared	-	-	-	(164.4)	-	-	-	-	(164.4)
Stock compensation plans	1.6	-	142.2	3.0	-	0.1	4.6	-	149.8
Share repurchases	-	-	-	-	-	(1.4)	(150.0)	-	(150.0)
Biomet merger consideration	32.7	0.3	3,722.4	-	-	-	-	-	3,722.7
Balance December 31, 2015	302.7	3.0	8,195.3	8,347.7	(329.0)	(100.0)	(6,329.1)	1.5	9,889.4
Net earnings	-	-	-	305.9	-	-	-	(1.3)	304.6
Other comprehensive loss	-	-	-	-	(105.0)	-	-	0.8	(104.2)
Cash dividends declared	-	-	-	(191.9)	-	-	-	-	(191.9)
Stock compensation plans	2.0	0.1	173.2	5.4	-	0.1	8.8	-	187.5
Share repurchases	-	-	-	-	-	(4.2)	(415.5)	-	(415.5)
Balance December 31, 2016	304.7	3.1	8,368.5	8,467.1	(434.0)	(104.1)	(6,735.8)	1.0	9,669.9
Net earnings	-	-	-	1,813.8	-	-	-	(0.4)	1,813.4
Other comprehensive income	-	-	-	-	350.8	-	-	(0.9)	349.9
Cash dividends declared	-	-	-	(194.1)	-	-	-	-	(194.1)
Retrospective adoption of new accounting standard	-	-	-	(77.8)	-	-	-	-	(77.8)
Stock compensation plans	1.8	-	146.4	13.8	-	0.2	14.0	-	174.2
Balance December 31, 2017	306.5	$ 3.1	$ 8,514.9	$ 10,022.8	$ (83.2)	(103.9)	$ (6,721.8)	$ (0.3)	$ 11,735.5

The accompanying notes are an integral part of these consolidated financial statements.

ZIMMER BIOMET HOLDINGS, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
(in millions)

	For the Years Ended December 31,		
	2017	**2016**	**2015**
Cash flows provided by (used in) operating activities:			
Net earnings	$ 1,813.4	$ 304.6	$ 146.2
Adjustments to reconcile net earnings to net cash provided by operating activities:			
Depreciation and amortization	1,062.7	1,039.3	712.4
Biomet merger consideration compensation expense	-	-	90.4
Share-based compensation	53.7	57.3	46.4
Goodwill and intangible asset impairment	331.5	30.0	-
Excess income tax benefit from stock option exercises	-	-	(11.8)
Inventory step-up	32.8	323.3	317.8
Gain on divestiture of assets	-	-	(19.0)
Debt extinguishment	-	53.3	22.0
Deferred income tax provision	(1,776.0)	(153.2)	(164.0)
Changes in operating assets and liabilities, net of acquired assets and liabilities			
Income taxes	150.2	(10.9)	244.7
Receivables	176.5	(137.8)	(56.1)
Inventories	(122.8)	76.4	(205.4)
Accounts payable and accrued liabilities	(148.2)	28.7	(252.0)
Other assets and liabilities	8.5	21.2	(21.8)
Net cash provided by operating activities	1,582.3	1,632.2	849.8
Cash flows provided by (used in) investing activities:			
Additions to instruments	(337.0)	(345.5)	(266.4)
Additions to other property, plant and equipment	(156.0)	(184.7)	(167.7)
Purchases of investments	-	(1.5)	(214.8)
Sales of investments	-	286.2	802.9
Proceeds from divestiture of assets	-	-	69.9
Biomet acquisition, net of acquired cash	-	-	(7,760.1)
LDR acquisition, net of acquired cash	-	(1,021.1)	-
Business combination investments, net of acquired cash	(4.0)	(421.9)	-
Investments in other assets	(13.8)	(3.0)	(21.7)
Net cash used in investing activities	(510.8)	(1,691.5)	(7,557.9)
Cash flows provided by (used in) financing activities:			
Proceeds from senior notes	-	1,073.5	7,628.2
Proceeds from multicurrency revolving facility	400.0	-	-
Payments on multicurrency revolving facility	(400.0)	-	-
Redemption of senior notes	(500.0)	(1,250.0)	(2,762.0)
Proceeds from term loan	192.7	750.0	3,000.0
Payments on term loan	(940.0)	(800.0)	(500.0)
Net (payments) proceeds on other debt	(0.9)	(33.1)	0.1
Dividends paid to stockholders	(193.6)	(188.4)	(157.1)
Proceeds from employee stock compensation plans	145.5	136.6	105.2
Unremitted collections from factoring programs	103.5	-	-
Business combination contingent consideration payments	(9.1)	-	-
Restricted stock withholdings	(8.3)	(6.3)	(11.1)
Excess income tax benefit from stock option exercises	-	-	11.8
Debt issuance costs	(0.3)	(10.0)	(58.4)
Repurchase of common stock	-	(415.5)	(150.0)
Net cash (used in) provided by financing activities	(1,210.5)	(743.2)	7,106.7
Effect of exchange rates on cash and cash equivalents	29.3	(22.7)	(22.6)
(Decrease) increase in cash and cash equivalents	(109.7)	(825.2)	376.0
Cash and cash equivalents, beginning of year	634.1	1,459.3	1,083.3
Cash and cash equivalents, end of period	$ 524.4	$ 634.1	$ 1,459.3

The accompanying notes are an integral part of these consolidated financial statements.

1. Business

We design, manufacture and market orthopaedic reconstructive products; sports medicine, biologics, extremities and trauma products; office based technologies; spine, craniomaxillofacial and thoracic products; dental implants; and related surgical products. We collaborate with healthcare professionals around the globe to advance the pace of innovation. Our products and solutions help treat patients suffering from disorders of, or injuries to, bones, joints or supporting soft tissues. Together with healthcare professionals, we help millions of people live better lives.

The words "Zimmer Biomet," "we," "us," "our," "the Company" and similar words refer to Zimmer Biomet Holdings, Inc. and its subsidiaries. "Zimmer Biomet Holdings" refers to the parent company only. "Zimmer" used alone refers to the business or information of us and our subsidiaries on a stand-alone basis without inclusion of the business or information of LVB Acquisition, Inc. ("LVB") or any of its subsidiaries, including Biomet, Inc. ("Biomet"), all of which we acquired in June 2015 (sometimes hereinafter referred to as the "Biomet merger" or the "merger").

2. Significant Accounting Policies

Basis of Presentation - The consolidated financial statements include the accounts of Zimmer Biomet Holdings and its subsidiaries in which it holds a controlling financial interest. All significant intercompany accounts and transactions are eliminated. Certain amounts in the 2015 and 2016 consolidated financial statements have been reclassified to conform to the 2017 presentation.

Use of Estimates - The consolidated financial statements are prepared in conformity with accounting principles generally accepted in the U.S. which require us to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Foreign Currency Translation - The financial statements of our foreign subsidiaries are translated into U.S. Dollars using period-end exchange rates for assets and liabilities and average exchange rates for operating results. Unrealized translation gains and losses are included in accumulated other comprehensive income in stockholders' equity. When a transaction is denominated in a currency other than the subsidiary's functional currency, we recognize a transaction gain or loss when the transaction is settled. Foreign currency transaction gains and losses included in net earnings for the years ended December 31, 2017, 2016 and 2015 were not significant.

Revenue Recognition - We sell product through three principal channels: 1) direct to healthcare institutions, referred to as direct channel accounts; 2) through stocking distributors and healthcare dealers; and 3) directly to dental practices and dental laboratories. The direct channel accounts represented approximately 75 percent of our net sales in 2017. Through this channel, inventory is generally consigned to sales agents or customers so that products are available when needed for surgical procedures. No revenue is recognized upon the placement of inventory into consignment as we retain title and maintain the inventory on our balance sheet. Upon implantation, we issue an invoice and revenue is recognized. Pricing for products is generally predetermined by contracts with customers, agents acting on behalf of customer groups or by government regulatory bodies, depending on the market. Price discounts under group purchasing contracts are generally linked to volume of implant purchases by customer healthcare institutions within a specified group. At negotiated thresholds within a contract buying period, price discounts may increase.

Sales to stocking distributors, healthcare dealers, dental practices and dental laboratories accounted for approximately 25 percent of our net sales in 2017. With these types of sales, revenue is recognized when title to product passes, either upon shipment of the product or in some cases upon implantation of the product. Product is generally sold at contractually fixed prices for specified periods. Payment terms vary by customer, but are typically less than 90 days.

If sales incentives are earned by a customer for purchasing a specified amount of our product, we estimate whether such incentives will be achieved and, if so, recognize these incentives as a reduction in revenue in the same period the underlying revenue transaction is recognized. Occasionally, products are returned and, accordingly, we maintain

an estimated sales return reserve that is recorded as a reduction in revenue. Product returns were not significant for the years ended December 31, 2017, 2016 and 2015.

Taxes collected from customers and remitted to governmental authorities are presented on a net basis and excluded from revenues.

Shipping and Handling - Amounts billed to customers for shipping and handling of products are reflected in net sales and are not significant. Expenses incurred related to shipping and handling of products are reflected in selling, general and administrative expenses and were $263.6 million, $231.7 million and $214.2 million for the years ended December 31, 2017, 2016 and 2015, respectively.

Research and Development - We expense all research and development ("R&D") costs as incurred except when there is alternative future use for the R&D. R&D costs include salaries, prototypes, depreciation of equipment used in R&D, consultant fees and service fees paid to collaborative partners. Where contingent milestone payments are due to third parties under R&D arrangements, the milestone payment obligations are expensed when the milestone results are achieved.

Litigation - We record a liability for contingent losses, including future legal costs, settlements and judgments, when we consider it is probable that a liability has been incurred and the amount of the loss can be reasonably estimated.

Special Items - We recognize expenses resulting directly from our business combinations, employee termination benefits, certain R&D agreements, certain contract terminations, intangible asset impairment, consulting and professional fees and asset impairment or loss on disposal charge s connected with global restructuring, quality enhancement and remediation efforts, operational excellence initiatives, and other items as "Special items" in our consolidated statement of earnings. "Special items" included (in millions):

	For the Years Ended December 31,		
	2017	2016	2015
Biomet-related			
Merger consideration compensation expense	$ -	$ -	$ 90.4
Retention plans	-	-	73.0
Consulting and professional fees	81.5	220.4	167.4
Employee termination benefits	12.1	50.8	101.0
Dedicated project personnel	50.6	79.8	62.3
Relocated facilities	7.7	19.1	5.6
Certain litigation matters	15.5	2.5	-
Contract terminations	5.2	39.9	95.0
Information technology integration	5.9	14.3	5.2
Intangible asset impairment	26.8	30.0	-
Loss/impairment on assets	9.8	13.0	-
Other	32.9	17.5	19.2
Total Biomet-related	248.0	487.3	619.1
Other			
Consulting and professional fees	218.1	33.0	114.8
Employee termination benefits	3.5	7.0	1.9
Dedicated project personnel	45.6	17.3	31.8
Relocated facilities	6.3	0.2	-
Certain litigation matters	78.2	30.8	31.2
Certain claims (Note 19)	10.3	-	7.7
Contract terminations	3.9	2.9	-
Information technology integration	2.9	1.3	1.8
Intangible asset impairment	-	1.1	-
Loss/impairment on assets	-	-	3.8
LDR merger consideration compensation expense	-	24.1	-
Contingent consideration adjustments	(4.5)	-	2.4
Certain R&D agreements	2.5	-	-
Other	18.3	6.8	25.0
Total Other	385.1	124.5	220.4
Special items	$ 633.1	$ 611.8	$ 839.5

Pursuant to the Biomet merger agreement, all outstanding LVB stock options and LVB stock-based awards vested immediately prior to the effective time of the merger, and holders of these options and awards received a portion of the aggregate merger consideration. Some of these options and awards were already vested under the terms of LVB's equity incentive plans. We accounted for the fair value of the consideration we paid in exchange for previously vested options and awards as consideration to complete the merger. As part of the merger agreement terms, all previously unvested options and awards vested immediately prior to the effective time of the merger. Under LVB's equity incentive plans, unvested options and awards would have otherwise been forfeited. We have concluded that the discretionary accelerated vesting of these unvested options and awards was for the economic benefit of the combined company, and, therefore, we classified the fair value of the merger consideration we paid to holders of such unvested options and awards of $90.4 million as compensation expense in 2015. Under similar terms, a portion of LDR Holding Corporation ("LDR") stock options and LDR stock-based awards vested immediately before the LDR merger and we recognized compensation expense of $24.1 million in 2016.

Pursuant to the Biomet merger agreement, retention plans were established for certain Biomet employees and third-party sales agents. Retention payments were earned by employees and third-party sales agents who remained with Biomet through the Closing Date. We recognized $73.0 million of expense resulting from these retention plans in 2015.

Consulting and professional fees include expenditures related to third-party integration consulting performed in a variety of areas such as tax, compliance, logistics and human resources for our business combinations including our merger with Biomet; legal fees related to the consummation of merg ers and acquisitions and certain litigation and compliance matters; other consulting and professional fees and contract labor related to our quality enhancement and remediation efforts and operational excellence initiatives; third-party fees related to sev erance and termination benefits matters; costs of complying with our deferred prosecution agreement with the U.S. Department of Justice; and consulting fees related to certain information system integrations.

After the closing date of the Biomet merger, we started to implement our integration plans to drive operational synergies. Part of these integration plans included termination of employees and certain contracts with independent agents, distributors, suppliers and lessors. Our integration plans are expected to last through mid-2018 and we expect to incur approximately a total of $170 million for employee termination benefits and $140 million for contract termination expense in that time period. As of December 31, 2017, we had incurred a cumulative total of $163.9 million for employee termination benefits and $140.1 million for contract termination expense. Accordingly, our integration plans with respect to employee termination benefits and contract termination expenses are substantially complete. The following table summarizes the liabilities related to these integration plans (in millions):

	Employee Termination Benefits	Contract Terminations	Total
Balance, December 31, 2016	$ 38.1	$ 35.1	$ 73.2
Additions	12.1	5.2	17.3
Cash payments	(36.7)	(10.4)	(47.1)
Foreign currency exchange rate changes	1.3	0.4	1.7
Balance, December 31, 2017	$ 14.8	$ 30.3	$ 45.1

We have also recognized other employee termination benefits related to LDR, other acquisitions and our operational excellence initiatives.

Dedicated project personnel expenses include the salary, benefits, travel expenses and other costs directly associated with employees who are 100 percent dedicated to our integration of acquired businesses, employees who have been notified of termination, but are continuing to work on transferring their responsibilities and employees working on our quality enhancement and remediation efforts and operational excellence initiatives.

Relocated facilities expenses are the moving costs, lease expenses and other facility costs incurred during the relocation period in connection with relocating certain facilities.

Certain litigation matters relate to net expenses recognized during the year for the estimated or actual settlement of certain pending litigation and similar claims, including matters where we recognized income from a settlement on more favorable terms than our previous estimate, or we reduced our estimate of a previously recorded contingent liability. These litigation matters have included royalty disputes, patent litigation matters, product liability litigation matters and commercial litigation matters.

Contract termination costs relate to terminated agreements in connection with the integration of acquired companies and changes to our distribution model as part of business restructuring and operational excellence initiatives. The terminated contracts primarily relate to sales agents and distribution agreements.

Information technology integration costs are non-capitalizable costs incurred related to integrating information technology platforms of acquired companies or other significant software implementations as part of our quality and operational excellence initiatives.

As part of the Biomet merger, we recognized $209.0 million of intangible assets for in-process research and development (“IPR&D”) projects. During 2017 and 2016, we recorded impairment losses of $18.8 million and $30.0 million, respectively, related to these IPR&D intangible assets. The impairments were primarily due to the termination of certain IPR&D projects. We also recognized $479.0 million of intangible assets for trademarks that we designated as having an indefinite life. During 2017, we reclassified one of these trademarks to a finite life asset which resulted in an impairment of $8.0 million.

Loss/impairment on disposal of assets relates to assets that w e have sold or intend to sell, or for which the economic useful life of the asset has been significantly reduced due to integration or our quality and operational excellence initiatives.

Contingent consideration adjustments represent the changes in the fair value of contingent consideration obligations to be paid to the prior owners of acquired businesses.

Certain R&D agreements relate to agreements with upfront payments to obtain intellectual property to be used in R&D projects that have no alternative future use in other projects.

Cash and Cash Equivalents - We consider all highly liquid investments with an original maturity of three months or less to be cash equivalents. The carrying amounts reported in the balance sheet for cash and cash equivalents are valued at cost, which approximates their fair value.

Accounts Receivable - Accounts receivable consists of trade and other miscellaneous receivables. We grant credit to customers in the normal course of business and maintain an allowance for doubtful accounts for potential credit losses. We determine the allowance for doubtful accounts by geographic market and take into consideration historical credit experience, creditworthiness of the customer and other pertinent information. We make concerted efforts to collect all accounts receivable, but sometimes we have to write-off the account against the allowance when we determine the account is uncollectible. The allowance for doubtful accounts was $60.2 million and $51.6 million as of December 31, 2017 and 2016, respectively.

Inventories - Inventories are stated at the lower of cost or market, with cost determined on a first-in first-out basis.

Property, Plant and Equipment - Property, plant and equipment is carried at cost less accumulated depreciation. Depreciation is computed using the straight-line method based on estimated useful lives of ten to forty years for buildings and improvements and three to eight years for machinery and equipment. Maintenance and repairs are expensed as incurred. We review property, plant and equipment for impairment whenever events or changes in circumstances indicate that the carrying value of an asset may not be recoverable. An impairment loss would be recognized when estimated future undiscounted cash flows relating to the asset are less than its carrying amount. An impairment loss is measured as the amount by which the carrying amount of an asset exceeds its fair value.

Software Costs - We capitalize certain computer software and software development costs incurred in connection with developing or obtaining computer software for internal use when both the preliminary project stage is completed and it is probable that the software will be used as intended. Capitalized software costs generally include external direct costs of materials and services utilized in developing or obtaining computer software and compensation and related benefits for employees who are directly associated with the software project. Capitalized software costs are included in property, plant and equipment on our balance sheet and amortized on a straight-line or weighted average estimated user basis when the software is ready for its intended use over the estimated useful lives of the software, which approximate three to fifteen years.

Instruments - Instruments are hand-held devices used by surgeons during total joint replacement and other surgical procedures. Instruments are recognized as long-lived assets and are included in property, plant and equipment. Undeployed instruments are carried at cost or realizable value. Instruments in the field are carried at cost less accumulated depreciation. Depreciation is computed using the straight-line method based on average estimated useful lives, determined principally in reference to associated product life cycles, primarily five years. We review instruments for impairment whenever events or changes in circumstances indicate that the carrying value of an instrument may not be recoverable. Depreciation of instruments is recognized as selling, general and administrative expense.

Goodwill - Goodwill is not amortized but is subject to annual impairment tests. Goodwill has been assigned to reporting units. We perform annual impairment tests by either comparing a reporting unit’s estimated fair value to its carrying amount or doing a qualitative assessment of a reporting unit’s fair value from the last quantitative assessment to determine if there is potential impairment. We may do a qualitative assessment when the results of the previous quantitative test indicated the reporting unit’s estimated fair value was significantly in excess of the carrying value of its net assets and we do not believe there have been significant changes in the reporting unit’s operations that would significantly decrease its estimated fair value or significantly increase its net assets. If a quantitative assessment is performed, the fair value of the reporting unit and the fair value of goodwill are determined based upon a discounted cash flow analysis and/or use of a market approach by looking at market values of comparable companies. Significant assumptions are incorporated into our discounted cash flow analyses such as

estimated growth rates and risk-adjusted discount rates. We perform this test in the fourth quarter of the year or whenever events or changes in circumstances indicate that the carrying value of the reporting unit's assets may not be recoverable. If the fair value of the reporting unit is less than its carrying value, an impairment loss is recorded in the amo unt that the carrying value of the business unit exceeds the fair value. See Note 9 for more information regarding goodwill.

Intangible Assets - Intangible assets are initially measured at their fair value. We have determined the fair value of our intangible assets either by the fair value of the consideration exchanged for the intangible asset or the estimated after-tax discounted cash flows expected to be generated from the intangible asset. Intangible assets with an indefinite life, including certain trademarks and trade names and IPR&D projects, are not amortized. Indefinite life intangible assets are assessed annually to determine whether events and circumstances continue to support an indefinite life. Intangible assets with a finite life, including core and developed technology, certain trademarks and trade names, customer-related intangibles, intellectual property rights and patents and licenses are amortized on a straight-line basis over their estimated useful life, ranging from less than one year to twenty years. Intangible assets with a finite life are tested for impairment whenever events or circumstances indicate that the carrying amount may not be recoverable.

Intangible assets with an indefinite life are tested for impairment annually or whenever events or circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognized if the carrying amount exceeds the estimated fair value of the asset. The amount of the impairment loss to be recorded would be determined based upon the excess of the asset's carrying value over its fair value. The fair values of indefinite lived intangible assets are determined based upon a discounted cash flow analysis using the relief from royalty method or a qualitative assessment may be performed for any changes to the asset's fair value from the last quantitative assessment. The relief from royalty method estimates the cost savings associated with owning, rather than licensing, assets. Significant assumptions are incorporated into these discounted cash flow analyses such as estimated growth rates, royalty rates and risk-adjusted discount rates. We may do a qualitative assessment when the results of the previous quantitative test indicated that the asset's fair value was significantly in excess of its carrying value.

In determining the useful lives of intangible assets, we consider the expected use of the assets and the effects of obsolescence, demand, competition, anticipated technological advances, changes in surgical techniques, market influences and other economic factors. For technology-based intangible assets, we consider the expected life cycles of products, absent unforeseen technological advances, which incorporate the corresponding technology. Trademarks and trade names that do not have a wasting characteristic (i.e., there are no legal, regulatory, contractual, competitive, economic or other factors which limit the useful life) are assigned an indefinite life. Trademarks and trade names that are related to products expected to be phased out are assigned lives consistent with the period in which the products bearing each brand are expected to be sold. For customer relationship intangible assets, we assign useful lives based upon historical levels of customer attrition. Intellectual property rights are assigned useful lives that approximate the contractual life of any related patent or the period for which we maintain exclusivity over the intellectual property.

Income Taxes - We account for income taxes under the asset and liability method, which requires the recognition of deferred tax assets and liabilities for the expected future tax consequences of events that have been included in the financial statements. Under this method, deferred tax assets and liabilities are determined based on the differences between the financial statements and tax basis of assets and liabilities using enacted tax rates in effect for the year in which the differences are expected to reverse. The effect of a change in tax rates on deferred tax assets and liabilities is recognized in income in the period the new tax rate is enacted.

We reduce our deferred tax assets by a valuation allowance if it is more likely than not that we will not realize some portion or all of the deferred tax assets. In making such determination, we consider all available positive and negative evidence, including future reversals of existing taxable temporary differences, projected future taxable income, tax planning strategies and recent financial operations. In the event we were to determine that we would be able to realize our deferred income tax assets in the future in excess of their net recorded amount, we would make an adjustment to the valuation allowance which would reduce the provision for income taxes.

We operate on a global basis and are subject to numerous and complex tax laws and regulations. Our income tax filings are regularly under audit in multiple federal, state and foreign jurisdictions. Income tax audits may require an extended period of time to reach resolution and may result in significant income tax adjustments when interpretation of tax laws or allocation of company profits is disputed. Because income tax adjustments in certain jurisdictions can be significant, we record accruals representing management's best estimate of the probable resolution of these

matters. To the extent additional information becomes available, such accruals are adjusted to reflect the revised estimated probable outcome.

Derivative Financial Instruments - We measure all derivative instruments at fair value and report them on our consolidated balance sheet as assets or liabilities. We maintain written policies and procedures that permit, under appropriate circumstances and subject to proper authorization, the use of derivative financial instruments solely for risk management purposes. The use of derivative financial instruments for trading or speculative purposes is prohibited by our policy. See Note 13 for more information regarding our derivative and hedging activities.

Other Comprehensive Income (Loss) - Other comprehensive income (loss) ("OCI") refers to revenues, expenses, gains and losses that under generally accepted accounting principles are included in comprehensive income but are excluded from net earnings as these amounts are recorded directly as an adjustment to stockholders' equity. Our OCI is comprised of foreign currency translation adjustments, unrealized gains and losses on cash flow hedges, unrealized gains and losses on available-for-sale securities and amortization of prior service costs and unrecognized gains and losses in actuarial assumptions.

Treasury Stock - We account for repurchases of common stock under the cost method and present treasury stock as a reduction of stockholders' equity. We reissue common stock held in treasury only for limited purposes.

Noncontrolling Interest - We have an investment in another company in which we have a controlling financial interest, but not 100 percent of the equity. Further information related to the noncontrolling interests of that investment has not been provided as it is not significant to our consolidated financial statements.

Accounting Pronouncements – In January 2017, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("ASU") 2017-04 – Simplifying the Test for Goodwill Impairment. This ASU requires goodwill impairment to be measured as the amount by which a reporting unit's carrying value exceeds its fair value, not to exceed the carrying amount of goodwill. Under previous guidance, if the carrying amount of a reporting unit's net assets were greater than its fair value, impairment was measured as the excess of the carrying amount of the reporting unit's goodwill over its implied fair value. The determination of a reporting unit's implied goodwill generally required significant estimates to fair value its net assets. Therefore, this ASU simplifies goodwill impairment testing by eliminating the need to estimate the fair value of a reporting unit's net assets. The impact of this ASU is dependent on the specific facts and circumstances of future impairments and is applied prospectively on testing that occurs subsequent to adoption. We elected to early adopt this ASU in 2017. As a result, the new ASU was used to determine the goodwill impairment charge on our Office Based Technologies and Spine, less Asia Pacific reporting units that were recognized in 2017. See Note 9 for additional details regarding this goodwill impairment charge.

In October 2016, the FASB issued ASU 2016-16 – Intra-Entity Asset Transfers of Assets Other than Inventory. This ASU changes the accounting for the tax effects of intra-entity asset transfers/sales. Under current GAAP, the tax effects of intra-entity asset transfers/sales are deferred until the transferred asset is sold to a third party or otherwise recovered through use. Under the new guidance, the tax expense from the sale of the asset in the seller's tax jurisdiction is recognized when the transfer occurs, even though the pre-tax effects of that transaction are eliminated in consolidation. Any deferred tax asset that arises in the buyer's jurisdiction would also be recognized at the time of the transfer. The new guidance does not apply to intra-entity transfers/sales of inventory. We early adopted this standard effective January 1, 2017. The modified retrospective approach is required for transition, which resulted in us recognizing a cumulative-effect adjustment in Retained earnings as of January 1, 2017 for intra-entity transfers/sales we had executed prior to that date. The January 1, 2017 cumulative effect adjustment resulted in a $77.8 million decrease to Retained earnings, a $3.9 million decrease to Prepaid expenses and other current assets, a $22.4 million decrease in Other assets, a $2.0 million decrease to Income taxes payable, and a $53.5 million increase to Deferred income taxes, net. The adoption of this ASU resulted in additional tax benefit of $5.9 million to our provision for income taxes in the year ended December 31, 2017 compared to what it would have been under the previous accounting rules.

In May 2014, the FASB issued ASU 2014-09 – Revenue from Contracts with Customers (Topic 606). This ASU provides a five-step model for revenue recognition that all industries will apply to recognize revenue when a customer obtains control of a good or service. This ASU will be effective for us beginning January 1, 2018. Entities are permitted to apply the standard and related amendments either retrospectively to each prior reporting period presented or retrospectively with the cumulative effect of initially applying the ASU recognized at the date of initial application.

We have comp leted our assessment of this ASU. Based upon our assessment, there will not be a material change to the timing of our revenue recognition. However, we will be required to reclassify certain immaterial costs from selling, general and administrative ("SG&A ") expense to net sales, which will result in a reduction of net sales, but have no impact on operating profit. We will adopt this new standard using the retrospective method, which will result in us restating prior reporting periods presented.

In March 2017, the FASB issued ASU 2017-07 – Improving the Presentation of Net Periodic Pension Cost and Net Periodic Postretirement Benefit Cost. This ASU requires us to report the service cost component of pensions in the same location as other compensation costs arising from services rendered by the pertinent employees during the period. We will be required to report the other components of net benefit costs in Other Income (Expense) in the statement of earnings. This ASU will be effective for us beginning January 1, 2018. The ASU must be applied retrospectively for the presentation of the service cost component and the other components of net periodic pension cost in the statement of earnings and prospectively, on and after the effective date, for the capitalization of the service cost component of net periodic pension cost in assets. See Note 14 for further information on the components of our net benefit cost.

In February 2016, the FASB issued ASU 2016-02 – Leases. This ASU requires lessees to recognize right-of-use assets and lease liabilities on the balance sheet. This ASU will be effective for us beginning January 1, 2019. Early adoption is permitted. Based on current guidance, this ASU must be adopted using a modified retrospective transition approach at the beginning of the earliest comparative period in the consolidated financial statements. We own most of our manufacturing facilities, but lease various office space and other less significant assets throughout the world. We have formed our project team and have begun a process to collect the necessary information to implement this ASU. We will continue evaluating our leases and the related impact this ASU will have on our consolidated financial statements throughout 2018.

In August 2017, the FASB issued ASU 2017-12 – Targeted Improvements to Accounting for Hedging Activities. This ASU amends the hedge accounting guidance to simplify the application of hedge accounting, makes more financial and nonfinancial hedging strategies eligible for hedge accounting treatment, changes how companies assess effectiveness and updates presentation and disclosure requirements. We are currently evaluating the impact this ASU will have on our consolidated financial statements; however, based on our current hedging portfolio, we do not anticipate that this ASU will have a significant impact on our financial position, results of operations or cash flows. This ASU will be effective for us January 1, 2019, with early adoption permitted. After adoption, we may explore new hedging opportunities that are eligible for hedge accounting treatment under the new standard.

There are no other recently issued accounting pronouncements that we have not yet adopted that are expected to have a material effect on our financial position, results of operations or cash flows.

3. Business Combinations

Biomet Merger

We completed our merger with LVB, the parent company of Biomet, on June 24, 2015. We paid $12,030.3 million in cash and stock and assumed Biomet's senior notes. The total amount of merger consideration utilized for the acquisition method of accounting, as reduced by the merger consideration paid to holders of unvested LVB stock options and LVB stock-based awards of $90.4 million, was $11,939.9 million.

The following table sets forth unaudited pro forma financial information derived from (i) the audited financial statements of Zimmer for the year ended December 31, 2015; and (ii) the unaudited financial statements of LVB for the period January 1, 2015 to June 23, 2015. The pro forma financial information has been adjusted to give effect to the merger as if it had occurred on January 1, 2014.

Pro Forma Financial Information
(Unaudited)

	Year Ended December 31, 2015
	(in millions)
Net Sales	$ 7,517.8
Net Earnings	$ 330.2

These unaudited pro forma results have been prepared for comparative purposes only and include adjustments such as inventory step-up, amortization of acquired intangible assets and interest expense on debt incurred to finance the merger. Material, nonrecurring pro forma adjustments directly attributable to the Biomet merger include:

- The $90.4 million of merger compensation expense for unvested LVB stock options and LVB stock-based awards was removed from net earnings for the year ended December 31, 2015 and recognized as an expense in the year ended December 31, 2014.
- The $73.0 million of retention plan expense was removed from net earnings for the year ended December 31, 2015 and recognized as an expense in the year ended December 31, 2014.
- Transaction costs of $17.7 million were removed from net earnings for the year ended December 31, 2015 and recognized as an expense in the year ended December 31, 2014.

LDR Acquisition

On July 13, 2016, we completed our merger with LDR. We paid cash of $1,138.0 million. The total amount of merger consideration utilized for the acquisition method of accounting, as reduced by the merger consideration paid to holders of unvested LDR stock options and LDR stock-based awards of $24.1 million, was $1,113.9 million.

The addition of LDR provided us with an immediate position in the growing cervical disc replacement ("CDR") market. The combination positioned us to accelerate the growth of our Spine business through the incremental revenues associated with entry into the CDR market and cross-portfolio selling opportunities to both Zimmer Biomet and LDR customer bases. The goodwill was generated from the operational synergies and cross-selling opportunities we expected to achieve from our combined operations. None of the goodwill is deductible for tax purposes.

The following table summarizes the final estimated fair value of the assets acquired and liabilities assumed at the closing date of the LDR merger (in millions):

	Final Values
Cash	$ 92.8
Accounts receivable, net	30.5
Inventory	97.0
Other current assets	5.6
Property, plant and equipment	24.7
Intangible assets not subject to amortization:	
In-process research and development (IPR&D)	2.0
Intangible assets subject to amortization:	
Technology	447.0
Customer relationships	122.0
Trademarks and trade names	74.0
Other assets	73.8
Goodwill	507.2
Total assets acquired	1,476.6
Current liabilities	122.5
Long-term debt	0.5
Deferred taxes	236.7
Other long-term liabilities	3.0
Total liabilities assumed	362.7
Net assets acquired	$ 1,113.9

We have not included pro forma information and certain other information under GAAP for the LDR acquisition because it did not have a material impact on our financial position or results of operations.

Other Acquisitions

During the year ended December 31, 2016, we completed individually immaterial acquisitions of companies including Cayenne Medical, Inc. ("Cayenne Medical"), a sports medicine company, Compression Therapy Concepts, Inc. ("CTC"), a provider of non-invasive products for the prevention of deep vein thrombosis, CD Diagnostics, Inc. ("CD Diagnostics"), a medical diagnostic testing company, and MedTech SA ("MedTech"), a designer and manufacturer of robotic equipment for brain and spine surgeries. The total aggregate cash consideration was $441.7 million. These acquisitions were completed primarily to expand our product offerings. We have assigned a fair value of $58.0 million for settlement of preexisting relationships and additional payments related to these acquisitions that are contingent on the respective acquired companies' product sales, commercial milestones and certain cost savings. The fair value of the aggregate contingent payment liabilities was calculated based on the probability of achieving the specified sales growth, cost savings and commercial milestones and discounting to present value the payments. The goodwill was generated from the operational synergies and cross-selling opportunities we expected to achieve from the technologies acquired. None of the goodwill related to these acquisitions is deductible for tax purposes.

The following table summarizes the aggregate final estimated fair value as of the respective closing dates of the assets acquired and liabilities assumed related to the Cayenne Medical, CTC, CD Diagnostics, MedTech, and other immaterial acquisitions that occurred during the year ended December 31, 2016 (in millions):

Current assets	$ 66.4
Property, plant and equipment	4.5
Intangible assets	172.9
Goodwill	337.1
Other assets	38.2
Total assets acquired	619.1
Current liabilities	20.0
Long-term liabilities	99.4
Total liabilities assumed	119.4
Net assets acquired	$ 499.7

We have not included pro forma information and certain other information under GAAP for t he Cayenne Medical, CTC, CD Diagnostics, or MedTech acquisitions because, individually and in aggregate, they did not have a material impact on our financial position or results of operations.

4. Share-Based Compensation

Our share-based payments primarily consist of stock options and restricted stock units ("RSUs"). Share-based compensation expense was as follows (in millions):

	For the Years Ended December 31,		
	2017	2016	2015
Total expense, pre-tax	$ 53.7	$ 57.3	$ 46.4
Tax benefit related to awards	12.5	31.5	14.5
Total expense, net of tax	$ 41.2	$ 25.8	$ 31.9

Stock Options

We had two equity compensation plans in effect at December 31, 2017: the 2009 Stock Incentive Plan ("2009 Plan") and the Stock Plan for Non-Employee Directors. The 2009 Plan succeeded the 2006 Stock Incentive Plan ("2006 Plan") and the TeamShare Stock Option Plan ("TeamShare Plan"). No further awards have been granted under the 2006 Plan or under the TeamShare Plan since May 2009, and shares remaining available for grant under those plans have been merged into the 2009 Plan. Vested stock options previously granted under the 2006 Plan and the TeamShare Plan remained outstanding as of December 31, 2017. We have reserved the maximum number of shares of common stock available for award under the terms of each of these plans. We have registered 71.6 million shares of common stock under these plans. The 2009 Plan provides for the grant of nonqualified stock options and incentive stock options, long-term performance awards in the form of performance shares or units, restricted stock, RSUs and stock appreciation rights. The Compensation and Management Development Committee of the Board of Directors determines the grant date for annual grants under our equity compensation plans. The date for annual grants under the 2009 Plan to our executive officers is expected to occur in the first quarter of each year following

the earnings announcements for the previous quarter and full year. The Stock Plan for Non- Employee Directors provides for awards of stock options, restricted stock and RSUs to non-employee directors. It has been our practice to issue shares of common stock upon exercise of stock options from previously unissued shares, except in limited circum stances where they are issued from treasury stock. The total number of awards which may be granted in a given year and/or over the life of the plan under each of our equity compensation plans is limited. At December 31, 2017, an aggregate of 11.8 million shares were available for future grants and awards under these plans.

Stock options granted to date under our plans vest over four years and have a maximum contractual life of 10 years. As established under our equity compensation plans, vesting may accelerate upon retirement after the first anniversary date of the award if certain criteria are met. We recognize expense related to stock options on a straight-line basis over the requisite service period, less awards expected to be forfeited using estimated forfeiture rates. Due to the accelerated retirement provisions, the requisite service period of our stock options range from one to four years. Stock options are granted with an exercise price equal to the market price of our common stock on the date of grant, except in limited circumstances where local law may dictate otherwise.

A summary of stock option activity for the year ended December 31, 2017 is as follows (options in thousands):

	Stock Options	Weighted Average Exercise Price	Weighted Average Remaining Contractual Life	Intrinsic Value (in millions)
Outstanding at January 1, 2017	7,901	$ 86.21		
Options granted	1,663	121.52		
Options exercised	(1,730)	79.41		
Options forfeited	(532)	113.54		
Options expired	(45)	96.27		
Outstanding at December 31, 2017	7,257	$ 93.83	6.3	$ 197.0
Vested or expected to vest as of December 31, 2017	6,742	$ 92.36	6.2	$ 192.8
Exercisable at December 31, 2017	4,107	$ 79.67	4.6	$ 168.6

We use a Black-Scholes option-pricing model to determine the fair value of our stock options. Expected volatility was derived from a combination of historical volatility and implied volatility because the traded options that were actively traded around the grant date of our stock options did not have maturities of over one year. The expected term of the stock options has been derived from historical employee exercise behavior. The risk-free interest rate was determined using the implied yield currently available for zero-coupon U.S. government issues with a remaining term approximating the expected life of the options. The dividend yield was determined by using an estimated annual dividend and dividing it by the market price of our stock on the grant date.

The following table presents information regarding the weighted average fair value of stock options granted, the assumptions used to determine fair value, the intrinsic value of options exercised and the tax benefit of options exercised in the indicated year:

	For the Years Ended December 31,		
	2017	2016	2015
Dividend yield	0.8%	0.9%	0.8%
Volatility	21.6%	21.9%	22.2%
Risk-free interest rate	2.0%	1.4%	1.7%
Expected life (years)	5.3	5.3	5.3
Weighted average fair value of options granted	$ 26.09	$ 21.30	$ 22.30
Intrinsic value of options exercised (in millions)	$ 67.6	$ 73.0	$ 49.4
Tax benefit of options exercised (in millions)	$ 27.7	$ 30.1	$ 81.4

As of December 31, 2017, there was $56.9 million of unrecognized share-based payment expense related to nonvested stock options granted under our plans. That expense is expected to be recognized over a weighted average period of 2.7 years.

RSUs

We have awarded RSUs to certain of our employees. The terms of the awards have been two to four years. Some of the awards have only service conditions while some have performance and market conditions in addition to service conditions. The service condition-only awards vest ratably on the anniversary date of the award. The awards that have performance and market conditions vest all at once on the third anniversary date. Future service conditions may be waived if an employee retires after the first anniversary date of the award, but performance and market conditions continue to apply. Accordingly, the requisite service period used for share-based payment expense on our RSUs range from one to four years.

A summary of nonvested RSU activity for the year ended December 31, 2017 is as follows (RSUs in thousands):

	RSUs	Weighted Average Grant Date Fair Value
Outstanding at January 1, 2017	1,394	$ 102.04
Granted	586	115.77
Vested	(256)	97.12
Forfeited	(363)	107.02
Outstanding at December 31, 2017	1,361	107.56

For the RSUs with service conditions only, the fair value of the awards was determined based upon the fair market value of our common stock on the date of grant. For the RSUs with market conditions, a Monte Carlo valuation technique was used to simulate the market conditions of the awards. The outcome of the simulation was used to determine the fair value of the awards.

We are required to estimate the number of RSUs that will vest and recognize share-based payment expense on a straight-line basis over the requisite service period. As of December 31, 2017, we estimate that approximately 776,600 outstanding RSUs will vest. If our estimate were to change in the future, the cumulative effect of the change in estimate will be recorded in that period. Based upon the number of RSUs that we expect to vest, the unrecognized share-based payment expense as of December 31, 2017 was $54.2 million and is expected to be recognized over a weighted-average period of 2.6 years. The fair value of RSUs vesting during the years ended December 31, 2017, 2016 and 2015 based upon our stock price on the date of vesting was $31.2 million, $25.5 million, and $40.6 million, respectively.

5. Inventories

Inventories consisted of the following (in millions):

	As of December 31,	
	2017	2016
Finished goods	$ 1,632.2	$ 1,556.9
Work in progress	200.0	141.7
Raw materials	249.6	260.8
Inventories	$ 2,081.8	$ 1,959.4

Amounts charged to the consolidated statements of earnings for excess and obsolete inventory, including certain product lines we intend to discontinue, in the years ended December 31, 2017, 2016 and 2015 were $128.4 million, $195.4 million and $118.4 million, respectively. The increase in the 2016 period primarily resulted from our decision to discontinue certain products.

6. Property, Plant and Equipment

Property, plant and equipment consisted of the following (in millions):

	As of December 31,	
	2017	2016
Land	$ 29.0	$ 37.0
Building and equipment	1,838.5	1,789.9
Capitalized software costs	421.6	397.2
Instruments	2,683.9	2,347.6
Construction in progress	110.7	99.8
	5,083.7	4,671.5
Accumulated depreciation	(3,045.1)	(2,633.6)
Property, plant and equipment, net	$ 2,038.6	$ 2,037.9

Depreciation expense was $454.1 million, $466.7 million and $375.0 million for the years ended December 31, 2017, 2016 and 2015, respectively.

7 . Transfers of Financial Assets

In the fourth quarter of 2016, we executed receivables purchase arrangements to liquidate portions of our trade accounts receivable balance with unrelated third parties. The receivables relate to products sold to customers and are short-term in nature. The factorings were treated as sales of our accounts receivable. Proceeds from the transfers reflect either the face value of the accounts receivable or the face value less factoring fees.

In the U.S. and Japan, our programs are executed on a revolving basis with a maximum funding limit as of December 31, 2017 of $350 million. We act as the collection agent on behalf of the third party, but have no significant retained interests or servicing liabilities related to the accounts receivable sold. In order to mitigate credit risk, we purchased credit insurance for the factored accounts receivable. The result is our risk of loss being limited to the factored accounts receivable not covered by the insurance. Additionally, we have provided guarantees for the factored accounts receivable. The maximum exposures to loss associated with these arrangements were $22.9 million and $5.2 million as of December 31, 2017 and 2016, respectively.

In Europe, we sell to a third party and have no continuing involvement or significant risk with the factored accounts receivable.

Funds received from the transfers are recorded as an increase to cash and a reduction to accounts receivable outstanding in the consolidated balance sheets. We report the cash flows attributable to the sale of receivables to third parties in cash flows from operating activities in our consolidated statements of cash flows. Net expenses resulting from the sales of receivables are recognized in selling, general and administrative expense. Net expenses include any resulting gains or losses from the sales of receivables, credit insurance and factoring fees.

For the years ended December 31, 2017 and 2016, we sold receivables having an aggregate face value of $1,456.9 million and $103.1 million to third parties in exchange for cash proceeds of $1,455.6 million and $103.1 million, respectively. Expenses recognized on these sales during the years ended December 31, 2017 and 2016, were not significant. For the year ended December 31, 2017, under the U.S. and Japan programs, we collected $1,031.2 million from our customers and remitted that amount to the third party, and we effectively repurchased $96.3 million of previously sold accounts receivable from the third party due to the programs' revolving nature. At December 31, 2017, we collected $103.5 million that was unremitted to the third party, which is reflected in our balance sheet under other current liabilities. We estimate the incremental operating cash inflows related to all of our programs were approximately $174 million and $103 million for the years ended December 31, 2017 and 2016.

At December 31, 2017, the outstanding principal amount of receivables that has been derecognized under the U.S. and Japan revolving arrangements amounted to $197.0 million and $64.2 million, respectively.

8 . Fair Value Measurements of Assets and Liabilities

The following financial assets and liabilities are recorded at fair value on a recurring basis (in millions):

	As of December 31, 2017			
		Fair Value Measurements at Reporting Date Using:		
Description	Recorded Balance	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Assets				
Derivatives, current and long-term				
Foreign currency forward contracts	$ 1.6	$ -	$ 1.6	$ -
Interest rate swaps	4.5	-	4.5	-
	$ 6.1	$ -	$ 6.1	$ -
Liabilities				
Derivatives, current and long-term				
Foreign currency forward contracts	$ 50.9	$ -	$ 50.9	$ -
Contingent payments related to acquisitions	41.0	-	-	41.0
	$ 91.9	$ -	$ 50.9	$ 41.0

	As of December 31, 2016			
		Fair Value Measurements at Reporting Date Using:		
Description	Recorded Balance	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Assets				
Derivatives, current and long-term				
Foreign currency forward contracts	$ 65.3	$ -	$ 65.3	$ -
Interest rate swaps	4.0	-	4.0	-
	$ 69.3	$ -	$ 69.3	$ -
Liabilities				
Derivatives, current and long-term				
Foreign currency forward contracts	$ 0.3	$ -	$ 0.3	$ -
Contingent payments related to acquisitions	62.8	-	-	62.8
	$ 63.1	$ -	$ 0.3	$ 62.8

We value our foreign currency forward contracts and foreign currency options using a market approach based on foreign currency exchange rates obtained from active markets and we perform ongoing assessments of counterparty credit risk.

We value our interest rate swaps using a market approach based on publicly available market yield curves and the terms of our swaps and we perform ongoing assessments of counterparty credit risk.

Contingent payments related to acquisitions consist of commercial milestone, cost savings and sales-based payments, and are valued using discounted cash flow techniques. The fair value of commercial milestone payments reflects management's expecta tions of probability of payment, and increases as the probability of payment increases or expectation of timing of payments is accelerated. The fair value of cost savings and sales-based payments is based upon probability-weighted future cost savings and r evenue estimates, and increases as cost savings and revenue estimates increase, probability weighting of higher cost savings and revenue scenarios increase or expectation of timing of payment is accelerated. The majority of these contingent payments are re lated to acquisitions that occurred in 2016. We recognized $4.5 million of income related to contingent payments due to changes in estimates for the year ended December 31, 2017. We also paid $13.7 million in contingent payments and made a fair value adju stment of $3.6 million to the preliminary estimate of contingent consideration that reduced the contingent payment liability for the year ended December 31, 2017.

9. Goodwill and Other Intangible Assets

The following table summarizes the changes in the carrying amount of goodwill (in millions):

	Americas	EMEA	Asia Pacific	Immaterial Product Category Operating Segments	Total
Balance at January 1, 2016					
Goodwill	$ 7,328.0	$ 1,291.0	$ 548.9	$ 1,139.3	$ 10,307.2
Accumulated impairment losses	-	-	-	(373.0)	(373.0)
	7,328.0	1,291.0	548.9	766.3	9,934.2
Biomet purchase accounting adjustments	31.9	(8.0)	(61.3)	(8.3)	(45.7)
LDR purchase accounting	-	-	-	482.4	482.4
Other acquisitions	284.8	34.3	-	20.9	340.0
Currency translation	(10.2)	(53.6)	(0.3)	(2.9)	(67.0)
Balance at December 31, 2016					
Goodwill	7,634.5	1,263.7	487.3	1,631.4	11,016.9
Accumulated impairment losses	-	-	-	(373.0)	(373.0)
	7,634.5	1,263.7	487.3	1,258.4	10,643.9
LDR purchase accounting	-	-	-	24.5	24.5
Other acquisitions	(0.5)	(33.2)	-	27.6	(6.1)
Currency translation	90.8	149.3	13.2	57.5	310.8
Impairment	-	-	-	(304.7)	(304.7)
Balance at December 31, 2017					
Goodwill	7,724.8	1,379.8	500.5	1,741.0	11,346.1
Accumulated impairment losses	-	-	-	(677.7)	(677.7)
	$ 7,724.8	$ 1,379.8	$ 500.5	$ 1,063.3	$ 10,668.4

During the year ended December 31, 2017, we recorded goodwill impairment charges related to our Office Based Technologies and Spine, less Asia Pacific ("Spine") reporting units of $32.7 million and $272.0 million, respectively.

In the third quarter of 2017, we performed a goodwill impairment test on our Office Based Technologies reporting unit due to continued revenue declines. As a result, we recognized a $32.7 million impairment charge. The $32.7 million impairment represented the entire goodwill balance of the reporting unit and therefore no goodwill remains. This reporting unit was acquired as part of the Biomet merger in 2015 and therefore its assets and liabilities were recognized at their estimated fair values at the merger date. Since the merger date valuation, operating performance has been lower than expected due to integration issues, management turnover and poor execution of its operating plans.

We estimated the fair value of the Office Based Technologies reporting unit using a market approach. GAAP defines fair value as "the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date." We used market indicators based upon the reporting unit's operating performance to estimate what price would be paid for the assets in an orderly transaction.

We performed our annual goodwill impairment test in the fourth quarter of 2017. In our annual impairment test, we determined our Spine reporting unit's carrying value was in excess of its estimated fair value. As discussed in Note 2, we elected to ea rly adopt ASU 2017-04 in the third quarter of 2017. This resulted in an impairment charge of $272.0 million, representing the amount by which the reporting unit's carrying value exceeded its estimated fair value. This reporting unit includes goodwill fro m Zimmer as well as additional goodwill from both the Biomet and LDR mergers. The forecasts used to recognize the goodwill related to the spine product categories of Biomet and LDR assumed cross sale opportunities of the combined businesses, including the proprietary Mobi-C Cervical Disc acquired with LDR, would enable the reporting unit to grow faster than the overall spine market. The primary drivers of impairment were lower than expected sales due to sales force integration issues and additional complex ities of combining the Zimmer, Biomet and LDR spine product supply chains. As a result, it will take longer than originally anticipated to realize the benefits of the mergers of the Biomet and LDR spine product categories.

We estimated the fair value of the Spine reporting unit based on income and market approaches. Fair value under the income approach was determined by discounting to present value the estimated future cash flows of the reporting unit. Fair value under the market approach utilized the guideline public company methodology, which uses valuation indicators from publicly traded companies that are similar to our Spine reporting unit and considers differences between our reporting unit and the comparable companies.

In estimating the future cash flows of the reporting unit, we utilized a combination of market and company specific inputs that a market participant would use in assessing the fair value of the reporting unit. The primary market input was revenue growth rates. These rates were based upon historical trends and estimated future growth drivers such as an aging global population, obesity and more active lifestyles. Significant company specific inputs included assumptions regarding how the reporting unit could leverage operating expenses as revenue grows and the impact any of our differentiated products or new products will have on revenues.

Under the guideline public company methodology, we took into consideration specific risk differences between our reporting unit and the comparable companies, such as recent financial performance, size risks and product portfolios, among other considerations.

We have five other reporting units with goodwill assigned to them. The estimated fair values of these reporting units exceeded their carrying value by more than 10 percent. We estimated the fair value of those reporting units using the income and market approaches.

We will continue to monitor the fair value of our Spine reporting unit as well as our other five reporting units in our interim and annual reporting periods. If our estimated cash flows for these reporting units decrease, we may have to record further impairment charges in the future. Factors that could result in our cash flows being lower than our current estimates include: 1) decreased revenues caused by unforeseen changes in the healthcare market, or our inability to generate new product revenue from our research and development activities, and 2) our inability to achieve the estimated operating margins in our forecasts due to unforeseen factors. Additionally, changes in the broader economic environment could cause changes to our estimated discount rates or comparable company valuation indicators, which may impact our estimated fair values.

The components of identifiable intangib le assets were as follows (in millions):

	Technology	Intellectual Property Rights	Trademarks and Trade Names	Customer Relationships	IPR&D	Other	Total
As of December 31, 2017:							
Intangible assets subject to amortization:							
Gross carrying amount	$ 3,669.8	$ 180.7	$ 671.1	$ 5,409.5	$ -	$ 160.0	$ 10,091.1
Accumulated amortization	(1,061.4)	(176.1)	(132.1)	(890.4)	-	(84.1)	(2,344.1)
Intangible assets not subject to amortization:							
Gross carrying amount	-	-	460.0	-	146.4		606.4
Total identifiable intangible assets	$ 2,608.4	$ 4.6	$ 999.0	$ 4,519.1	$ 146.4	$ 75.9	$ 8,353.4
As of December 31, 2016:							
Intangible assets subject to amortization:							
Gross carrying amount	$ 3,599.4	$ 181.6	$ 626.1	$ 5,303.5	$ -	$ 135.7	$ 9,846.3
Accumulated amortization	(806.8)	(172.3)	(80.8)	(566.0)	-	(70.4)	(1,696.3)
Intangible assets not subject to amortization:							
Gross carrying amount	-	-	475.1	-	160.3	-	635.4
Total identifiable intangible assets	$ 2,792.6	$ 9.3	$ 1,020.4	$ 4,737.5	$ 160.3	$ 65.3	$ 8,785.4

Estimated annual amortization expense based upon intangible assets recognized as of December 31, 2017 for the years ending December 31, 2018 through 2022 is (in millions):

For the Years Ending December 31,	
2018	$ 595.0
2019	575.4
2020	572.2
2021	563.9
2022	557.4

10. Other Current and Long-term Liabilities

Other current and long-term liabilities consisted of the following (in millions):

	As of December 31,	
	2017	2016
Other current liabilities:		
License and service agreements	$ 171.4	$ 168.0
Certain claims accrual (Note 19)	78.0	75.0
Salaries, wages and benefits	255.2	225.8
Accrued liabilities	795.2	789.1
Total other current liabilities	$ 1,299.8	$ 1,257.9
Other long-term liabilities:		
Certain claims accrual (Note 19)	121.4	218.6
Other long-term liabilities	324.4	244.0
Total other long-term liabilities	$ 445.8	$ 462.6

11. Debt

Our debt consisted of the following (in millions):

	As of December 31,	
	2017	2016
Current portion of long-term debt		
1.450% Senior Notes due 2017	$ -	$ 500.0
U.S. Term Loan B	75.0	75.0
2.000% Senior Notes due 2018	1,150.0	-
Other short-term debt	-	0.6
Total short-term debt	$ 1,225.0	$ 575.6
Long-term debt		
2.000% Senior Notes due 2018	$ -	$ 1,150.0
4.625% Senior Notes due 2019	500.0	500.0
2.700% Senior Notes due 2020	1,500.0	1,500.0
3.375% Senior Notes due 2021	300.0	300.0
3.150% Senior Notes due 2022	750.0	750.0
3.550% Senior Notes due 2025	2,000.0	2,000.0
4.250% Senior Notes due 2035	253.4	253.4
5.750% Senior Notes due 2039	317.8	317.8
4.450% Senior Notes due 2045	395.4	395.4
1.414% Euro Notes due 2022	600.4	527.4
2.425% Euro Notes due 2026	600.4	527.4
U.S. Term Loan A	835.0	1,700.0
U.S. Term Loan B	600.0	675.0
Japan Term Loan A	103.2	99.6
Japan Term Loan B	187.9	-
Other long-term debt	4.1	4.2
Debt discount and issuance costs	(53.2)	(65.8)
Adjustment related to interest rate swaps	23.1	31.4
Total long-term debt	$ 8,917.5	$ 10,665.8

At December 31, 2017, our total debt consisted of $8.4 billion aggregate principal amount of senior notes, which included $1.2 billion of Euro-denominated senior notes (“Euro notes”), $835.0 million outstanding under a U.S. term loan (“U.S. Term Loan A”) that will mature on June 24, 2020, $675.0 million outstanding under a U.S. term loan (“U.S. Term Loan B”) that will mature on September 30, 2019, an 11.7 billion Japanese Yen term loan agreement (“Japan Term Loan A”) and a 21.3 billion Japanese Yen term loan agreement (“Japan Term Loan B”) that each will mature on September 27, 2022, and other debt and fair value adjustments totaling $27.2 million, partially offset by debt discount and issuance costs of $53.2 million.

On September 22, 2017, we entered into a term loan agreement for the Japan Term Loan B, and an amended and restated term loan agreement, which amended and restated the Japan Term Loan A loan agreement dated as of May 24, 2012, as amended as of October 31, 2014. As described above, the term loans under both of these agreements will mature on September 27, 2022. Each of these term loans bears interest at a fixed rate of 0.635 percent per annum.

On December 13, 2016, we completed the offering of €500 million aggregate principal amount of our 1.414% Euro notes due December 13, 2022 and €500 million aggregate principal amount of our 2.425% Euro notes due December 13, 2026. Interest is payable on each series of Euro notes on December 13 of each year until maturity.

In 2016, we also entered into U.S. Term Loan B and borrowed $750.0 million thereunder to repay outstanding borrowings under a previous multicurrency revolving facility incurred in connection with the acquisition of LDR.

In 2015, we issued senior notes and borrowed $3.0 billion under U.S. Term Loan A to finance a portion of the cash consideration payable in the Biomet merger, pay merger related fees and expenses and pay a portion of Biomet’s funded debt.

In 2016 and 2015, we used a portion of the fund s received from the above-described note issuances and borrowings to repay other outstanding debt. The repayments resulted in debt extinguishment charges of $53.3 million and $22.0 million in 2016 and 2015, respectively, recorded as part of other expense, net.

We have a revolving credit and term loan agreement (the "2016 Credit Agreement") and a first amendment to our credit agreement executed in 2014 (the "2014 Credit Agreement"). The 2016 Credit Agreement contains the U.S. Term Loan B and a five-year unsecured multicurrency revolving facility of $1.5 billion (the "Multicurrency Revolving Facility"). The Multicurrency Revolving Facility replaced the previous multicurrency revolving facility under the 2014 Credit Agreement and will mature on September 30, 2021, with two available one-year extensions at our discretion. The 2014 Credit Agreement also provided for the U.S. Term Loan A, which remains in effect.

Borrowings under the 2014 and 2016 Credit Agreements generally bear interest at floating rates based upon indices determined by the currency of the borrowing, or at an alternate base rate, in each case, plus an applicable margin determined by reference to our senior unsecured long-term credit rating, or, in the case of borrowings under the Multicurrency Revolving Facility only, at a fixed rate determined through a competitive bid process. We pay a facility fee on the aggregate amount of the Multicurrency Revolving Facility at a rate determined by reference to our senior unsecured long-term credit rating.

The 2016 Credit Agreement and 2014 Credit Agreement, as amended, contain customary affirmative and negative covenants and events of default for unsecured financing arrangements, including, among other things, limitations on consolidations, mergers and sales of assets. Financial covenants under the 2016 and 2014 Credit Agreements include a consolidated indebtedness to consolidated EBITDA ratio of no greater than 5.0 to 1.0 through June 30, 2017, and no greater than 4.5 to 1.0 thereafter. If our credit rating falls below investment grade, additional restrictions would result, including restrictions on investments and payment of dividends. We were in compliance with all covenants under the 2016 and 2014 Credit Agreements as of December 31, 2017. As of December 31, 2017, there were no borrowings outstanding under the Multicurrency Revolving Facility.

Under the terms of U.S. Term Loan A, starting September 30, 2015, principal payments are due as follows: $75.0 million on a quarterly basis during the first three years, $112.5 million on a quarterly basis during the fourth year, and $412.5 million on a quarterly basis during the fifth year. We have paid $2.165 billion in principal under U.S. Term Loan A, resulting in $835.0 million in outstanding borrowings as of December 31, 2017. The interest rate at December 31, 2017 was 2.9 percent on U.S. Term Loan A.

Under the terms of U.S. Term Loan B, future principal payments are due as follows: $75.0 million on September 30, 2018, with the remaining balance due on the U.S. Term Loan B maturity date of September 30, 2019. We have paid $75.0 million in principal under U.S. Term Loan B, resulting in $675.0 million outstanding on the U.S. Term Loan B as of December 31, 2017. The interest rate at December 31, 2017 was 2.6 percent on U.S. Term Loan B.

We may, at our option, redeem our senior notes, in whole or in part, at any time upon payment of the principal, any applicable make-whole premium, and accrued and unpaid interest to the date of redemption. In addition, we may redeem, at our option, the 2.700% Senior Notes due 2020, the 3.375% Senior Notes due 2021, the 3.150% Senior Notes due 2022, the 3.550% Senior Notes due 2025, the 4.250% Senior Notes due 2035 and the 4.450% Senior Notes due 2045 without any make-whole premium at specified dates ranging from one month to six months in advance of the scheduled maturity date.

The estimated fair value of our senior notes as of December 31, 2017, based on quoted prices for the specific securities from transactions in over-the-counter markets (Level 2), was $8,489.8 million. The estimated fair value of Japan Term Loan A and Japan Term Loan B, in the aggregate, as of December 31, 2017, based upon publicly available market yield curves and the terms of the debt (Level 2), was $290.0 million. The carrying values of U.S. Term Loan A and U.S. Term Loan B approximate fair value as they bear interest at short-term variable market rates.

We entered into interest rate swap agreements which we designated as fair value hedges of underlying fixed-rate obligations on our senior notes due 2019 and 2021. These fair value hedges were settled in 2016. In 2016, we entered into various variable-to-fixed interest rate swap agreements that were accounted for as cash flow hedges of U.S. Term Loan B. See Note 13 for additional information regarding the interest rate swap agreements.

We also have available uncommitted credit facilities totaling $58.4 million.

At December 31, 2017 and 2016, the weighted average interest rate for our borrowings was 2.9 percent and 2.8 percent, respectively. We paid $317.5 million, $363.1 million, and $207.1 million in interest during 2017, 2016, and 2015, respectively.

12. Accumulated Other Comprehensive (Loss) Income

OCI refers to certain gains and losses that under GAAP are included in comprehensive income but are excluded from net earnings as these amounts are initially recorded as an adjustment to stockholders' equity. Amounts in OCI may be reclassified to net earnings upon the occurrence of certain events.

Our OCI is comprised of foreign currency translation adjustments, unrealized gains and losses on cash flow hedges, unrealized gains and losses on available-for-sale securities, and amortization of prior service costs and unrecognized gains and losses in actuarial assumptions on our defined benefit plans. Foreign currency translation adjustments are reclassified to net earnings upon sale or upon a complete or substantially complete liquidation of an investment in a foreign entity. Unrealized gains and losses on cash flow hedges are reclassified to net earnings when the hedged item affects net earnings. Unrealized gains and losses on available-for-sale securities are reclassified to net earnings if we sell the security before maturity or if the unrealized loss is considered to be other-than-temporary. Amounts related to defined benefit plans that are in OCI are reclassified over the service periods of employees in the plan. The reclassification amounts are allocated to all employees in the plans and, therefore, the reclassified amounts may become part of inventory to the extent they are considered direct labor costs. See Note 14 for more information on our defined benefit plans.

The following table shows the changes in the components of OCI, net of tax (in millions):

	Foreign Currency Translation	Cash Flow Hedges	Defined Benefit Plan Items
Balance December 31, 2016	$ (323.5)	$ 32.3	$ (142.8)
OCI before reclassifications	445.0	(95.0)	(2.7)
Reclassifications	-	(3.8)	7.3
Balance December 31, 2017	$ 121.5	$ (66.5)	$ (138.2)

The following table shows the reclassification adjustments from OCI (in millions):

	Amount of Gain / (Loss) Reclassified from OCI For the Years Ended December 31,			
Component of OCI	2017	2016	2015	Location on Statement of Earnings
Cash flow hedges				
Foreign exchange forward contracts	$ 5.1	$ 87.7	$ 122.3	Cost of products sold
Forward starting interest rate swaps	-	(66.4)	-	Other expense
Forward starting interest rate swaps	(0.5)	(1.7)	(1.3)	Interest expense
	4.6	19.6	121.0	Total before tax
	0.8	(6.2)	28.0	Provision (benefit) for income taxes
	$ 3.8	$ 25.8	$ 93.0	Net of tax
Defined benefit plans				
Prior service cost	$ 10.3	$ 7.8	$ 5.6	*
Unrecognized actuarial (loss)	(22.1)	(22.9)	(20.1)	*
	(11.8)	(15.1)	(14.5)	Total before tax
	(4.5)	(5.2)	(5.3)	Benefit for income taxes
	$ (7.3)	$ (9.9)	$ (9.2)	Net of tax
Total reclassifications	$ (3.5)	$ 15.9	$ 83.8	Net of tax

* These OCI components are included in the computation of net periodic pension expense (see Note 14).

The following table shows the tax effects on each component of OCI recognized in our consolidated statements of comprehensive income (loss) (in millions):

	For the Years Ended December 31,								
	Before Tax			Tax			Net of Tax		
	2017	2016	2015	2017	2016	2015	2017	2016	2015
Foreign currency cumulative translation adjustments	$ 396.8	$ (128.2)	$ (305.2)	$ (48.2)	$ 1.8	$ -	$ 445.0	$ (130.0)	$ (305.2)
Unrealized cash flow hedge gains	(116.0)	29.7	59.1	(21.0)	1.4	6.4	(95.0)	28.3	52.7
Reclassification adjustments on foreign currency hedges	(4.6)	(19.6)	(121.0)	(0.8)	6.2	(28.0)	(3.8)	(25.8)	(93.0)
Unrealized gains/(losses) on securities	-	0.5	(0.2)	-	-	-	-	0.5	(0.2)
Adjustments to prior service cost and unrecognized actuarial assumptions	6.6	27.3	(25.0)	2.0	5.3	(3.6)	4.6	22.0	(21.4)
Total Other Comprehensive Income (Loss)	$ 282.8	$ (90.3)	$ (392.3)	$ (68.0)	$ 14.7	$ (25.2)	$ 350.8	$ (105.0)	$ (367.1)

13. Derivative Instruments and Hedging Activities

We are exposed to certain market risks relating to our ongoing business operations, including foreign currency exchange rate risk, commodity price risk, interest rate risk and credit risk. We manage our exposure to these and other market risks through regular operating and financing activities. Currently, the only risks that we manage through the use of derivative instruments are interest rate risk and foreign currency exchange rate risk.

Interest Rate Risk

Derivatives Designated as Fair Value Hedges

In prior years, we entered into various fixed-to-variable interest rate swap agreements that were accounted for as fair value hedges of a portion of the Senior Notes due 2019 and all of the Senior Notes due 2021. In August 2016, we received cash for these interest rate swap assets by terminating the hedging instruments with the counterparties. The remaining unamortized balance as of December 31, 2017 was $23.1 million, which will be recognized using the effective interest rate method over the remaining maturity period of the hedged notes.

Derivatives Designated as Cash Flow Hedges

In 2014, we entered into forward starting interest rate swaps that were designated as cash flow hedges of the thirty year tranche of senior notes (the 4.450% Senior Notes due 2045) we expected to issue in 2015. The forward starting interest rate swaps mitigated the risk of changes in interest rates prior to the completion of the notes offering. The interest rate swaps were settled at a loss of $97.6 million in 2015. This loss will be recognized using the effective interest rate method over the remaining maturity period of the hedged notes. With the issuance of the Euro notes in December 2016, we extinguished a portion of the 4.450% Senior Notes due 2045 and recognized $66.4 million of the previously settled loss as part of our debt extinguishment cost. The remaining loss to be recognized at December 31, 2017 was $27.7 million.

In September 2016, we entered into various variable-to-fixed interest rate swap agreements with a notional amount of $375 million that were accounted for as cash flow hedges of Term Loan B. The interest rate swaps minimize the exposure to changes in the LIBOR interest rates while the variable-rate debt is outstanding. The weighted average fixed interest rate for all of the outstanding interest rate swap agreements is approximately 0.82 percent through September 30, 2019.

Foreign Currency Exchange Rate Risk

We operate on a global basis and are exposed to the risk that our financial condition, results of operations and cash flows could be adversely affected by changes in foreign currency exchange rates. To reduce the potential effects of

foreign currency exchange rate movements on net earnings, we enter into derivative financial instruments in the form of foreign currency exchange forward contracts with major financial institutions. We also designated our Euro notes and other foreign currency exchange forward contracts as net investment hedges of investments in foreign subsidiaries. We are primarily expo sed to foreign currency exchange rate risk with respect to transactions and net assets denominated in Euros, Swiss Francs, Japanese Yen, British Pounds, Canadian Dollars, Australian Dollars, Korean Won, Swedish Krona, Czech Koruna, Thai Baht, Taiwan Dollar s, South African Rand, Russian Rubles, Indian Rupees, Turkish Lira, Polish Zloty, Danish Krone, and Norwegian Krone. We do not use derivative financial instruments for trading or speculative purposes.

Derivatives Designated as Net Investment Hedges

We are exposed to the impact of foreign exchange rate fluctuations in the investments in our wholly-owned foreign subsidiaries that are denominated in currencies other than the U.S. dollar. In order to mitigate the volatility in foreign exchange rates, we issued Euro notes in December 2016, as discussed in Note 11, and designated 100 percent of the Euro notes to hedge our net investment in certain wholly-owned foreign subsidiaries that have a functional currency of Euro. All changes in the fair value of the hedging instrument designated as a net investment hedge are recorded as a component of accumulated other comprehensive loss in the consolidated balance sheet.

We also entered into a foreign currency exchange forward contract in anticipation of the Euro notes issuance and designated it as a net investment hedge.

In the years ended December 31, 2017 and 2016, we recognized a foreign exchange loss of $146.0 million and a foreign exchange gain of $18.8 million, respectively, in OCI on our net investment hedges. We recognized no ineffectiveness from our net investment hedges for the years ended December 31, 2017 and 2016.

Derivatives Designated as Cash Flow Hedges

Our revenues are generated in various currencies throughout the world. However, a significant amount of our inventory is produced in U.S. Dollars. Therefore, movements in foreign currency exchange rates may have different proportional effects on our revenues compared to our cost of products sold. To minimize the effects of foreign currency exchange rate movements on cash flows, we hedge intercompany sales of inventory expected to occur within the next 30 months with foreign currency exchange forward contracts. We designate these derivative instruments as cash flow hedges.

We perform quarterly assessments of hedge effectiveness by verifying and documenting the critical terms of the hedge instrument and that forecasted transactions have not changed significantly. We also assess on a quarterly basis whether there have been adverse developments regarding the risk of a counterparty default. For derivatives which qualify as hedges of future cash flows, the effective portion of changes in fair value is temporarily recorded in other comprehensive income and then recognized in cost of products sold when the hedged item affects net earnings. The ineffective portion of a derivative's change in fair value, if any, is immediately reported in cost of products sold. On our consolidated statement of cash flows, the settlements of these cash flow hedges are recognized in operating cash flows.

For foreign currency exchange forward contracts outstanding at December 31, 2017, we had obligations to purchase U.S. Dollars and sell Euros, Japanese Yen, British Pounds, Canadian Dollars, Australian Dollars, Korean Won, Swedish Krona, Czech Koruna, Thai Baht, Taiwan Dollars, South African Rand, Russian Rubles, Indian Rupees, Turkish Lira, Polish Zloty, Danish Krone, and Norwegian Krone and obligations to purchase Swiss Francs and sell U.S. Dollars. These derivatives mature at dates ranging from January 2018 through June 2020. As of December 31, 2017, the notional amounts of outstanding forward contracts entered into with third parties to purchase U.S. Dollars were $1,735.9 million. As of December 31, 2017, the notional amounts of outstanding forward contracts entered into with third parties to purchase Swiss Francs were $291.3 million.

Derivatives Not Designated as Hedging Instruments

We enter into foreign currency forward exchange contracts with terms of one month to manage currency exposures for monetary assets and liabilities denominated in a currency other than an entity's functional currency. As a result, any foreign currency re-measurement gains/losses recognized in earnings are generally offset with gains/losses on the foreign currency forward exchange contracts in the same reporting period. These contracts are settled on the last day of each reporting period. Therefore, there is no outstanding balance related to these contracts recorded on the

balance sheet as of the end of the reporting period. The notional amounts of these contracts are typically in a range of $1.5 billion to $2.0 billion per quarter.

Income Statement Presentation

Derivatives Designated as Fair Value Hedges

Derivative instruments designated as fair value hedges had the following effects on our consolidated statements of earnings (in millions):

		Gain / (Loss) on Instrument			Gain / (Loss) on Hedged Item		
		Years Ended December 31,			Years Ended December 31,		
Derivative Instrument	Location on Statement of Earnings	2017	2016	2015	2017	2016	2015
Interest rate swaps	Interest expense	$ -	$ 7.5	$ 2.8	$ -	$ (7.5)	$ (2.8)

We had no ineffective fair value hedging instruments nor any amounts excluded from the assessment of hedge effectiveness during the years ended December 31, 2017, 2016 and 2015.

Derivatives Designated as Cash Flow Hedges

Derivative instruments designated as cash flow hedges had the following effects, before taxes, on OCI and net earnings on our consolidated statements of earnings, consolidated statements of comprehensive income (loss) and consolidated balance sheets (in millions):

	Amount of Gain / (Loss) Recognized in OCI				Amount of Gain / (Loss) Reclassified from OCI		
	Years Ended December 31,				Years Ended December 31,		
Derivative Instrument	2017	2016	2015	Location on Statement of Earnings	2017	2016	2015
Foreign exchange forward contracts	$ (116.5)	$ 25.7	$ 97.4	Cost of products sold	$ 5.1	$ 87.7	$ 122.3
Interest rate swaps	0.5	4.0	-	Interest expense	-	-	-
Forward starting interest rate swaps	-	-	(38.3)	Interest expense	(0.5)	(1.7)	(1.3)
Forward starting interest rate swaps	-	-	-	Other expense, net	-	(66.4)	-
	$ (116.0)	$ 29.7	$ 59.1		$ 4.6	$ 19.6	$ 121.0

The net amount recognized in earnings during the years ended December 31, 2017, 2016 and 2015 due to ineffectiveness and amounts excluded from the assessment of hedge effectiveness were not significant.

The fair value of outstanding derivative instruments designated as cash flow hedges and recorded on the balance sheet at December 31, 2017, together with settled derivatives where the hedged item has not yet affected earnings, was a net unrealized loss of $84.4 million, or $66.5 million after taxes, which is deferred in accumulated other comprehensive income. Of the net unrealized loss, $37.2 million, or $31.5 million after taxes, is expected to be reclassified to earnings in cost of products sold and a loss of $0.6 million, or $0.4 million after taxes, is expected to be reclassified to earnings in interest expense over the next twelve months.

Derivatives Not Designated as Hedging Instruments

The following gains/(losses) from these derivative instruments were recognized on our consolidated statements of earnings (in millions):

		Years Ended December 31,		
Derivative Instrument	Location on Statement of Earnings	2017	2016	2015
Foreign exchange forward contracts	Other expense, net	$ (62.3)	$ 2.5	$ 28.8

These gains/(losses) do not reflect offsetting gains of $45.5 million in 2017 and offsetting losses of $15.5 million and $42.2 million in 2016 and 2015, respectively, recognized in Other expense, net as a result of foreign currency

re-measurement of monetary assets and liabilities denominated in a currency other than an entity's functional currency.

Balance Sheet Presentation

As of December 31, 2017 and December 31, 2016, all derivative instruments designated as fair value hedges and cash flow hedges are recorded at fair value on the balance sheet. On our consolidated balance sheets, we recognize individual forward contracts with the same counterparty on a net asset/liability basis if we have a master netting agreement with the counterparty. Under these master netting agreements, we are able to settle derivative instrument assets and liabilities with the same counterparty in a single transaction, instead of settling each derivative instrument separately. We have master netting agreements with all of our counterparties.

The fair value of derivative instruments on a gross basis is as follows (in millions):

	As of December 31, 2017		As of December 31, 2016	
	Balance Sheet Location	Fair Value	Balance Sheet Location	Fair Value
Asset Derivatives				
Foreign exchange forward contracts	Other current assets	$ 14.5	Other current assets	$ 57.9
Foreign exchange forward contracts	Other assets	4.8	Other assets	34.9
Interest rate swaps	Other assets	4.5	Other assets	4.0
Total asset derivatives		$ 23.8		$ 96.8
Liability Derivatives				
Foreign exchange forward contracts	Other current liabilities	$ 45.8	Other current liabilities	$ 20.9
Forward starting interest rate swaps	Other current liabilities	-	Other current liabilities	-
Foreign exchange forward contracts	Other long-term liabilities	22.8	Other long-term liabilities	6.9
Total liability derivatives		$ 68.6		$ 27.8

The table below presents the effects of our master netting agreements on our consolidated balance sheets (in millions):

		As of December 31, 2017			As of December 31, 2016		
Description	Location	Gross Amount	Offset	Net Amount in Balance Sheet	Gross Amount	Offset	Net Amount in Balance Sheet
Asset Derivatives							
Cash flow hedges	Other current assets	$ 14.5	$ 13.4	$ 1.1	$ 57.9	$ 20.6	$ 37.3
Cash flow hedges	Other assets	4.8	4.3	0.5	34.9	6.8	28.1
Liability Derivatives							
Cash flow hedges	Other current liabilities	45.8	13.4	32.4	20.9	20.6	0.3
Cash flow hedges	Other long-term liabilities	22.8	4.3	18.5	6.9	6.8	0.1

The following net investment hedge gains were recognized on our consoli dated statements of comprehensive income (loss) (in millions):

Derivative Instrument	Amount of Gain / (Loss) Recognized in OCI Years Ended December 31, 2017	2016	2015
Euro Notes	$ (146.0)	$ 9.4	$ -
Foreign exchange forward contracts	-	9.4	-
	$ (146.0)	$ 18.8	$ -

14. Retirement Benefit Plans

We have defined benefit pension plans covering certain U.S. and Puerto Rico employees. The employees who are not participating in the defined benefit plans receive additional benefits under our defined contribution plans. Plan benefits are primarily based on years of credited service and the participant's average eligible compensation. In addition to the U.S. and Puerto Rico defined benefit pension plans, we sponsor various foreign pension arrangements, including retirement and termination benefit plans required by local law or coordinated with government sponsored plans.

We use a December 31 measurement date for our benefit plans.

Defined Benefit Plans

The components of net pension expense for our defined benefit retirement plans were as follows (in millions):

	For the Years Ended December 31, U.S. and Puerto Rico 2017	2016	2015	Foreign 2017	2016	2015
Service cost	$ 8.7	$ 9.6	$ 11.8	$ 17.7	$ 19.0	$ 18.9
Interest cost	14.0	13.8	15.8	8.4	10.0	8.8
Expected return on plan assets	(32.4)	(32.2)	(31.8)	(12.2)	(13.7)	(13.9)
Curtailment gain	-	-	-	-	(0.5)	-
Settlements	0.4	2.6	-	1.1	-	-
Amortization of prior service cost	(5.9)	(5.9)	(3.7)	(4.4)	(1.9)	(1.9)
Amortization of unrecognized actuarial loss	17.9	16.5	17.4	4.2	6.4	2.7
Net periodic benefit cost	$ 2.7	$ 4.4	$ 9.5	$ 14.8	$ 19.3	$ 14.6

The weighted average actuarial assumptions used to determine net pension expense for our defined benefit retirement plans were as follows:

	For the Years Ended December 31, U.S. and Puerto Rico 2017	2016	2015	Foreign 2017	2016	2015
Discount rate	4.33%	4.32%	4.56%	1.38%	1.41%	1.94%
Rate of compensation increase	3.29%	3.29%	3.29%	2.20%	2.08%	2.00%
Expected long-term rate of return on plan assets	7.75%	7.75%	7.75%	2.30%	2.40%	3.05%

The expected long-term rate of return on plan assets is based on the historical and estimated future rates of return on the different asset classes held in the plans. The expected long-term rate of return is the weighted average of the target asset allocation of each individual asset class. We believe that historical asset results approximate expected market returns applicable to the funding of a long-term benefit obligation.

Discount rates were determined for each of our defined benefit retirement plans at their measurement date to reflect the yield of a portfolio of high quality bonds matched against the timing and amounts of projected future benefit payments. Beginning in 2016, we changed the method used to estimate the service and interest costs for pension and postretirement benefits. The new method utilizes a full yield curve approach to estimate service and interest costs by applying specific spot rates along the yield curve used to determine the benefit obligation of relevant projected cash outflows. Historically, we utilized a single weighted-average discount rate applied to projected cash

outflows. We made the change to provide a more precise measurement of service and interest costs by aligning the timing of the plan's liability cash flows to the corresponding spot rate on the yield curve. The change did not impact the measurement of the plan's oblig ations. We accounted for this change as a change in accounting estimate.

Changes in projected benefit obligations and plan assets were (in millions):

	For the Years Ended December 31,			
	U.S. and Puerto Rico		Foreign	
	2017	2016	2017	2016
Projected benefit obligation - beginning of year	$ 376.9	$ 375.1	$ 568.6	$ 568.6
Service cost	8.7	9.6	17.7	19.0
Interest cost	14.0	13.8	8.4	10.0
Plan amendments	-	-	0.6	(23.4)
Employee contributions	-	-	17.0	23.6
Benefits paid	(14.9)	(14.3)	(34.5)	(31.6)
Actuarial loss (gain)	36.9	(1.6)	15.6	46.7
Expenses paid	-	-	(0.2)	(0.2)
Settlement	(0.9)	(5.7)	(0.8)	-
Translation gain (loss)	-	-	31.2	(44.1)
Projected benefit obligation - end of year	$ 420.7	$ 376.9	$ 623.6	$ 568.6

	For the Years Ended December 31,			
	U.S. and Puerto Rico		Foreign	
	2017	2016	2017	2016
Plan assets at fair market value - beginning of year	$ 389.4	$ 374.1	$ 507.0	$ 505.6
Actual return on plan assets	58.2	29.5	42.7	34.1
Employer contributions	1.8	5.8	16.5	15.9
Employee contributions	-	-	17.0	23.6
Settlements	(0.9)	(5.7)	-	-
Plan amendments	-	-	-	-
Benefits paid	(14.9)	(14.3)	(34.5)	(31.6)
Expenses paid	-	-	(0.2)	(0.2)
Translation gain (loss)	-	-	26.4	(40.4)
Plan assets at fair market value - end of year	$ 433.6	$ 389.4	$ 574.9	$ 507.0
Funded status	$ 12.9	$ 12.5	$ (48.7)	$ (61.6)

	For the Years Ended December 31,			
	U.S. and Puerto Rico		Foreign	
	2017	2016	2017	2016
Amounts recognized in consolidated balance sheet:				
Prepaid pension	$ 22.8	$ 24.0	$ 14.9	$ 10.2
Short-term accrued benefit liability	(5.6)	(0.4)	(0.8)	(0.7)
Long-term accrued benefit liability	(4.3)	(11.1)	(62.8)	(71.1)
Net amount recognized	$ 12.9	$ 12.5	$ (48.7)	$ (61.6)

We estimate the following amounts recorded as part of accumulated other comprehensive income will be recognized as part of our net pension expense during 2018 (in millions):

	U.S. and Puerto Rico	Foreign
Unrecognized prior service cost	$ (5.7)	$ (4.2)
Unrecognized actuarial loss	22.1	2.6
	$ 16.4	$ (1.6)

The weighted average actuarial assumptions used to determine the projected benefit obligation for our defined benefit retirement plans were as follows:

	For the Years Ended December 31,					
	U.S. and Puerto Rico			Foreign		
	2017	2016	2015	2017	2016	2015
Discount rate	3.78%	4.32%	4.36%	1.27%	1.41%	1.86%
Rate of compensation increase	3.29%	3.29%	3.29%	2.19%	2.08%	2.02%

Plans with projected benefit obligations in excess of plan assets were as follows (in millions):

	As of December 31,			
	U.S. and Puerto Rico		Foreign	
	2017	2016	2017	2016
Projected benefit obligation	$ 55.1	$ 51.3	$ 598.8	$ 545.7
Plan assets at fair market value	45.2	39.8	544.2	480.2

Total accumulated benefit obligations and plans with accumulated benefit obligations in excess of plan assets were as follows (in millions):

	As of December 31,			
	U.S. and Puerto Rico		Foreign	
	2017	2016	2017	2016
Total accumulated benefit obligations	$ 412.1	$ 364.8	$ 609.1	$ 556.4
Plans with accumulated benefit obligations in excess of plan assets:				
Accumulated benefit obligation	54.7	32.0	417.4	530.1
Plan assets at fair market value	45.2	21.8	375.5	475.3

The benefits expected to be paid out in each of the next five years and for the five years combined thereafter are as follows (in millions):

For the Years Ending December 31,	U.S. and Puerto Rico	Foreign
2018	$ 22.5	$ 23.4
2019	18.0	25.2
2020	19.2	24.6
2021	20.2	25.0
2022	21.7	27.0
2023-2027	119.6	133.7

The U.S. and Puerto Rico defined benefit retirement plans' overall investment strategy is to maximize total returns by emphasizing long-term growth of capital while mitigating risk. We have established target ranges of assets held by the plans of 30 to 65 percent for equity securities, 30 to 50 percent for debt securities and 5 to 15 percent in non-traditional investments. The plans strive to have sufficiently diversified assets so that adverse or unexpected results from one asset class will not have an unduly detrimental impact on the entire portfolio. We regularly review the investments in the plans and we may rebalance them from time-to-time based upon the target asset allocation of the plans.

For the U.S. and Puerto Rico plans, we maintain an investment policy statement that guides the investment allocation in the plans. The investment policy statement describes the target asset allocation positions described above. Our benefits committee, along with our investment advisor, monitor compliance with and administer the investment policy statement and the plans' assets and oversee the general investment strategy and objectives of the plans. Our benefits committee generally meets quarterly to review performance.

The investment strategies of foreign based plans vary according to the plan provisions and local laws. The majority of the assets in foreign based plans are located in Switzerland-based plans. These assets are held in trusts and are commingled with the a ssets of other Swiss companies with representatives of all the companies making the investment decisions. The overall strategy is to maximize total returns while avoiding risk. The trustees of the assets have established target ranges of assets held by t he plans of 30 to 50 percent in debt securities, 20 to 37 percent in equity securities, 15 to 24 percent in real estate, 3 to 15 percent in cash funds and 0 to 12 percent in other funds.

The fair value of our U.S. and Puerto Rico pension plan assets by asset category was as follows (in millions):

	As of December 31, 2017			
		Fair Value Measurements at Reporting Date Using:		
Asset Category	Total	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Cash and cash equivalents	$ 1.3	$ 1.3	$ -	$ -
Equity securities	287.1	-	287.1	-
Intermediate fixed income securities	145.2	-	145.2	-
Total	$ 433.6	$ 1.3	$ 432.3	$ -

	As of December 31, 2016			
		Fair Value Measurements at Reporting Date Using:		
Asset Category	Total	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Cash and cash equivalents	$ 2.7	$ 2.7	$ -	$ -
Equity securities	247.3	-	247.3	-
Intermediate fixed income securities	139.4	-	139.4	-
Total	$ 389.4	$ 2.7	$ 386.7	$ -

The fair value of our foreign pension plan assets was as follows (in millions):

	As of December 31, 2017			
		Fair Value Measurements at Reporting Date Using:		
Asset Category	Total	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Cash and cash equivalents	$ 31.8	$ 31.8	$ -	$ -
Equity securities	161.6	157.6	4.0	-
Fixed income securities	219.5	-	219.5	-
Other types of investments	60.4	-	60.4	-
Real estate	101.6	-	10.6	91.0
Total	$ 574.9	$ 189.4	$ 294.5	$ 91.0

Asset Category	As of December 31, 2016			
		Fair Value Measurements at Reporting Date Using:		
	Total	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Cash and cash equivalents	$ 37.8	$ 37.8	$ -	$ -
Equity securities	144.7	141.3	3.4	-
Fixed income securities	203.1	-	203.1	-
Other types of investments	33.5	-	33.5	-
Real estate	87.9	-	9.2	78.7
Total	$ 507.0	$ 179.1	$ 249.2	$ 78.7

As of December 31, 2017 and 2016, our defined benefit pension plans' assets did not hold any direct investment in Zimmer Biomet Holdings common stock.

Equity securities are valued using a market approach, based on quoted prices for the specific security from transactions in active exchange markets (Level 1), or in some cases where we are invested in mutual or collective funds, based upon the net asset value per unit of the fund which is determined from quoted market prices of the underlying securities in the fund's portfolio (Level 2). Fixed income securities are valued using a market approach, based upon quoted prices for the specific security or from institutional bid evaluations. Real estate is valued by discounting to present value the cash flows expected to be generated by the specific properties.

The following table provides a reconciliation of the beginning and ending balances of our foreign pension plan assets measured at fair value that used significant unobservable inputs (Level 3) (in millions):

	December 31, 2017
Beginning Balance	$ 78.7
Gains on assets sold	0.3
Change in fair value of assets	3.8
Net purchases and sales	5.2
Translation gain	3.0
Ending Balance	$ 91.0

We expect that we will have no legally required minimum funding requirements in 2018 for the qualified U.S. and Puerto Rico defined benefit retirement plans, nor do we expect to voluntarily contribute to these plans during 2018. Contributions to foreign defined benefit plans are estimated to be $17.0 million in 2018 . We do not expect the assets in any of our plans to be returned to us in the next year.

Defined Contribution Plans

We also sponsor defined contribution plans for substantially all of the U.S. and Puerto Rico employees and certain employees in other countries. The benefits offered under these plans are reflective of local customs and practices in the countries concerned. We expensed $47.9 million, $42.5 million and $40.2 million related to these plans for the years ended December 31, 2017, 2016 and 2015, respectively.

15. Income Taxes

2017 Tax Act: The President signed U.S. tax reform legislation ("2017 Tax Act") on December 22, 2017, which is considered the enactment date. The 2017 Tax Act includes a broad range of provisions, many of which significantly differ from those contained in previous U.S. tax law. Changes in tax law are accounted for in the period of enactment. As such, our 2017 consolidated financial statements reflect the immediate tax effect of the 2017 Tax Act.

The 2017 Tax Act contains several key provisions including, among other things:

- a one-time tax on the mandatory deemed repatriation of post-1986 untaxed foreign earnings and profits (E&P), referred to as the toll charge;
- a reduction in the corporate income tax rate from 35 percent to 21 percent for tax years beginning after December 31, 2017;
- the introduction of a new U.S. tax on certain off-shore earnings referred to as global intangible low-taxed income (GILTI) at an effective tax rate of 10.5 percent for tax years beginning after December 31, 2017 (increasing to 13.125 percent for tax years beginning after December 31, 2025), with a partial offset by foreign tax credits; and
- the introduction of a territorial tax system beginning in 2018 by providing a 100 percent dividend received deduction on certain qualified dividends from foreign subsidiaries.

During the fourth quarter of 2017, we recorded an income tax benefit of $1,272.4 million, which was comprised of the following:

- income tax benefit of $715.0 million for the one-time deemed repatriation of foreign earnings. This is composed of a $1,181.0 million benefit from the removal of a deferred tax liability we had recorded for the repatriation of foreign earnings prior to the 2017 Tax Act offset by $466.0 million for the toll charge recognized under the 2017 Tax Act. In accordance with the 2017 Tax Act, we expect to elect to pay the toll charge in installments over eight years. As of December 31, 2017, we have recorded current and non-current income tax liabilities related to the toll charge of $82.0 million and $384.0 million, respectively.
- an income tax benefit of $557.4 million, primarily related to the remeasurement of our deferred tax assets and liabilities at the enacted corporate income tax rate of 21 percent.

The net benefit recorded was based on currently available information and interpretations made in applying the provisions of the 2017 Tax Act as of the time of filing this Annual Report on Form 10-K. We further refined our estimates related to the impact of the 2017 Tax Act subsequent to the issuance of our earnings release for the fourth quarter of 2017. In accordance with authoritative guidance issued by the SEC, the income tax effect for certain aspects of the 2017 Tax Act represent provisional amounts for which our accounting is incomplete, but with respect to which a reasonable estimate could be determined and recorded during the fourth quarter of 2017. The actual effects of the 2017 Tax Act and final amounts recorded may differ materially from our current estimate of provisional amounts due to, among other things, further interpretive guidance that may be issued by U.S. tax authorities or regulatory bodies, including the SEC and the FASB. We will continue to analyze the 2017 Tax Act and any additional guidance that may be issued so we can finalize the full effects of applying the new legislation on our financial statements in the measurement period, which ends in the fourth quarter of 2018.

We continue to evaluate the impacts of the 2017 Tax Act and consider the amounts recorded to be provisional. In addition, we are still evaluating the GILTI provisions of the 2017 Tax Act and their impact, if any, on our consolidated financial statements as of December 31, 2017. The FASB allows companies to adopt an accounting policy to either recognize deferred taxes for GILTI or treat such as a tax cost in the year incurred. We have not yet determined which accounting policy to adopt because determining the impact of the GILTI provisions requires analysis of our existing legal entity structure, the reversal of our U.S. GAAP and U.S. tax basis differences in the assets and liabilities of our foreign subsidiaries, and our ability to offset any tax with foreign tax credits. As such, we did not record a deferred income tax expense or benefit related to the GILTI provisions in our consolidated statement of earnings for the year ended December 31, 2017, and we plan to finalize this during the measurement period.

We recorded a provisional amount for the toll charge, which represents our reasonable estimate of the liability due for the one-time mandatory deemed repatriation of our post-1986 untaxed foreign E&P. Determining the provisional toll charge liability required a significant effort based on a number of factors including:

- analyzing our accumulated untaxed foreign E&P since 1986, including historical practices and assertions made in determining such E&P;
- determining the composition, including intercompany receivables and payables of specified foreign corporations, of our post-1986 untaxed foreign E&P that is held in cash or liquid assets and other assets at several measurement dates, as a different tax rate is applied to each when determining the toll charge liability;
- assessing the potential impact of existing uncertain tax positions in determining our accumulated undistributed E&P; and
- assessing the impact of November 30 tax year end entities which have measurement dates into 2018.

For the aforementioned factors, as well as the proximity of the enactment of the 2017 Tax Act to our year-end, we had limited time to understand the 2017 Tax Act and its various interpretations (including any additional guidance issued through the time of filing this Annual Report on Form 10-K), to assess how to apply the new law to our specific facts and circumstances and determine the toll charge. These factors also contributed to the tax effects recorded being provisional amounts. In addition, we made certain assumptions in determining the provisional toll charge that may result in adjustments when we finalize our analysis and accounting for the 2017 Tax Act, which will include, but will not be limited to, the following:

- finalizing our analysis of our post-1986 untaxed foreign E&P;
- finalizing the impact of November 30 tax year ends of certain entities, including 2018 results;
- finalizing our analysis as to the amounts and nature of, among other items, our intercompany transactions and balances as of various dates to determine the appropriate composition of our post-1986 untaxed E&P as either cash / liquid assets or other assets; and
- finalizing our analysis of the impacts on our accounting of the GILTI provisions of the 2017 Tax Act.

The components of earnings before income taxes consisted of the following (in millions):

	For the Years Ended December 31,		
	2017	2016	2015
United States operations	$ (114.0)	$ (251.8)	$ (246.2)
Foreign operations	578.6	651.4	399.4
Total	$ 464.6	$ 399.6	$ 153.2

The provision/(benefit) for income taxes and the income taxes paid consisted of the following (in millions):

Current:			
Federal	$ 438.5	$ 134.2	$ 55.8
State	2.4	12.4	18.9
Foreign	(13.7)	101.6	96.3
	427.2	248.2	171.0
Deferred:			
Federal	(1,728.5)	(108.5)	(120.6)
State	(95.5)	2.3	(20.0)
Foreign	48.0	(47.0)	(23.4)
	(1,776.0)	(153.2)	(164.0)
(Benefit) provision for income taxes	$ (1,348.8)	$ 95.0	$ 7.0
Income taxes paid	$ 266.9	$ 269.6	$ 193.6

A reconciliation of the U.S. statutory income tax rate to our effective tax rate is as follows:

	For the Years Ended December 31,		
	2017	2016	2015
U.S. statutory income tax rate	35.0 %	35.0 %	35.0 %
State taxes, net of federal deduction	1.8	2.0	(1.7)
Tax impact of foreign operations, including U.S. taxes on international income and foreign tax credits	(32.0)	(11.0)	(62.3)
Change in valuation allowance	0.8	-	(3.7)
Non-deductible expenses	2.7	0.9	2.4
Goodwill impairment	22.5	-	-
Tax rate change	(24.0)	-	-
Tax impact of certain significant transactions	-	1.6	21.6
Tax benefit relating to U.S. manufacturer's deduction	(1.7)	(4.7)	(6.2)
R&D tax credit	(1.2)	(1.9)	(4.2)
Share-based compensation	(2.6)	(2.9)	1.1
Net uncertain tax positions, including interest and penalties	(17.0)	4.2	22.9
U.S. tax reform	(273.8)	-	-
Other	(0.8)	0.6	(0.3)
Effective income tax rate	(290.3)%	23.8 %	4.6 %

Our operations in Puerto Rico and Switzerland benefit from various tax incentive grants. These grants expire between fiscal years 2019 and 2029.

Deferred income taxes reflect the net tax effects of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for income tax purposes. Valuation allowances are recorded to reduce deferred income tax assets when it is more likely than not that an income tax benefit will not be realized. As a result of the 2017 Tax Act, we recorded a provisional income tax benefit of $1,738.4 million, primarily related to the remeasurement of our deferred tax assets and liabilities at the enacted corporate income tax rate of 21 percent and the removal of the deferred tax liability for repatriation of foreign earnings due to the toll charge provisions.

The components of deferred taxes consisted of the following (in millions):

	As of December 31,	
	2017	2016
Deferred tax assets:		
Inventory	$ 246.8	$ 260.3
Net operating loss carryover	165.1	181.3
Tax credit carryover	163.8	110.4
Capital loss carryover	6.9	2.3
Accrued liabilities	102.5	182.2
Share-based compensation	26.8	60.3
Accounts receivable	17.3	22.3
Other	84.9	101.9
Total deferred tax assets	814.1	921.0
Less: Valuation allowances	(140.6)	(88.3)
Total deferred tax assets after valuation allowances	673.5	832.7
Deferred tax liabilities:		
Fixed assets	$ 85.6	$ 138.7
Intangible assets	1,423.0	2,343.7
Unremitted earnings of foreign subsidiaries	-	1,159.4
Other	18.2	-
Total deferred tax liabilities	1,526.8	3,641.8
Total net deferred income taxes	$ (853.3)	$ (2,809.1)

Net operating loss carryovers are available to reduce future federal, state and foreign taxable earnings. At December 31, 2017, $107.4 million of these net operating loss carryovers generally expire within a period of 1 to 20 years and $57.7 million of these net operating loss carryovers have an indefinite life. Valuation allowances for net operating loss carryovers have been established in the amount of $105.0 million and $70.8 million at December 31, 2017 and 2016, respectively.

Deferred tax assets related to tax credit carryovers are available to offset future federal, state and foreign tax liabilities. At December 31, 2017, $163.7 million of these tax credit carryovers generally expire within a period of 1 to 19 years and $0.1 million of these tax credit carryovers have an indefinite life. Valuation allowances for certain tax credit carryovers have been established in the amount of $18.5 million and $11.9 million at December 31, 2017 and 2016, respectively.

Deferred tax assets related to capital loss carryovers are also available to reduce future federal and foreign capital gains. At December 31, 2017, $2.7 million of these capital loss carryovers generally expire within a period of 1 to 4 years and $4.2 million of these capital loss carryovers have an indefinite life. Valuation allowances for certain capital loss carryovers have been established in the amount of $5.5 million and $0.2 million at December 31, 2017 and 2016, respectively. The remaining valuation allowances booked against deferred tax assets of $11.6 million and $5.4 million at December 31, 2017 and 2016, respectively, relate primarily to accrued liabilities and intangible assets that management believes, more likely than not, will not be realized.

Many of our operations are conducted outside the United States. Under the 2017 Tax Act, a company's post-1986 previously untaxed foreign E&P are mandatorily deemed to be repatriated and taxed, which is also referred to as the toll charge. The toll charge is assessed regardless of whether or not a company has cash in its foreign subsidiaries. In prior years, we recorded U.S. deferred tax liabilities of $1,159.4 million for certain offshore earnings that were expected to be remitted to our domestic operations. These deferred tax liabilities reduced the income tax expense recorded in the fourth quarter of 2017 for the toll charge. We intend to repatriate at least $3.6 billion of unremitted earnings, in line with our prior year assertion. The remaining amounts earned overseas were expected to be permanently reinvested outside of the United States, and therefore, no accrual for U.S. taxes was recorded. We continue to evaluate our assertions on any remaining outside basis differences in our foreign subsidiaries as of December 31, 2017 and have not completed our analysis. In accordance with authoritative guidance issued by the SEC, we expect to finalize our accounting related to the toll charge and any remaining outside basis differences in our foreign subsidiaries during later periods as we complete our analysis, computations and assertions.

The following is a tabular reconciliation of the total amounts of unrecognized tax benefits (in millions):

	For the Years Ended December 31,		
	2017	2016	2015
Balance at January 1	$ 649.3	$ 591.9	$ 321.7
Increases related to business combinations	70.2	70.2	247.6
Increases related to prior periods	172.8	36.7	1.3
Decreases related to prior periods	(262.2)	(94.7)	-
Increases related to current period	24.8	53.0	25.7
Decreases related to settlements with taxing authorities	(21.7)	(3.2)	(1.4)
Decreases related to lapse of statute of limitations	(6.4)	(4.6)	(3.0)
Balance at December 31	$ 626.8	$ 649.3	$ 591.9
Amounts impacting effective tax rate, if recognized balance at December 31	$ 499.6	$ 511.5	$ 443.7

We recognize accrued interest and penalties related to unrecognized tax benefits as income tax expense. During 2017, we released interest and penalties of $38.3 million, and as of December 31, 2017, had a recognized liability for interest and penalties of $75.7 million, which included an increase of $3.0 million from December 31, 2016 related to business combinations.

During 2016, we accrued interest and penalties of $19.3 million, and as of December 31, 2016, had recognized a liability for interest and penalties of $110.8 million, which included an $8.6 million increase from December 31, 2015 related to the Biomet merger. During 2015, we accrued interest and penalties of $4.8 million, and as of

December 31, 2015, had recognized a liability for interest and penalties of $82.9 million, which included an increase of $29.8 million from December 31, 2014 related to t he Biomet merger.

We operate on a global basis and are subject to numerous and complex tax laws and regulations. Additionally, tax laws have and continue to undergo rapid changes in both application and interpretation by various countries, including state aid interpretations and the Organization for Economic Cooperation and Development led initiatives. Our income tax filings are subject to examinations by taxing authorities throughout the world. Income tax audits may require an extended period of time to reach resolution and may result in significant income tax adjustments when interpretation of tax laws or allocation of company profits is disputed. Although ultimate timing is uncertain, the net amount of tax liability for unrecognized tax benefits may change within the next twelve months due to changes in audit status, expiration of statutes of limitations, settlements of tax assessments and other events. Management's best estimate of such change is within the range of a $115 million decrease to a $25 million increase.

Our U.S. Federal income tax returns have been audited through 2009 and are currently under audit for years 2010-2015. The IRS has proposed adjustments for years 2005-2012, reallocating profits between certain of our U.S. and foreign subsidiaries. We have disputed these adjustments and intend to continue to vigorously defend our positions. For years 2005-2007, we have filed a petition with the U.S. Tax Court. For years 2008-2009, we are pursuing resolution through the IRS Administrative Appeals Process.

State income tax returns are generally subject to examination for a period of 3 to 5 years after filing of the respective return. The state impact of any federal changes generally remains subject to examination by various states for a period of up to one year after formal notification to the states. We have various state income tax return positions in the process of examination, administrative appeals or litigation.

In other major jurisdictions, open years are generally 2009 or later.

16. Capital Stock and Earnings per Share

We are authorized to issue 250.0 million shares of preferred stock, none of which were issued or outstanding as of December 31, 2017.

The numerator for both basic and diluted earnings per share is net earnings available to common stockholders. The denominator for basic earnings per share is the weighted average number of common shares outstanding during the period. The denominator for diluted earnings per share is weighted average shares outstanding adjusted for the effect of dilutive stock options and other equity awards. The following is a reconciliation of weighted average shares for the basic and diluted share computations (in millions):

	For the Years Ended December 31,		
	2017	2016	2015
Weighted average shares outstanding for basic net earnings per share	201.9	200.0	187.4
Effect of dilutive stock options and other equity awards	1.8	2.4	2.4
Weighted average shares outstanding for diluted net earnings per share	203.7	202.4	189.8

For the years ended December 31, 2017, 2016 and 2015, an average of 1.0 million, 0.9 million and 0.5 million options, respectively, to purchase shares of common stock were not included in the computation of diluted earnings per share as the exercise prices of these options were greater than the average market price of the common stock.

During 2016, we repurchased 4.2 million shares of our common stock at an average price of $98.50 per share for a total cash outlay of $415.5 million, including commissions.

17. Segment Data

We design, manufacture and market orthopaedic reconstructive products; sports medicine, biologics, extremities and trauma products; spine, craniomaxillofacial and thoracic products ("CMF"); office based technologies; dental implants; and related surgical products. We allocate resources to achieve our operating profit goals through seven operating segments. Our operating segments are comprised of both geographic and product category business units.

The g eographic operating segments are the Americas, which is comprised principally of the U.S. and includes other North, Central and South American markets; EMEA, which is comprised principally of Europe and includes the Middle East and African markets; and Asi a Pacific, which is comprised primarily of Japan, China and Australia and includes other Asian and Pacific markets. The product category operating segments are Spine, Office Based Technologies, CMF and Dental. The geographic operating segments include re sults from all of our product categories except those in the product category operating segments. The Office Based Technologies, CMF and Dental product category operating segments reflect those respective product category results from all regions, whereas the Spine product category operating segment includes all spine product results excluding those from Asia Pacific.

As it relates to the geographic operating segments, we evaluate performance based upon segment operating profit exclusive of operating expenses pertaining to inventory step-up and certain other inventory and manufacturing related charges, "Certain claims," goodwill impairment, intangible asset amortization, "Special items," and global operations and corporate functions. Global operations and corporate functions include research, development engineering, medical education, brand management, corporate legal, finance and human resource functions, manufacturing operations and logistics and share-based payment expense. As it relates to each product category operating segment, research, development engineering, medical education, brand management and other various costs that are specific to the product category operating segment's operations are reflected in its operating profit results. Due to these additional costs included in the product category operating segments, profitability metrics among the geographic operating segments and product category operating segments are not comparable. Intercompany transactions have been eliminated from segment operating profit.

We do not review asset information by operating segment. Instead, we review cash flow and other financial ratios by operating segment.

These seven operating segments are the basis for our reportable segment information provided below. The four product category operating segments are individually insignificant to our consolidated results and therefore do not constitute a reporting segment either individually or combined. For presentation purposes, these product category operating segments have been aggregated. In 2017, due to a change in management responsibilities, the sales and operating profit results of our spine business in EMEA were combined with the previous Americas Spine operating segment to form the product category operating segment, Spine. Prior period reportable segment financial information has been restated to conform to the current presentation.

Net sales and other information by segment is as follows (in millions):

	Americas	EMEA	Asia Pacific	Immaterial Product Category Operating Segments	Global Operations and Corporate Functions	Total
For the Year Ended December 31, 2017						
Net sales	$ 3,951.1	$ 1,522.1	$ 1,158.3	$ 1,192.6	$ -	$ 7,824.1
Depreciation and amortization	127.5	68.5	58.2	45.6	762.9	1,062.7
Segment operating profit	2,126.8	481.7	420.8	272.9	(867.7)	2,434.5
Inventory step-up and certain other inventory and manufacturing related charges						(84.6)
Intangible asset amortization						(603.9)
Goodwill impairment						(304.7)
Special items						
Biomet merger related						(248.0)
Other special items						(385.1)
Operating profit						808.2
For the Year Ended December 31, 2016						
Net sales	$ 3,947.1	$ 1,508.9	$ 1,095.6	$ 1,132.3	$ -	$ 7,683.9
Depreciation and amortization	135.4	68.8	51.7	37.8	745.6	1,039.3
Segment operating profit	2,132.7	482.4	432.1	264.5	(839.0)	2,472.7
Inventory step-up and certain other inventory and manufacturing related charges						(469.1)
Intangible asset amortization						(565.9)
Special items						
Biomet merger related						(487.3)
Other special items						(124.5)
Operating profit						825.9
For the Year Ended December 31, 2015						
Net sales	$ 3,107.8	$ 1,250.7	$ 881.6	$ 757.7	$ -	$ 5,997.8
Depreciation and amortization	109.9	41.1	37.9	24.6	498.9	712.4
Segment operating profit	1,633.6	423.6	422.2	179.2	(665.6)	1,993.0
Inventory step-up and certain other inventory and manufacturing related charges						(348.8)
Intangible asset amortization						(337.4)
Special items						
Biomet merger related						(619.1)
Other special items						(220.4)
Operating profit						467.3

We conduct business in the following countries that hold 10 percent or more of our total consolidated Property, plant and equipment, net (in millions):

	As of December 31,	
	2017	2016
United States	$ 1,151.6	$ 1,181.3
Other countries	887.0	856.6
Property, plant and equipment, net	$ 2,038.6	$ 2,037.9

U.S. sales were $4,603.1 million, $4,541.3 million, and $3,447.2 million for the years ended December 31, 2017, 2016 and 2015, respectively. Sales within any other individual country were less than 10 percent of our consolidated sales in each of those years. Sales are attributable to a country based upon the customer's country of domicile.

Net sales by product category are as follows (in millions):

	For the Years Ended December 31,		
	2017	2016	2015
Knees	$ 2,737.1	$ 2,752.6	$ 2,276.8
Hips	1,879.1	1,867.9	1,533.0
S.E.T	1,709.1	1,644.4	1,214.6
Dental	418.6	427.9	335.7
Spine & CMF	759.5	662.0	404.4
Other	320.7	329.1	233.3
Total	$ 7,824.1	$ 7,683.9	$ 5,997.8

18. Leases

Total rent expense for the years ended December 31, 2017, 2016 and 2015 aggregated $87.2 million, $74.0 million, and $60.1 million, respectively.

Future minimum rental commitments under non-cancelable operating leases in effect as of December 31, 2017 were (in millions):

For the Years Ending December 31,	
2018	$ 66.7
2019	54.2
2020	45.8
2021	35.8
2022	26.9
Thereafter	81.9

19. Commitments and Contingencies

On a quarterly and annual basis, we review relevant information with respect to loss contingencies and update our accruals, disclosures and estimates of reasonably possible losses or ranges of loss based on such reviews. We establish liabilities for loss contingencies when it is probable that a loss has been incurred and the amount of the loss can be reasonably estimated. For matters where a loss is believed to be reasonably possible, but not probable, no accrual has been made.

Litigation

Durom ® Cup-related claims : On July 22, 2008, we temporarily suspended marketing and distribution of the Durom Cup in the U.S. Subsequently, a number of product liability lawsuits were filed against us in various U.S. and foreign jurisdictions. The plaintiffs seek damages for personal injury, and they generally allege that the Durom Cup contains defects that result in complications and premature revision of the device. We have settled some of these claims and others are still pending. The majority of the pending U.S. lawsuits are currently in an MDL in the District of New Jersey (*In Re: Zimmer Durom Hip Cup Products Liability Litigation*). Multi-plaintiff state court cases are pending in St. Clair County, Illinois (*Santas, et al. v. Zimmer, Inc., et al.*) and Los Angeles County, California (*McAllister, et al. v. Zimmer, Inc., et al.*). The initial trial in *Santas* took place in November 2014, the initial trial in the MDL took place in May 2015 and the initial trial in *McAllister* took place in July 2015. As of December 31, 2017, litigation activity in the MDL, *Santas* and *McAllister* is stayed to allow participation in the U.S. Durom Cup Settlement Program, an extrajudicial program created to resolve actions and claims of eligible U.S. plaintiffs and claimants. Other lawsuits are pending in various domestic and foreign jurisdictions, and additional claims may be asserted in the future. The majority of claims outside the U.S. are pending in Canada, Germany, Netherlands, Italy and the UK. A Canadian class settlement was approved in late 2016. Trials have commenced in Germany, and the majority of claims in the UK are consolidated in a Group Litigation Order.

Since 2008, we have recognized expense of $489.7 million for Durom Cup-related claims. Our estimate of our total liability for these claims as of December 31, 2017 remains generally consistent with our estimate as of December 31, 2016. We recognized $10.3 million and $7.7 million in expense for Durom Cup-related claims in 2017 and 2015, respectively, with no expense recorded in 2016.

We maintain insurance for product liability claims, subject to self-insurance retention requirements. We have recovered insurance proceeds from certain of our insurance carriers for Durom Cup-related claims. While we may recover additional insurance proceeds in the future for Durom Cup-related claims, we do not have a receivable recorded on our consolidated balance sheet as of December 31, 2017 for any possible future insurance recoveries for these claims.

Our estimate as of December 31, 2017 of the remaining liability for all Durom Cup-related claims is $199.4 million, of which $78.0 million is classified as short-term in "Other current liabilities" and $121.4 million is classified as long-term in "Other long-term liabilities" on our consolidated balance sheet. We expect to pay the majority of the Durom Cup-related claims within the next few years.

Our understanding of clinical outcomes with the Durom Cup and other large diameter hip cups continues to evolve. We rely on significant estimates in determining the provisions for Durom Cup-related claims, including our estimate of the number of claims that we will receive and the average amount we will pay per claim. The actual number of claims and the actual amount we pay per claim may differ from our estimates. Among other factors, since our understanding of the clinical outcomes is still evolving, we cannot reasonably estimate the possible loss or range of loss that may result from Durom Cup-related claims in excess of the losses we have accrued. Although we are vigorously defending these lawsuits, their ultimate resolution is uncertain.

Margo and Daniel Polett v. Zimmer, Inc. et al. : On August 20, 2008, Margo and Daniel Polett filed an action against us and an unrelated third party, Public Communications, Inc. ("PCI"), in the Court of Common Pleas, Philadelphia, Pennsylvania seeking an unspecified amount of damages for injuries and loss of consortium allegedly suffered by Mrs. Polett and her spouse, respectively. The complaint alleged that defendants were negligent in connection with Mrs. Polett's participation in a promotional video featuring one of our knee products. The case was tried in November 2010 and the jury returned a verdict in favor of plaintiffs. The jury awarded $27.6 million in compensatory damages and apportioned fault 30 percent to plaintiffs, 34 percent to us and 36 percent to PCI. Under applicable law, we may be liable for any portion of the damages apportioned to PCI that it does not pay. On December 2, 2010, we and PCI filed a motion for post-trial relief seeking a judgment notwithstanding the verdict, a new trial or a remittitur. On June 10, 2011, the trial court entered an order denying our motion for post-trial relief and affirming the jury verdict in full and entered judgment for $20.3 million against us and PCI. On June 29, 2011, we filed a notice of appeal to the Superior Court of Pennsylvania and posted a bond for the verdict amount plus interest. Oral argument before the appellate court in Philadelphia, Pennsylvania was held on March 13, 2012. On March 1, 2013, the Superior Court of Pennsylvania vacated the $27.6 million judgment and remanded the case for a new trial. On March 15, 2013, plaintiffs filed a motion for re-argument *en banc* , and on March 28, 2013, we filed our response in opposition. On May 9, 2013, the Superior Court of Pennsylvania granted plaintiffs' motion for re-argument *en banc* . Oral argument (re-argument *en banc*) before the Superior Court of Pennsylvania was held on October 16, 2013. On December 20, 2013, the Court issued its opinion again vacating the trial court judgment and remanding the case for a new trial. On January 21, 2014, plaintiffs filed a petition for allowance of appeal in the Supreme Court of Pennsylvania, which was granted on May 21, 2014. Oral argument before the Supreme Court of Pennsylvania took place on October 8, 2014. On October 27, 2015, the Supreme Court of Pennsylvania reversed the order of the Superior Court of Pennsylvania and remanded the case to that court to consider the question of whether the trial court erred in refusing to remit the jury's compensatory damages award. On June 6, 2016, an *en banc* panel of the Superior Court of Pennsylvania vacated the $27.6 million verdict and remanded the case back to the trial court for remittitur. On December 2, 2016, the trial court remitted the verdict to $21.5 million, which, after being molded to reduce for plaintiffs' comparative negligence, totals approximately $15.8 million. On December 5, 2016, we filed a notice of appeal to the Superior Court of Pennsylvania. Oral argument before the Superior Court of Pennsylvania took place on September 20, 2017, and on December 15, 2017, the Superior Court of Pennsylvania issued its decision affirming the $21.5 million remitted award. We subsequently filed a motion for re-argument *en banc* on December 29, 2017, which motion was denied without opinion on February 12, 2018. While we are considering further appellate options, including appeal to the Pennsylvania Supreme Court, we have recorded a charge for the approximately $15.8 million remitted and molded verdict, plus post-judgment interest from the date of verdict in 2010.

NexGen ® Knee System claims: Following a wide-spread advertising campaign conducted by certain law firms beginning in 2010, a number of product liability lawsuits have been filed against us in various jurisdictions. The plaintiffs seek damages for personal injury, alleging that certain products within the NexGen Knee System, specifically the NexGen Flex Femoral Components and MIS Stemmed Tibial Component, suffer from defects that cause them to loosen prematurely. The majority of the cases are currently pending in a federal MDL in the Northern District of Illinois (*In Re: Zimmer NexGen Knee Implant Products Liability Litigation*). Other cases are pending in various state courts, and additional lawsuits may be filed. Thus far, all cases decided by the MDL court or a jury on the merits have involved NexGen Flex Femoral Components, which represent the majority of cases in the MDL.

The initial bellwether trial took place in October 2015 and resulted in a defense verdict. The next scheduled bellwether trial, which was set to commence in November 2016, was d ismissed following the court's grant of summary judgment in our favor in October 2016. The second bellwether trial took place in January 2017 and resulted in a defense verdict. The parties attended a court-ordered mediation in January 2018. Although we are vigorously defending these lawsuits, their ultimate resolution is uncertain.

Biomet metal-on-metal hip implant claims : Biomet is a defendant in a number of product liability lawsuits relating to metal-on-metal hip implants. The majority of these cases involve the M2a-Magnum ™ hip system. The majority of the cases are currently consolidated in one federal MDL proceeding in the U.S. District Court for the Northern District of Indiana *(In Re: Biomet M2a Magnum Hip Implant Product Liability Litigation)* . Other cases are pending in various state and foreign courts.

On February 3, 2014, Biomet announced the settlement of the MDL. Lawsuits filed in the MDL by April 15, 2014 were eligible to participate in the settlement. Those claims that did not settle via the MDL settlement program have re-commenced litigation in the MDL under a new case management plan. The settlement does not affect certain other claims relating to Biomet's metal-on-metal hip products that are pending in various state and foreign courts, or other claims that may be filed in the future. Our estimate as of December 31, 2017 of the remaining liability for all Biomet metal-on-metal hip implant claims is $36.0 million.

Biomet has exhausted the self-insured retention in its insurance program and has been reimbursed for claims related to its metal-on-metal products up to its policy limits in the program. Zimmer Biomet is responsible for any amounts by which the ultimate losses exceed the amount of Biomet's third-party insurance coverage. As of December 31, 2017, Biomet had received all of the insurance proceeds it expects to recover under the excess policies. Although we are vigorously defending these lawsuits, their ultimate resolution is uncertain.

Heraeus trade secret misappropriation lawsuits: In December 2008, Heraeus Kulzer GmbH (together with its affiliates, "Heraeus") initiated legal proceedings in Germany against Biomet, Inc., Biomet Europe BV, certain other entities and certain employees alleging that the defendants misappropriated Heraeus trade secrets when developing Biomet Europe's Refobacin and Biomet Bone Cement line of cements ("European Cements"). The lawsuit sought to preclude the defendants from producing, marketing and offering for sale their current line of European Cements and to compensate Heraeus for any damages incurred.

On June 5, 2014, the German appeals court in Frankfurt (i) enjoined Biomet, Inc., Biomet Europe BV and Biomet Deutschland GmbH from manufacturing, selling or offering the European Cements to the extent they contain certain raw materials in particular specifications; (ii) held the defendants jointly and severally liable to Heraeus for any damages from the sale of European Cements since 2005; and (iii) ruled that no further review may be sought (the "Frankfurt Decision"). The Heraeus and Biomet parties both sought appeal against the Frankfurt Decision. In a decision dated June 16, 2016, the German Supreme Court dismissed the parties' appeals without reaching the merits, rendering that decision final.

In December 2016, Heraeus filed papers to restart proceedings against Biomet Orthopaedics Switzerland GmbH, seeking to require that entity to relinquish its CE certificates for the European Cements. In January 2017, Heraeus notified Biomet it had filed a claim for damages in the amount of €121.9 million for sales in Germany. In September 2017, Heraeus filed an enforcement action in the Frankfurt court against Biomet Europe, requesting that a fine be imposed against Biomet Europe for failure to prevent Biomet Orthopaedics Switzerland from having bone cements for the Chinese market manufactured in Germany. Also in September 2017, Heraeus filed suit against Zimmer Biomet Deutschland in the court of first instance in Freiberg concerning the sale of the European Cements with certain changed raw materials. Heraeus seeks an injunction on the basis that the continued use of the product names for the European Cements is misleading for customers and thus an act of unfair competition. As of December 31, 2017, these claims were still pending.

On September 8, 2014, Heraeus filed a complaint against a Biomet supplier, Esschem, Inc. ("Esschem"), in the United States District Court for the Eastern District of Pennsylvania. The lawsuit contained allegations that focused on two copolymer compounds that Esschem sells to Biomet, which Biomet incorporates into certain bone cement products that compete with Heraeus' bone cement products. The complaint alleged that Biomet helped Esschem to develop these copolymers, using Heraeus trade secrets that Biomet allegedly misappropriated. The complaint asserted a claim under the Pennsylvania Trade Secrets Act, as well as other various common law tort claims, all based upon the same trade secret misappropriation theory. Heraeus sought to enjoin Esschem from supplying the copolymers to any third party and actual damages. The complaint also sought punitive damages, costs and attorneys' fees. Although Biomet was not a party to this lawsuit, Biomet agreed, at Esschem's request and subject to certain limitations, to indemnify Esschem for any liability, damages and legal costs related to this matter. On November 3, 2014, the court entered an order denying Heraeus' motion for a temporary restraining order. On June 30, 2016, the court entered an order denying Heraeus' request to give preclusive effect to the factual findings in the

Frankfurt Decision. On June 6, 2017, the court entered an order denying Heraeus' motion to add Biomet as a party to the lawsuit. On January 26, 2018, the cour t entered an order granting Esschem's motion for summary judgment and dismissed all of Heraeus' claims with prejudice.

Heraeus continues to pursue other related legal proceedings in Europe seeking various forms of relief, including injunctive relief and damages, against Biomet-related entities relating to the European Cements.

We have accrued an estimated loss relating to the Frankfurt Decision, but have not recognized any losses for Heraeus-related lawsuits in other jurisdictions because we do not believe it is probable that we have incurred a liability, and we cannot reasonably estimate any loss that might eventually be incurred. Damages relating to the Frankfurt Decision are subject to separate proceedings and it is reasonably possible that our estimate of the loss we may incur may change in the future. Although we are vigorously defending these lawsuits, their ultimate resolution is uncertain.

Stryker patent infringement lawsuit : On December 10, 2010, Stryker Corporation and related entities ("Stryker") filed suit against us in the U.S. District Court for the Western District of Michigan, alleging that certain of our Pulsavac ® Plus Wound Debridement Products infringe three U.S. patents assigned to Stryker. The case was tried beginning on January 15, 2013, and on February 5, 2013, the jury found that we infringed certain claims of the subject patents. The jury awarded $70.0 million in monetary damages for lost profits. The jury also found that we willfully infringed the subject patents. We filed multiple post-trial motions, including a motion seeking a new trial. On August 7, 2013, the trial court issued a ruling denying all of our motions and awarded treble damages and attorneys' fees to Stryker. We filed a notice of appeal to the Court of Appeals for the Federal Circuit to seek reversal of both the jury's verdict and the trial court's rulings on our post-trial motions. Oral argument before the Court of Appeals for the Federal Circuit took place on September 8, 2014. On December 19, 2014, the Federal Circuit issued a decision affirming the $70.0 million lost profits award but reversed the willfulness finding, vacating the treble damages award and vacating and remanding the attorneys' fees award. We accrued an estimated loss of $70.0 million related to this matter in the three month period ended December 31, 2014. On January 20, 2015, Stryker filed a motion with the Federal Circuit for a rehearing *en banc* . On March 23, 2015, the Federal Circuit denied Stryker's petition. Stryker subsequently filed a petition for certiorari to the U.S. Supreme Court. In July 2015, we paid the final award of $90.3 million, which includes the original $70.0 million plus pre- and post-judgment interest and damages for sales that occurred post-trial but prior to our entry into a license agreement with Stryker. On October 19, 2015, the U.S. Supreme Court granted Stryker's petition for certiorari. Oral argument took place on February 23, 2016. On June 13, 2016, the U.S. Supreme Court issued its decision, vacating the judgment of the Federal Circuit and remanding the case for further proceedings related to the willfulness issue. On September 12, 2016, the Federal Circuit issued an opinion affirming the jury's willfulness finding and vacating and remanding the trial court's award of treble damages, its finding that this was an exceptional case and its award of attorneys' fees. The case was remanded back to the trial court. Oral argument on Stryker's renewed consolidated motion for enhanced damages and attorneys' fees took place on June 28, 2017. On July 12, 2017, the trial court issued an order reaffirming its award of treble damages, its finding that this was an exceptional case and its award of attorney's fees. On July 24, 2017, we appealed the ruling to the Federal Circuit and obtained a supersedeas bond staying enforcement of the judgment pending appeal. Although we are defending this lawsuit vigorously, the ultimate resolution of this matter is uncertain. In the future, we could be required to record a charge of up to $165.0 million that could have a material adverse effect on our results of operations and cash flows.

Putative Class Action: On December 2, 2016, a complaint was filed in the U.S. District Court for the Northern District of Indiana (*Shah v. Zimmer Biomet Holdings, Inc. et al.)* , naming us, two of our officers and one of our now former officers as defendants. On June 28, 2017, the plaintiffs filed a corrected amended complaint, naming as defendants, in addition to those previously named, current and former members of our Board of Directors, one additional officer, and the underwriters in connection with secondary offerings of our common stock by certain selling stockholders in 2016. On October 6, 2017, the plaintiffs voluntarily dismissed the underwriters without prejudice. On October 8, 2017, the plaintiffs filed a second amended complaint, naming as defendants, in addition to those current and former officers and Board members previously named, certain former stockholders of ours who sold shares of our common stock in secondary public offerings in 2016. The second amended complaint relates to a putative class action on behalf of persons who purchased our common stock between June 7, 2016 and November 7, 2016. The second amended complaint alleges that the defendants violated federal securities laws by making materially false and/or misleading statements and/or omissions about our compliance with FDA regulations and our ability to continue to accelerate our organic revenue growth rate in the second half of 2016. The defendants filed their respective motions to dismiss on December 20, 2017. The plaintiffs seek unspecified damages and interest, attorneys' fees, costs and other relief. We believe this lawsuit is without merit, and we and the individual defendants are defending it vigorously.

Regulatory Matters, Government Investigations and Other Matters

FDA warning letters : In September 2012, Zimmer received a warning letter from the FDA citing concerns relating to certain processes pertaining to products manufactured at our Ponce, Puerto Rico manufacturing facility. In May 2016, Zimmer received a warning letter from the FDA related to observed non-conformities with current good manufacturing practice requirements of the FDA's Quality System Regulation (21 CFR Part 820) at our facility in Montreal, Quebec, Canada. We have provided detailed responses to the FDA as to our corrective actions and will continue to work expeditiously to address the issues identified by the FDA during inspections in Ponce and Montreal. As of December 31, 2017, these warning letters remained pending. Until the violations cited in the pending warning letters are corrected, we may be subject to additional regulatory action by the FDA, as described more fully below. Additionally, requests for Certificates to Foreign Governments related to products manufactured at certain of our facilities may not be granted and premarket approval applications for Class III devices to which the Quality System Regulation deviations at these facilities are reasonably related will not be approved until the violations have been corrected. In addition to responding to the warning letters described above, we are in the process of addressing various FDA Form 483 inspectional observations at certain of our manufacturing facilities, including at both the legacy Zimmer and the legacy Biomet manufacturing facilities in Warsaw, Indiana. The ultimate outcome of these matters is presently uncertain. Among other available regulatory actions, the FDA may impose operating restrictions, including a ceasing of operations, at one or more facilities, enjoining and restraining certain violations of applicable law pertaining to medical devices and assessing civil or criminal penalties against our officers, employees or us. The FDA could also issue a corporate warning letter, a recidivist warning letter or a consent decree of permanent injunction. The FDA may also recommend prosecution by the DOJ. Any adverse regulatory action, depending on its magnitude, may restrict us from effectively manufacturing, marketing and selling our products and could have a material adverse effect on our business, financial condition and results of operations.

DPA relating to FCPA matters: On January 12, 2017, we resolved previously-disclosed FCPA matters involving Biomet and certain of its subsidiaries. As part of the settlement, Biomet resolved matters with the SEC through an administrative cease-and-desist order (the "Order"); (ii) we entered into a DPA with the DOJ; and (iii) JERDS Luxembourg Holding S.à r.l. ("JERDS"), the direct parent company of Biomet 3i Mexico SA de CV and an indirect, wholly-owned subsidiary of Biomet, entered into a plea agreement (the "Plea Agreement") with the DOJ. The conduct underlying these resolutions occurred prior to our acquisition of Biomet.

Pursuant to the terms of the Order, Biomet resolved claims with the SEC related to violations of the books and records, internal controls and anti-bribery provisions of the FCPA by disgorging profits to the U.S. government in an aggregate amount of approximately $6.5 million, inclusive of pre-judgment interest, and paying a civil penalty in the amount of $6.5 million (collectively, the "Civil Settlement Payments"). We also agreed to pay a criminal penalty of approximately $17.5 million (together with the Civil Settlement Payments, the "Settlement Payments") to the U.S. government pursuant to the terms of the DPA. We made the Settlement Payments in January 2017 and, as previously disclosed, had accrued, as of June 24, 2015, the closing date of the Biomet merger, an amount sufficient to cover this matter.

Under the DPA, which has a term of three years, the DOJ agreed to defer criminal prosecution of us in connection with the charged violation of the internal controls provision of the FCPA as long as we comply with the terms of the DPA. In addition, we will be subject to oversight by an independent compliance monitor for at least 12 months. The monitor, who was appointed effective as of July 2017, will focus on legacy Biomet operations as integrated into our operations. If we remain in compliance with the DPA during its term, the charges against us will be dismissed with prejudice. The term of the DPA may be extended for up to one additional year at the DOJ's discretion. In addition, under its Plea Agreement with the DOJ, JERDS pleaded guilty on January 13, 2017 to aiding and abetting a violation of the books and records provision of the FCPA. In light of the DPA we entered into, JERDS paid only a nominal assessment and no criminal penalty.

If we do not comply with the terms of the DPA, we could be subject to prosecution for violating the internal controls provisions of the FCPA and the conduct of Biomet and its subsidiaries described in the DPA, which conduct pre-dated our acquisition of Biomet, as well as any new or continuing violations. We could also be subject to exclusion by OIG-HHS from participation in federal healthcare programs, including Medicaid and Medicare. Any of these events could have a material adverse effect on our business, financial condition, results of operations and cash flows.

OIG subpoena : In June 2017, we received a subpoena from the OIG. The subpoena requests that we produce a variety of records primarily related to our healthcare professional consulting arrangements (including in the areas of medical education, product development, and clinical research) for the period spanning January 1, 2010 to the present. The subpoena does not indicate the nature of the OIG's investigation beyond reference to possible false or otherwise improper claims submitted for payment. We are in the process of responding to the subpoena. We cannot currently predict the outcome of this investigation .

20. Quarterly Financial Information (Unaudited)

(in millions, except per share data)

	2017 Quarter Ended				2016 Quarter Ended			
	Mar	Jun	Sep	Dec	Mar	Jun	Sep	Dec
Net sales	$ 1,977.3	$ 1,954.4	$ 1,818.1	$ 2,074.3	$ 1,904.0	$ 1,934.0	$ 1,832.8	$ 2,013.1
Gross profit	1,312.4	1,279.0	1,164.5	1,331.4	1,136.8	1,160.1	1,189.2	1,250.1
Net earnings (loss) of Zimmer Biomet Holdings, Inc.	299.4	184.2	98.8	1,231.4	108.8	(31.3)	158.8	69.6
Earnings (loss) per common share								
Basic	1.49	0.91	0.49	6.08	0.54	(0.16)	0.79	0.35
Diluted	1.47	0.90	0.48	6.03	0.54	(0.16)	0.78	0.34

In the three month period ended December 31, 2017, we recognized a $1,272.4 million income tax benefit related to the 2017 Tax Act. The benefit was partially offset by a $272.0 million goodwill impairment charge related to our Spine reporting unit.

In the three month period ended September 30, 2016, we recognized $21.0 million of tax benefits and $12.2 million of pre-tax operating expenses that were related to previous periods. The majority of the tax benefits were related to adjusting certain Biomet purchase accounting values. In the three month period ended December 31, 2016, we recognized $13.0 million of tax provisions that were related to previous periods.

We have evaluated the effect of these out-of-period adjustments on the applicable interim and annual periods of 2016 and prior years in which they should have been recognized, and concluded for both quantitative and qualitative reasons that these adjustments were not material to any of the periods affected.

Item 9. Changes in and Disagreements with Ac countants on Accounting and Financial Disclosure

None.

Item 9A. Controls and Procedures

Evaluation of Disclosure Controls and Procedures

We maintain disclosure controls and procedures (as defined in Rules 13a-15(e) and 15d-15(e) under the Exchange Act) that are designed to provide reasonable assurance that information required to be disclosed in the reports that we file or submit under the Exchange Act is recorded, processed, summarized and reported within the time periods specified in the Securities and Exchange Commission's rules and forms, and that such information is accumulated and communicated to our management, including our Chief Executive Officer and Chief Financial Officer, as appropriate to allow timely decisions regarding required disclosures. Because of inherent limitations, disclosure controls and procedures, no matter how well designed and operated, can provide only reasonable, and not absolute, assurance that the objectives of disclosure controls and procedures are met.

Our management, with the participation of our Chief Executive Officer and Chief Financial Officer, evaluated the effectiveness of our disclosure controls and procedures as of the end of the period covered by this report. Based on that evaluation, our Chief Executive Officer and Chief Financial Officer concluded that as of December 31, 2017, the end of the period covered by this report, our disclosure controls and procedures were effective at a reasonable assurance level.

Management's Annual Report on Internal Control over Financial Reporting

The management of Zimmer Biomet Holdings, Inc. is responsible for establishing and maintaining adequate internal control over financial reporting. Internal control over financial reporting is defined in Rules 13a-15(f) and 15d-15(f) promulgated under the Securities Exchange Act of 1934, as amended, as a process designed by, or under the supervision of, the Company's principal executive and principal financial officers, or persons performing similar functions, and effected by the Company's board of directors, management and other personnel, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for

external purposes in accordance with generally accepted accounting princi ples and includes those policies and procedures that:

- Pertain to the maintenance of records that in reasonable detail accurately and fairly reflect the transactions and dispositions of the assets of the Company;
- Provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the Company are being made only in accordance with authorizations of management and directors of the Company; and
- Provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use or disposition of the Company's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

The Company's management assessed the effectiveness of the Company's internal control over financial reporting as of December 31, 2017. In making this assessment, the Company's management used the criteria set forth by the Committee of Sponsoring Organizations of the Treadway Commission (COSO) in *Internal Control-Integrated Framework* (2013).

Based on their assessment, management has concluded that, as of December 31, 2017, the Company's internal control over financial reporting is effective based on those criteria.

The Company's independent registered public accounting firm, PricewaterhouseCoopers LLP, has audited the effectiveness of the Company's internal control over financial reporting as of December 31, 2017, as stated in its report which appears in Item 8 of this Annual Report on Form 10-K.

Previously Identified Material Weakness in Internal Control Over Financial Reporting
We previously identified and disclosed in our Form 10-K for the year ended December 31, 2016, a material weakness in our internal control over financial reporting related to accounting for income taxes. A material weakness is a deficiency, or combination of deficiencies, in internal control over financial reporting, such that there is a reasonable possibility that a material misstatement of our annual or interim financial statements will not be prevented or detected on a timely basis. Specifically, we did not maintain the appropriate complement of resources in our tax department commensurate with the increased volume and complexity of accounting for income taxes subsequent to the Biomet merger. This material weakness did not result in a material misstatement to our financial statements or disclosures, but did result in out-of-period adjustments in our provision for income taxes and deferred tax liabilities that were individually and in aggregate immaterial. Additionally, this control deficiency could have resulted in misstatements of income tax related accounts and disclosures that would have resulted in a material misstatement of the consolidated financial statements that would not be prevented or detected.

Remediation of the Previously Disclosed Material Weakness
Our management, with oversight from our Audit Committee, has implemented the following changes to our internal control over financial reporting to remediate the previously disclosed material weakness described above:

- enhanced and supplemented our tax function by increasing the number of roles, hiring additional individuals, and engaging outside service providers with an appropriate level of knowledge and experience commensurate with the tax accounting complexities of our organization; and
- restructured our internal reporting procedures to spread execution over the broader resource base to enable enhanced review processes by personnel with the appropriate technical oversight and training.

During the quarters ended June 30 and September 30, 2017, we substantially completed the assessment of existing controls and restructured these controls in our efforts to remediate the previously identified material weakness. In conjunction with our third-quarter financial close procedures, the quarterly controls related to accounting for income taxes were tested and evaluated for their operating effectiveness. In the quarter ended December 31, 2017, we completed the testing and evaluation of the operating effectiveness of all controls related to accounting for income taxes, and based on the results of our testing, the controls were determined to be designed and operating effectively

as of December 31, 2017. Accordingly, we concluded that the previously re ported material weakness described above has been remediated as of December 31, 2017.

Changes in Internal Control Over Financial Reporting
There were no changes in our internal control over financial reporting that occurred during the quarter ended December 31, 2017 that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

Item 9B. Other Information

During the fourth quarter of 2017, the Audit Committee of our Board of Directors approved the engagement of PricewaterhouseCoopers LLP, our independent registered public accounting firm, to perform certain non-audit services related to certain tax matters. This disclosure is made pursuant to Section 10A(i)(2) of the Exchange Act.

Because we are filing this Annual Report on Form 10-K within four business days after the triggering event, we are making the following disclosure under this Item 9B instead of filing a Current Report on Form 8-K under Item 1.01, Entry into a Material Definitive Agreement and Item 5.02, Departure of Directors or Certain Officers; Election of Directors; Appointment of Certain Officers; Compensatory Arrangements of Certain Officers:

On February 27, 2018, a subsidiary of the Company entered into an aircraft time sharing agreement with Bryan C. Hanson, President and Chief Executive Officer of the Company, with respect to Mr. Hanson's non-business-related use of Company-provided aircraft. The agreement was entered into in furtherance of the terms of the offer letter between the Company and Mr. Hanson, which was filed as Exhibit 10.1 to the Company's Current Report on Form 8-K filed December 21, 2017. The aircraft time sharing agreement requires Mr. Hanson to reimburse the Company for certain costs associated with designated use by him of Company-provided aircraft in accordance with Federal Aviation Administration regulations. This description of the aircraft time sharing agreement is qualified in its entirety by reference to the full text of the agreement, which is filed as Exhibit 10.40 to this report.

PART III

Item 10. Directors, Executive Officers and Corporate Governance

Information required by this item is incorporated by reference from our definitive Proxy Statement for the annual meeting of stockholders to be held on May 15, 2018 (the "2018 Proxy Statement").

We have adopted the Zimmer Biomet Code of Ethics for Chief Executive Officer and Senior Financial Officers (the "finance code of ethics"), a code of ethics that applies to our Chief Executive Officer, Chief Financial Officer, Chief Accounting Officer and Corporate Controller, and other finance organization senior employees. The finance code of ethics is publicly available in the Investor Relations section of our website, which may be accessed from our homepage at www.zimmerbiomet.com or directly at http://investor.zimmerbiomet.com. If we make any substantive amendments to the finance code of ethics or grant any waiver, including any implicit waiver, from a provision of the code to our Chief Executive Officer, Chief Financial Officer, or Chief Accounting Officer and Corporate Controller, we will disclose the nature of that amendment in the Investor Relations section of our website.

Item 11. Executive Compensation

Information required by this item is incorporated by reference from our 2018 Proxy Statement.

Item 12. Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters

Information required by this item is incorporated by reference from our 2018 Proxy Statement.

Item 13. Certain Relationships and Related Transactions and Director Independence

Information required by this item is incorporated by reference from our 2018 Proxy Statement.

Item 14. Principal Accounting Fees and Services

Information required by this item is incorporated by reference from of our 2018 Proxy Statement.

PART IV

Item 15. Exhibits, Financial Statement Schedules

(a) 1. Financial Statements

The following consolidated financial statements of Zimmer Biomet Holdings, Inc. and its subsidiaries are set forth in Part II, Item 8.

Report of Independent Registered Public Accounting Firm

Consolidated Statements of Earnings for the Years Ended December 31, 2017, 2016 and 2015

Consolidated Statements of Comprehensive Income (Loss) for the Years Ended December 31, 2017, 2016 and 2015

Consolidated Balance Sheets as of December 31, 2017 and 2016

Consolidated Statements of Stockholders' Equity for the Years Ended December 31, 2017, 2016 and 2015

Consolidated Statements of Cash Flows for the Years Ended December 31, 2017, 2016 and 2015

Notes to Consolidated Financial Statements

2. Financial Statement Schedule

Schedule II. Valuation and Qualifying Accounts

Description	Balance at Beginning of Period	Additions Charged (Credited) to Expense	Deductions to Reserve	Effects of Foreign Currency	Acquired Allowances	Balance at End of Period
Allowance for Doubtful Accounts:						
Year Ended December 31, 2015	$ 22.3	$ 13.5	$ (0.4)	$ (1.3)	$ -	$ 34.1
Year Ended December 31, 2016	34.1	22.3	(4.5)	(0.3)	-	51.6
Year Ended December 31, 2017	51.6	13.6	(5.1)	0.1	-	60.2
Deferred Tax Asset Valuation Allowances:						
Year Ended December 31, 2015	$ 122.8	$ (53.7)	$ (5.6)	$ (1.6)	$ 10.8	$ 72.7
Year Ended December 31, 2016	72.7	24.8	(12.4)	(1.1)	4.3	88.3
Year Ended December 31, 2017	88.3	41.3	(10.3)	2.8	18.5	140.6

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

3. Exhibits

INDEX TO EXHIBITS

Exhibit No	Description†
2.1	Agreement and Plan of Merger, dated as of June 6, 2016, by and among Zimmer Biomet Holdings, Inc., LH Merger Sub, Inc. and LDR Holding Corporation (incorporated by reference to Exhibit 2.1 to the Registrant's Current Report on Form 8-K filed June 7, 2016)
3.1	Restated Certificate of Incorporation of Zimmer Biomet Holdings, Inc., dated June 24, 2015 (incorporated by reference to Exhibit 3.2 to the Registrant's Current Report on Form 8-K filed June 26, 2015)
3.2	Restated By-Laws of Zimmer Biomet Holdings, Inc., effective June 24, 2015 (incorporated by reference to Exhibit 3.3 to the Registrant's Current Report on Form 8-K filed June 26, 2015)
4.1	Specimen Common Stock certificate (incorporated by reference to Exhibit 4.1 to the Registrant's Quarterly Report on Form 10-Q filed August 10, 2015)
4.2	Indenture dated as of November 17, 2009 between Zimmer Holdings, Inc. (now known as Zimmer Biomet Holdings, Inc.) and Wells Fargo Bank, National Association, as Trustee (incorporated by reference to Exhibit 4.1 to the Registrant's Current Report on Form 8-K filed December 13, 2016)
4.3	First Supplemental Indenture to the Indenture dated as of November 17, 2009 between Zimmer Holdings, Inc. and Wells Fargo Bank, National Association, as Trustee (incorporated by reference to Exhibit 4.2 to the Registrant's Current Report on Form 8-K filed November 17, 2009)
4.4	Form of 4.625% Note due 2019 (incorporated by reference to Exhibit 4.3 above)
4.5	Form of 5.750% Note due 2039 (incorporated by reference to Exhibit 4.3 above)
4.6	Second Supplemental Indenture dated as of November 10, 2011, to the Indenture dated as of November 17, 2009 between Zimmer Holdings, Inc. and Wells Fargo Bank, National Association, as Trustee (incorporated by reference to Exhibit 4.1 to the Registrant's Current Report on Form 8-K filed November 10, 2011)
4.7	Form of 3.375% Note due 2021 (incorporated by reference to Exhibit 4.6 above)
4.8	Third Supplemental Indenture, dated as of March 19, 2015, to the Indenture dated as of November 17, 2009 between Zimmer Holdings, Inc. and Wells Fargo Bank, National Association, as Trustee (incorporated by reference to Exhibit 4.1 to the Registrant's Current Report on Form 8-K filed March 19, 2015)
4.9	Form of 2.000% Notes due 2018 (incorporated by reference to Exhibit 4.8 above)
4.10	Form of 2.700% Notes due 2020 (incorporated by reference to Exhibit 4.8 above)
4.11	Form of 3.150% Notes due 2022 (incorporated by reference to Exhibit 4.8 above)
4.12	Form of 3.550% Notes due 2025 (incorporated by reference to Exhibit 4.8 above)
4.13	Form of 4.250% Notes due 2035 (incorporated by reference to Exhibit 4.8 above)
4.14	Form of 4.450% Notes due 2045 (incorporated by reference to Exhibit 4.8 above)
4.15	Fourth Supplemental Indenture, dated as of December 13, 2016, between Zimmer Biomet Holdings, Inc. and Wells Fargo Bank, National Association, as Trustee (incorporated by reference to Exhibit 4.2 to the Registrant's Current Report on Form 8-K filed December 13, 2016)
4.16	Agency Agreement, dated as of December 13, 2016, by and among Zimmer Biomet Holdings, Inc., as issuer, Elavon Financial Services DAC, UK Branch, as paying agent, Elavon Financial Services DAC, as registrar and transfer agent, and Wells Fargo Bank, National Association, as Trustee (incorporated by reference to Exhibit 4.3 to the Registrant's Current Report on Form 8-K filed December 13, 2016)
4.17	Amendment No. 1, dated as of January 4, 2017, to the Agency Agreement dated as of December 13, 2016, by and among Zimmer Biomet Holdings, Inc., as issuer, Elavon Financial Services DAC, UK Branch, as paying agent, Elavon Financial Services DAC, as original registrar and original transfer agent, U.S. Bank National Association, as successor registrar and successor transfer agent, and Wells Fargo Bank, National Association, as Trustee (incorporated by reference to Exhibit 4.4 to the Registrant's Registration Statement on Form 8-A filed January 4, 2017)
4.18	Form of 1.414% Notes due 2022 (incorporated by reference to Exhibit 4.16 above)
4.19	Form of 2.425% Notes due 2026 (incorporated by reference to Exhibit 4.16 above)
10.1*	Zimmer Biomet Holdings, Inc. Executive Performance Incentive Plan, as amended May 7, 2013 and further amended as of June 24, 2015 (incorporated by reference to Exhibit 10.4 to the Registrant's Quarterly Report on Form 10-Q filed November 9, 2015)
10.2*	Amendment to Zimmer Biomet Holdings, Inc. Executive Performance Incentive Plan (incorporated by reference to Exhibit 10.1 to the Registrant's Current Report on Form 8-K filed January 7, 2016)

Exhibit No	Description†
10.3*	Zimmer Biomet Deferred Compensation Plan (incorporated by reference to Exhibit 10.3 to the Registrant's Current Report on Form 8-K filed January 7, 2016)
10.4*	Restated Zimmer Biomet Holdings, Inc. Long Term Disability Income Plan for Highly Compensated Employees (incorporated by reference to Exhibit 10.4 to the Registrant's Current Report on Form 8-K filed January 7, 2016)
10.5*	Restated Benefit Equalization Plan of Zimmer Holdings, Inc. and Its Subsidiary or Affiliated Corporations Participating in the Zimmer Holdings, Inc. Savings and Investment Program (incorporated by reference to Exhibit 10.16 to the Registrant's Annual Report on Form 10-K filed February 27, 2009)
10.6*	First Amendment to the Restated Benefit Equalization Plan of Zimmer Holdings, Inc. and its Subsidiary or Affiliated Corporations Participating in the Zimmer Holdings, Inc. Savings and Investment Program (incorporated by reference to Exhibit 10.2 to the Registrant's Current Report on Form 8-K filed January 7, 2016)
10.7*	Restated Benefit Equalization Plan of Zimmer Holdings, Inc. and Its Subsidiary or Affiliated Corporations Participating in the Zimmer Holdings, Inc. Retirement Income Plan or the Zimmer Puerto Rico Retirement Income Plan (incorporated by reference to Exhibit 10.17 to the Registrant's Annual Report on Form 10-K filed February 27, 2009)
10.8*	First Amendment to the Restated Benefit Equalization Plan of Zimmer Holdings, Inc. and its Subsidiary or Affiliated Corporations Participating in the Zimmer Holdings, Inc. Retirement Income Plan or the Zimmer Puerto Rico Retirement Income Plan (incorporated by reference to Exhibit 10.5 to the Registrant's Current Report on Form 8-K filed January 7, 2016)
10.9*	Offer Letter, dated as of December 18, 2017, by and between Zimmer Biomet Holdings, Inc. and Bryan C. Hanson (incorporated by reference to Exhibit 10.1 to the Registrant's Current Report on Form 8-K filed December 21, 2017)
10.10*	Change in Control Severance Agreement with Bryan C. Hanson (incorporated by reference to Exhibit 10.2 to the Registrant's Current Report on Form 8-K filed December 21, 2017)
10.11*	Form of Change in Control Severance Agreement with Aure Bruneau
10.12*	Form of Change in Control Severance Agreement with Tony W. Collins, Daniel P. Florin, David A. Nolan, Jr. and Daniel E. Williamson (incorporated by reference to Exhibit 10.1 to the Registrant's Quarterly Report on Form 10-Q filed August 10, 2015)
10.13*	Form of Change in Control Severance Agreement with Robert D. Delp (incorporated by reference to Exhibit 10.10 to the Registrant's Annual Report on Form 10-K filed March 1, 2017)
10.14*	Change in Control Severance Agreement with Katarzyna Mazur-Hofsaess (incorporated by reference to Exhibit 10.3 to the Registrant's Quarterly Report on Form 10-Q filed August 7, 2013)
10.15*	Form of Change in Control Severance Agreement with Chad F. Phipps (incorporated by reference to Exhibit 10.13 to the Registrant's Annual Report on Form 10-K filed February 27, 2009)
10.16*	Change in Control Severance Agreement with Sang Yi (incorporated by reference to Exhibit 10.1 to the Registrant's Quarterly Report on Form 10-Q filed November 9, 2015)
10.17*	Chief Executive Officer Confidentiality, Intellectual Property, Non-Competition and Non-Solicitation Agreement with Bryan C. Hanson (incorporated by reference to Exhibit 10.3 to the Registrant's Current Report on Form 8-K filed December 21, 2017)
10.18*	Form of Confidentiality, Non-Competition and Non-Solicitation Agreement with Aure Bruneau
10.19*	Form of Confidentiality, Non-Competition and Non-Solicitation Agreement with Tony W. Collins, David A. Nolan, Jr., Chad F. Phipps and Daniel E. Williamson (incorporated by reference to Exhibit 10.3 to the Registrant's Current Report on Form 8-K filed June 26, 2015)
10.20*	Form of Confidentiality, Non-Competition and Non-Solicitation Agreement with Robert D. Delp (incorporated by reference to Exhibit 10.18 to the Registrant's Annual Report on Form 10-K filed March 1, 2017)
10.21*	Form of Confidentiality, Non-Competition and Non-Solicitation Agreement with Daniel P. Florin (incorporated by reference to Exhibit 10.5 to the Registrant's Quarterly Report on Form 10-Q filed November 6, 2017)
10.22*	Confidentiality, Non-Competition and Non-Solicitation Agreement with Katarzyna Mazur-Hofsaess (incorporated by reference to Exhibit 10.4 to the Registrant's Quarterly Report on Form 10-Q filed August 7, 2013)
10.23*	Confidentiality, Non-Competition and Non-Solicitation Agreement with Sang Yi (incorporated by reference to Exhibit 10.2 to the Registrant's Quarterly Report on Form 10-Q filed November 9, 2015)
10.24*	Zimmer Biomet Holdings, Inc. Amended Stock Plan for Non-Employee Directors, as amended May 5, 2015 and further amended as of June 24, 2015 (incorporated by reference to Exhibit 10.5 to the Registrant's Quarterly Report on Form 10-Q filed November 9, 2015)

Exhibit No	Description†
10.25*	Form of Nonqualified Stock Option Award Letter under the Zimmer Biomet Holdings, Inc. Stock Plan for Non-Employee Directors (incorporated by reference to Exhibit 10.2 to the Registrant's Current Report on Form 8-K filed April 5, 2005)
10.26*	Form of Restricted Stock Unit Award Letter under the Zimmer Biomet Holdings, Inc. Stock Plan for Non-Employee Directors (incorporated by reference to Exhibit 10.23 to the Registrant's Annual Report on Form 10-K filed February 29, 2016)
10.27*	Amended and Restated Zimmer Biomet Holdings, Inc. Deferred Compensation Plan for Non-Employee Directors, as amended May 5, 2015 and further amended as of June 24, 2015 (incorporated by reference to Exhibit 10.6 to the Registrant's Quarterly Report on Form 10-Q filed November 9, 2015)
10.28*	Form of Indemnification Agreement with Non-Employee Directors and Officers (incorporated by reference to Exhibit 10.1 to the Registrant's Current Report on Form 8-K filed July 31, 2008)
10.29*	Zimmer Biomet Holdings, Inc. Executive Severance Plan (incorporated by reference to Exhibit 10.1 to the Registrant's Current Report on Form 8-K filed January 19, 2018)
10.30*	Zimmer Biomet Holdings, Inc. 2009 Stock Incentive Plan (As Amended on May 3, 2016) (incorporated by reference to Exhibit 10.1 to the Registrant's Current Report on Form 8-K filed May 9, 2016)
10.31*	Form of Nonqualified Stock Option Award Agreement (four-year vesting) under the Zimmer Biomet Holdings, Inc. 2009 Stock Incentive Plan
10.32*	Form of Performance-Based Restricted Stock Unit Award Agreement under the Zimmer Biomet Holdings, Inc. 2009 Stock Incentive Plan (incorporated by reference to Exhibit 10.31 to the Registrant's Annual Report on Form 10-K filed February 29, 2016)
10.33*	Form of Nonqualified Stock Option Award Agreement (Hanson one-time award) under the Zimmer Biomet Holdings, Inc. 2009 Stock Incentive Plan (incorporated by reference to Exhibit 10.4 to the Registrant's Current Report on Form 8-K filed December 21, 2017)
10.34*	Form of Performance-Based Restricted Stock Unit Award Agreement (Hanson one-time award) under the Zimmer Biomet Holdings, Inc. 2009 Stock Incentive Plan (incorporated by reference to Exhibit 10.5 to the Registrant's Current Report on Form 8-K filed December 21, 2017)
10.35*	Form of Restricted Stock Unit Award Agreement (Hanson one-time award) under the Zimmer Biomet Holdings, Inc. 2009 Stock Incentive Plan (incorporated by reference to Exhibit 10.6 to the Registrant's Current Report on Form 8-K filed December 21, 2017)
10.36*	Form of Restricted Stock Unit Award Agreement (Florin one-time award) under the Zimmer Biomet Holdings, Inc. 2009 Stock Incentive Plan (incorporated by reference to Exhibit 10.1 to the Registrant's Current Report on Form 8-K filed July 11, 2017)
10.37*	Form of Nonqualified Stock Option Award Agreement (two-year vesting) under the Zimmer Biomet Holdings, Inc. 2009 Stock Incentive Plan
10.38*	Zimmer Holdings, Inc. 2006 Stock Incentive Plan, as amended (incorporated by reference to Exhibit 10.1 to the Registrant's Current Report on Form 8-K filed December 13, 2006)
10.39*	Form of Nonqualified Stock Option Award Agreement under the Zimmer Holdings, Inc. 2006 Stock Incentive Plan (incorporated by reference to Exhibit 10.2 to the Registrant's Current Report on Form 8-K filed December 13, 2006)
10.40*	Aircraft Time Sharing Agreement by and between Zimmer, Inc. and Bryan C. Hanson
10.41	Credit Agreement, dated as of September 30, 2016, among Zimmer Biomet Holdings, Inc., Zimmer Biomet G.K., ZB Investment Luxembourg S.à r.l., the borrowing subsidiaries referred to therein, JPMorgan Chase Bank, N.A., as General Administrative Agent, JPMorgan Chase Bank, N.A., Tokyo Branch, as Japanese Administrative Agent, J.P. Morgan Europe Limited, as European Administrative Agent, and the lenders named therein (incorporated by reference to Exhibit 10.1 to the Registrant's Current Report on Form 8-K filed October 5, 2016)
10.42	Credit Agreement, dated as of May 29, 2014, among Zimmer Holdings, Inc., Zimmer K.K., Zimmer Investment Luxembourg S.à r.l., the borrowing subsidiaries referred to therein, JPMorgan Chase Bank, N.A., as General Administrative Agent, JPMorgan Chase Bank, N.A., Tokyo Branch, as Japanese Administrative Agent, J. P. Morgan Europe Limited, as European Administrative Agent, and the lenders named therein (incorporated by reference to Exhibit 10.2 to the Registrant's Current Report on Form 8-K filed June 4, 2014)
10.43	First Amendment, dated as of September 30, 2016, to the Credit Agreement dated as of May 29, 2014 among Zimmer Biomet Holdings, Inc., Zimmer Biomet G.K., ZB Investment Luxembourg S.à r.l., the borrowing subsidiaries from time to time party thereto, JPMorgan Chase Bank, N.A., as General Administrative Agent, JPMorgan Chase Bank, N.A., Tokyo Branch, as Japanese Administrative Agent, and J.P. Morgan Europe Limited, as European Administrative Agent, and the lenders from time to time party thereto (incorporated by reference to Exhibit 10.2 to the Registrant's Current Report on Form 8-K filed October 5, 2016)

Exhibit No	Description†
10.44	Term Loan Agreement ¥21,300,000,000, dated as of September 22, 2017, between Zimmer Biomet G.K. and Sumitomo Mitsui Banking Corporation (incorporated by reference to Exhibit 10.1 to the Registrant's Current Report on Form 8-K filed September 28, 2017)
10.45	Amended and Restated Term Loan Agreement ¥11,700,000,000, dated as of September 22, 2017, between Zimmer Biomet G.K. and Sumitomo Mitsui Banking Corporation (incorporated by reference to Exhibit 10.2 to the Registrant's Current Report on Form 8-K filed September 28, 2017)
10.46	Amended and Restated Letter of Guarantee, dated as of September 22, 2017, made by Zimmer Biomet Holdings, Inc. in favor of Sumitomo Mitsui Banking Corporation (incorporated by reference to Exhibit 10.3 to the Registrant's Current Report on Form 8-K filed September 28, 2017)
10.47	Deferred Prosecution Agreement, dated as of January 12, 2017, between Zimmer Biomet Holdings, Inc. and the U.S. Department of Justice, Criminal Division, Fraud Section (incorporated by reference to Exhibit 10.1 to the Registrant's Current Report on Form 8-K filed January 18, 2017)
10.48	Order Instituting Cease-and-Desist Proceedings Pursuant to Section 21C of the Securities and Exchange Act of 1934, Making Findings and Imposing a Cease-and-Desist Order against Biomet, Inc., dated January 12, 2017 (incorporated by reference to Exhibit 10.2 to the Registrant's Current Report on Form 8-K filed January 18, 2017)
10.49	Plea Agreement, dated as of January 12, 2017, between JERDS Luxembourg Holding S.à r.l. and the U.S. Department of Justice, Criminal Division, Fraud Section (incorporated by reference to Exhibit 10.3 to the Registrant's Current Report on Form 8-K filed January 18, 2017)
21	List of Subsidiaries of Zimmer Biomet Holdings, Inc.
23	Consent of PricewaterhouseCoopers LLP
31.1	Certification pursuant to Rule 13a-14(a)/15d-14(a) of the Securities Exchange Act of 1934 of the Chief Executive Officer, as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002
31.2	Certification pursuant to Rule 13a-14(a)/15d-14(a) of the Securities Exchange Act of 1934 of the Chief Financial Officer, as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002
32	Certification pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002
101.INS	XBRL Instance Document
101.SCH	XBRL Taxonomy Extension Schema Document
101.CAL	XBRL Taxonomy Extension Calculation Linkbase Document
101.LAB	XBRL Taxonomy Extension Label Linkbase Document
101.PRE	XBRL Taxonomy Extension Presentation Linkbase Document
101.DEF	XBRL Taxonomy Extension Definition Linkbase Document

† Unless otherwise indicated, exhibits incorporated by reference herein were originally filed under SEC File No. 001-16407.

* Management contract or compensatory plan or arrangement.

Item 16. 10-K Summary

None

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

ZIMMER BIOMET HOLDINGS, INC.

By: /s/ Bryan C. Hanson
Bryan C. Hanson
President and Chief Executive Officer

Dated: February 27, 2018

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the registrant and in the capacities and on the dates indicated.

SIGNATURE	TITLE	DATE
/s/ Bryan C. Hanson Bryan C. Hanson	President, Chief Executive Officer and Director (Principal Executive Officer)	February 27, 2018
/s/ Daniel P. Florin Daniel P. Florin	Executive Vice President and Chief Financial Officer (Principal Financial Officer)	February 27, 2018
/s/ Tony W. Collins Tony W. Collins	Vice President, Corporate Controller and Chief Accounting Officer (Principal Accounting Officer)	February 27, 2018
/s/ Christopher B. Begley Christopher B. Begley	Director	February 27, 2018
/s/ Betsy J. Bernard Betsy J. Bernard	Director	February 27, 2018
/s/ Gail K. Boudreaux Gail K. Boudreaux	Director	February 27, 2018
Michael J. Farrell	Director	
/s/ Larry C. Glasscock Larry C. Glasscock	Director	February 27, 2018
/s/ Robert A. Hagemann Robert A. Hagemann	Director	February 27, 2018
/s/ Arthur J. Higgins Arthur J. Higgins	Director	February 27, 2018
/s/ Michael W. Michelson Michael W. Michelson	Director	February 27, 2018
/s/ Cecil B. Pickett, Ph.D. Cecil B. Pickett, Ph.D.	Director	February 27, 2018
/s/ Jeffrey K. Rhodes Jeffrey K. Rhodes	Director	February 27, 2018

Exhibit 10.11

CHANGE IN CONTROL SEVERANCE AGREEMENT

THIS AGREEMENT, dated as of _____ __, 20__, is made by and between ZIMMER BIOMET HOLDINGS, INC., a Delaware corporation (the "Company"), and _____ (the "Executive"). The capitalized words and terms used throughout this Agreement are defined in Article XIII.

Recitals

A. The Company cons i ders it essential to the best interests of its stockholders to foster the continuous employment of key management personnel.

B. The Board recognizes that, as is the case with many publicly held corporations, the possibility of a Change in Control exists and that such a possibility, and the uncertainty and questions that it may raise among management, may result in the departure or distraction of management personnel to the detriment of the Company and its stockholders.

C. The Board has determined that appropriate steps should be taken to reinforce and encourage the continued attention and dedication of members of the Company's management, including the Executive, to their assigned duties without distraction in the face of potentially disturbing circumstances arising from the possibility of a Change in Control.

D. The parties intend that no amount or benefit will be payable under this Agreement unless a termination of the Executive's employment with the Company occurs following a Change in Control, or is deemed to have occurred following a Change in Control, as provided in this Agreement.

Agreement

In consideration of the premises and the mutual covenants and agreements set forth below, the Company and the Executive agree as follows:

ARTICLE I

Term of Agreement

This Agreement will commence on the date stated above and will continue in effect through December 31, 20__. Beginning on January 1, 20__, and each subsequent January 1, the term of this Agreement will automatically be extended for one additional year, unless either party gives the other party written notice not to extend this Agreement at least 30 days before the extension would otherwise become effective or unless a Change in

Control occurs. If a Change in Control occurs during the term of this Agreement, this Agreement will continue in effect for a period of 24 months from the end of the month in which the Change in Control occurs.

ARTICLE II

Compensation other than Severance Payments

SECTION 2.01. Disability Benefits. Following a Change in Control and during the term of this Agreement, during any period that the Executive fails to perform the Executive's full-time duties with the Company as a result of Disability, the Executive will receive short-term and long-term disability benefits as provided under short-term and long-term disability plans having terms no less favorable than the terms of the Company's short-term and long-term disability plans as in effect immediately prior to the Change in Control, together with all other compensation and benefits payable to the Executive pursuant to the terms of any compensation or benefit plan, program, or arrangement maintained by the Company during the period of Disability.

SECTION 2.02. Compensation Previously Earned. If the Executive's employment is terminated for any reason following a Change in Control and during the term of this Agreement, the Company will pay the Executive's salary accrued through the Date of Termination, at the rate in effect at the time the Notice of Termination is given, together with all other compensation and benefits payable to the Executive through the Date of Termination under the terms of any compensation or benefit plan, program, or arrangement maintained by the Company during that period.

SECTION 2.03. Normal Post-Termination Compensation and Benefits. Except as provided in Section 3.01, if the Executive's employment is terminated for any reason following a Change in Control and during the term of this Agreement, the Company will pay the Executive the normal post-termination compensation and benefits payable to the Executive under the terms of the Company's retirement, insurance, and other compensation or benefit plans, programs, and arrangements, as in effect immediately prior to the Change in Control. This provision does not restrict the Company's right to amend, modify, or terminate any plan, program, or arrangement prior to a Change in Control.

SECTION 2.04. No Duplication. Notwithstanding any other provision of this Agreement to the contrary, the Executive will not be entitled to duplicate benefits or compensation under this Agreement and the terms of any other plan, program, or arrangement maintained by the Company or any affiliate.

ARTICLE III

Severance Payments

SECTION 3.01. Payment Triggers .

(a) In lieu of any other severance compensation or benefits to which the Executive may otherwise be entitled under any agreement, plan, program, policy, or arrangement of the Company (and which the Executive hereby expressly waives), the Company will pay the Executive the Severance Payments described in Section 3.02 upon termination of the Executive's employment following a Change in Control and during the term of this Agreement, in addition to the payments and benefits described in Article II, unless the termination is (1) by the Company for Cause, (2) by reason of the Executive's death, or (3) by the Executive without Good Reason.

(b) For purposes of this Section 3.01, the Executive's employment will be deemed to have been terminated following a Change in Control by the Company without Cause or by the Executive with Good Reason if (1) the Executive's employment is terminated without Cause prior to a Change in Control at the direction of a Person who has entered into an agreement with the Company, the consummation of which will constitute a Change in Control; or (2) the Executive terminates his employment with Good Reason prior to a Change in Control (determined by treating a Potential Change in Control as a Change in Control in applying the definition of Good Reason), if the circumstance or event that constitutes Good Reason occurs at the direction of such a Person.

(c) The Severance Payments described in this Article III are subject to the conditions stated in Article VI.

SECTION 3.02. Severance Payments . The following are the Severance Payments referenced in Section 3.01:

(a) Lump Sum Severance Payment . In lieu of any further salary payments to the Executive for periods after the Date of Termination, and in lieu of any severance benefits otherwise payable to the Executive, the Company will pay to the Executive, in accordance with Section 3.04, a lump sum severance payment, in cash, equal to two (2) times the sum of (1) the higher of the Executive's annual base salary in effect immediately prior to the event or circumstance upon which the Notice of Termination is based or in effect immediately prior to the Change in Control, and (2) if Severance Payments are triggered under Section 3.01(a), the amount of the Executive's target annual bonus entitlement under the Incentive Plan (or any other bonus plan of the Company then in effect) as in effect immediately prior to the event or circumstance giving rise to the Notice of Termination, or, if Severance

Payments are triggered under Section 3.01(b), the amount of the largest aggregate annual bonus paid to the Executive with respect to the three years immediately prior to the year in which the Notice of Termination was given. If the Board determines that it is not workable to determine the amount that the Executive's target bonus would have been for the year in which the Notice of Termination was given, then, for purposes of this paragraph (a), the Executive's target annual bonus entitlement will be the amount of the largest aggregate annual bonus paid to the Executive with respect to the three years immediately prior to the year in which the Notice of Termination was given.

(b) Incentive Compensation. Notwithstanding any provision of the Incentive Plan or any other compensation or incentive plans of the Company, the Company will pay to the Executive, in accordance with Section 3.04, a lump sum amount, in cash, equal to the sum of (1) any incentive compensation that has been allocated or awarded to the Executive for a completed calendar year or other measuring period preceding the Date of Termination (to the extent not payable pursuant to Section 2.02) provided that, if Severance Payments are triggered under Section 3.01(b), the performance conditions applicable to such incentive compensation are met, and (2) if Severance Payments are triggered under Section 3.01(a), a pro rata portion (based on elapsed time) to the Date of Termination of the aggregate value of all contingent incentive compensation awards to the Executive for the current calendar year or other measuring period under the Incentive Plan, the Award Plan, or any other compensation or incentive plans of the Company, calculated as to each such plan using the Executive's annual target percentage under that plan for that year or other measuring period and as if all conditions for receiving that target award had been met, or, if Severance Payments are triggered under Section 3.01(b), then with respect to each such plan, an amount equal to the average annual award paid to the Executive under such plan during the three years immediately prior to the year in which the Notice of Termination was given multiplied by a fraction, the numerator of which is the number of whole months elapsed since the beginning of the calendar year or other measuring period to the Date of Termination and the denominator of which is 12 (or the number of whole months in the measuring period).

(c) Options and Restricted Shares. All outstanding Options will become immediately vested and exercisable (to the extent not yet vested and exercisable as of the Date of Termination). To the extent not otherwise provided under the written agreement evidencing the grant of any restricted Shares to the Executive, all outstanding Shares that have been granted to the Executive subject to restrictions that, as of the Date of Termination, have not yet lapsed will lapse automatically upon the Date of Termination, and the Executive will own those Shares free and

clear of all such restrictions. Notwithstanding the foregoing, options and restricted Shares remain subject to any forfeiture or clawback claims under the applicable option plan or award agreement.

(d) Welfare Benefits. Except as otherwise provided in this Section 3.02(d), for a 24-month period after the Date of Termination, the Company will arrange to provide the Executive with life insurance coverage substantially similar to that which the Executive is receiving from the Company immediately prior to the Notice of Termination (without giving effect to any reduction in that coverage subsequent to a Change in Control). Life insurance coverage otherwise receivable by the Executive pursuant to this Section 3.02(d) will be reduced to the extent comparable coverage is actually received by or made available to the Executive without greater cost to Executive than as provided by the Company during the 24-month period following the Executive's termination of employment (and the Executive will report to the Company any such coverage actually received by or made available to the Executive).

If, as of the Date of Termination, the Company reasonably determines that the continued life insurance coverage required by this Section 3.02(d) is not available from the Company's group insurance carrier, cannot be procured from another carrier, and cannot be provided on a self-insured basis without adverse tax consequences to the Executive or his death beneficiary, then, in lieu of continued life insurance coverage, the Company will pay the Executive, in accordance with Section 3.04, a lump sum payment, in cash, equal to 24 times the full monthly premium payable to the Company's group insurance carrier for comparable coverage for an executive employee under the Company's group life insurance plan then in effect.

The Company will offer the Executive and any eligible family members the opportunity to elect to continue medical and dental coverage pursuant to COBRA. The Executive will be responsible for paying the required monthly premium for that coverage, but the Company will pay the Executive, in accordance with Section 3.04, a lump sum cash stipend equal to 24 times the monthly COBRA premium then charged to qualified beneficiaries for the same level of health and dental coverage the Executive had in effect immediately prior to his termination, and the Executive may, but is not required to, choose to use the stipend for the payment of COBRA premiums for any COBRA coverage that the Executive or eligible family members may elect. The Company will pay the stipend to the Executive whether or not the Executive or any eligible family member elects COBRA coverage, whether or not the Executive continues COBRA coverage for the maximum period permitted by law, and whether or not the Executive receives medical or dental coverage from another employer while the Executive is

receiving COBRA continuation coverage. Payment of the stipend will not in any way extend or modify the Executive's continuation coverage rights under COBRA or any similar continuation coverage law.

(e) Matching Contributions. In addition to the vested amounts, if any, to which the Executive is entitled under the Savings Plan as of the Date of Termination, the Company will pay the Executive, in accordance with Section 3.04, a lump sum amount equal to the value of the unvested portion, if any, of the employer matching contributions (and attributable earnings) credited to the Executive under the Savings Plan.

(f) Outplacement Services. For a period not to exceed six (6) months following the Date of Termination, the Company will provide the Executive with reasonable outplacement services consistent with past practices of the Company prior to the Change in Control or, if no past practice has been established prior to the Change in Control, consistent with the prevailing practice in the medical device manufacturing industry.

SECTION 3.03. Limitation on Severance Payments.

(a) Notwithstanding anything to the contrary contained in this Agreement, in the event that any Severance Payments paid or payable to the Executive or for his benefit pursuant to the terms of this Agreement or otherwise in connection with a Change in Control ("Total Payments") would be subject to any Excise Tax, then the value of the Total Payments will be reduced to the extent necessary so that, within the meaning of Code Section 280G(b)(2)(A)(ii), the aggregate present value of the payments in the nature of compensation to (or for the benefit of) the Executive that are contingent on a Change in Control (with a Change in Control for this purpose being defined in terms of a "change" described in Code Section 280G(b)(2)(A)(i) or (ii)), do not exceed 2.999 multiplied by the Base Amount. For this purpose, cash Severance Payments will be reduced first (if necessary, to zero), and all other, non-cash Severance Payments will be reduced next (if necessary, to zero). For purposes of the limitation described in the preceding sentence, the following will not be taken into account: (1) any portion of the Total Payments the receipt or enjoyment of which the Executive effectively waived in writing prior to the Date of Termination, and (2) any portion of the Total Payments that, in the opinion of the Accounting Firm, does not constitute a "parachute payment" within the meaning of Code Section 280G(b)(2).

(b) For purposes of this Section 3.03, the determination of whether any portion of the Total Payments would be subject to an Excise Tax will be made by an Accounting Firm selected by the Company and reasonably acceptable to the Executive. For purposes of that determination, the value of any non-cash benefit or any

deferred payment or benefit included in the Total Payments will be determined by the Accounting Firm in accordance with the principles of Section 280G(d)(3) and (4).

SECTION 3.04. Time of Payment . Except as otherwise expressly provided in Section 3.02, payments provided for in that Section will be made as follows:

(a) Subject to Section 3.04(c), if Executive signs and does not rescind the General Release in accordance with Section 6.03, the Company will pay to the Executive the amount due under Section 3.02 on the sixtieth (60 th) business day following the Date of Termination.

(b) At the time that payment is made under Section 3.04(a), the Company will provide the Executive with a written statement setting forth the manner in which all of the payments to Executive under this Agreement were calculated and the basis for the calculations including, without limitation, any opinions or other advice the Company received from auditors or consultants (other than legal counsel) with respect to the calculations (and any such opinions or advice that are in writing will be attached to the statement).

(c) Notwithstanding any of the foregoing, , any and all payments under this Agreement that constitute deferred compensation under the Section 409A Standards shall be suspended until, and will be payable on, the date that is six (6) months after the Executive's separation from service (or, if earlier, the date the Executive dies after separation from service).

SECTION 3.05. Attorneys' Fees and Expenses . To the extent permissible under the Section 409A Standards, if the Executive finally prevails with respect to any bona fide, good faith dispute between the Executive and the Company regarding the interpretation, terms, validity or enforcement of this Agreement (including any dispute as to the amount of any payment due under this Agreement), the Company will pay or reimburse the Executive for all reasonable attorneys' fees and expenses incurred by the Executive in connection with that dispute pursuant to the terms of this paragraph. Payment or reimbursement of those fees and expenses will be made within fifteen (15) business days after delivery of the Executive's written request for payment, accompanied by such evidence of fees and expenses incurred as the Company reasonably may require, but the Executive may not submit such a request until the dispute has been finally resolved by a legally binding settlement or by an order or judgment that is not subject to appeal or with respect to which all appeals have been exhausted. Any payment pursuant to this paragraph will be made no later than the end of the calendar year following the

calendar year in which the dispute is finally resolved by a legally binding settlement or nonappealable judgment or order.

In addition, the Company will pay the reasonable legal fees and expenses incurred by the Executive in connection with any tax audit or proceeding to the extent attributable to the application of Code Section 4999 to any payment or benefit provided under this Agreement and including, but not limited to, auditors' fees incurred in connection with the audit or proceeding. Payment pursuant to the preceding sentence shall be made within fifteen (15) business days after the delivery of the Executive's written request for payment, accompanied by such evidence of fees and expenses incurred as the Company reasonably may require, but in no case later than the end of the calendar year following the calendar year in which the audit is completed or there is a final and nonappealable settlement or other resolution of the matter.

ARTICLE IV
Termination of Employment

SECTION 4.01. Notice of Termination. After a Change in Control and during the term of this Agreement, any purported termination of the Executive's employment (other than by reason of death) will be communicated by a written Notice of Termination from one party to the other party in accordance with Article VIII. The Notice of Termination will indicate the specific termination provision in this Agreement relied upon and will set forth in reasonable detail the facts and circumstances claimed to provide a basis for termination of the Executive's employment under the cited provision.

SECTION 4.02. Date of Termination. Except as otherwise provided in Section 4.01, with respect to any purported termination of the Executive's employment after a Change in Control and during the term of this Agreement, the term "Date of Termination" will have the meaning set forth in this Section. If the Executive's employment is terminated for Disability, Date of Termination means thirty (30) days after Notice of Termination is given, provided that the Executive does not return to the full-time performance of the Executive's duties during that 30-day period. If the Executive's employment is terminated for any other reason, Date of Termination means the date specified in the Notice of Termination, which, in the case of a termination by the Company, cannot be less than 30 days (except in the case of a termination for Cause) and, in the case of a termination by the Executive, cannot be less than 15 days nor more than 60 days from the date on which the Notice of Termination is given.

ARTICLE V
No Mitigation

The Company agrees that, if the Executive's employment by the Company is terminated during the term of this Agreement, the Executive is not required to seek other employment or to attempt in any way to reduce any amounts payable to the Executive by the Company pursuant to Article III. Further, the amount of any payment or benefit provided for in Article III (other than Section 3.02(d)) will not be reduced by any compensation earned by the Executive as the result of employment by another employer, by retirement benefits, by offset against any amount claimed to be owed by the Executive to the Company, or otherwise.

ARTICLE VI
The Executive's Covenants

SECTION 6.01. Noncompetition Agreement. In consideration for this Agreement, the Executive will execute, concurrent with the execution of this Agreement, a noncompetition agreement with the Company; provided, however, that if the Executive has an existing noncompetition agreement with the Company, the Company, rather than entering into a new noncompetition agreement with the Executive, may instead, as a condition to entering into this agreement, require that the Executive acknowledge and affirm his continuing obligations under such existing noncompetition agreement and re-affirm his agreement to honor the obligations as set forth in that document.

SECTION 6.02. Potential Change in Control. The Executive agrees that, subject to the terms and conditions of this Agreement, in the event of a Potential Change in Control during the term of this Agreement, the Executive will remain employed by the Company until the earliest of (a) a date that is six months following the date of the Potential Change of Control, (b) the date of a Change in Control, (c) the date on which the Executive terminates employment for Good Reason (determined by treating the Potential Change in Control as a Change in Control in applying the definition of Good Reason) or by reason of death, or (d) the date the Company terminates the Executive's employment for any reason.

SECTION 6.03. General Release. The Executive agrees that, notwithstanding any other provision of this Agreement, the Executive will not be eligible for any Severance Payments under this Agreement unless the Executive timely signs, and does not timely revoke, a General Release in substantially the form attached to this Agreement as Exhibit A. The Executive will be given 21 days to consider the terms of the General Release. The

General Release will not become effective until seven days following the date the General Release is executed. If the Executive does not return the executed General Release to the Company by the end of the 21 - day period, that failure will be deemed a refusal to sign, and the Executive will not be entitled to receive any Severance Payments under this Agreement. In certain circumstances, the 21 - day period to consider the General Release may be extended to a 45 - day period. The Executive will be advised in writing if the 45 - day period is applicable. In the absence of such notice, the 21 - day period applies. If any payment under this Agreement constitutes deferred compensation under the Section 409A Standards, and the 21-day or 45-day review period extends into a new calendar year, any payment of such deferred compensation shall occur in the new calendar year.

ARTICLE VII
Successors; Binding Agreement

SECTION 7.01. Obligation of Successors .

(a) In addition to any obligations imposed by law upon any successor to the Company, the Company will require any successor (whether direct or indirect, by purchase, merger, consolidation, or otherwise) to all or substantially all of the business and/or assets of the Company to expressly assume and agree to perform this Agreement in the same manner and to the same extent that the Company would be required to perform it if no succession had occurred.

(b) Subject to Section 7.01(c), failure of the Company to obtain such an assumption and agreement under Section 7.01(a) prior to the effectiveness of any such succession will be a breach of this Agreement and will entitle the Executive to compensation from the Company in the same amount as the Executive would be entitled to under this Agreement if the Executive were to terminate employment for Good Reason after a Change in Control, except that, for purposes of implementing the foregoing, the date on which the succession becomes effective will be deemed the Date of Termination.

(c) Payment of benefits under Section 7.01(b) shall be made on the deemed Date of Termination if, and only if, the succession resulted from a transaction that satisfies the definition of change in control under Section 409A of the Code. If the transaction does not satisfy the definition of change in control under Section 409A, payment of benefits due under Section 7.01(b) shall be made within 30 days of the Executive's actual date of termination of employment, subject to the provisions of Section 3.04(c). No interest or earnings shall be paid due to any delay in payment under this Section 7.01(c).

SECTION 7.02. Enforcement Rights of Others . This Agreement will inure to the benefit of and be enforceable by the Executive's personal or legal representatives, executors, administrators, successors, heirs, distributees, devisees, and legatees. If the Executive dies while any amount is still payable to the Executive under this Agreement, (other than amounts that, by their terms, terminate upon the Executive's death), then, unless otherwise provided in this Agreement, all such amounts will be paid in accordance with the terms of this Agreement to the executors, personal representatives, or administrators of the Executive's estate.

ARTICLE VIII

Notices

For the purpose of this Agreement, notices and all other communications provided for in the Agreement will be in writing and will be deemed to have been duly given when delivered or mailed by United States registered mail, return receipt requested, postage prepaid, addressed to the respective addresses set forth below, or to such other address as either party may furnish to the other in writing in accordance with this Article VIII, except that notice of change of address will be effective only upon actual receipt:

To the Company:

Zimmer Biomet Holdings, Inc.
Attention: General Counsel
345 East Main Street
Post Office Box 708
Warsaw, Indiana 46581-0708

To the Executive:

_____
_____
_____

ARTICLE IX

Miscellaneous

This Agreement will not be construed as creating an express or implied contract of employment and, except as otherwise agreed in writing between the Executive and the Company, the Executive will not have any right to be retained in the employ of the Company. No provision of this Agreement may be modified, waived, or discharged unless the waiver, modification, or discharge is agreed to in writing and signed by the Executive and an officer of the Company specifically designated by the Board. No waiver by either party at any time of any breach by the other party of, or compliance with, any condition or provision of this Agreement to be performed by the other

party will be deemed a waiver of similar or dissimilar provisions or conditions at the same or at any other time. Neither party has made any agreements or representations, oral or otherwise, express or implied, with respect to the subject matter of this Agreement that are not expressly set forth in this Agreement. Except as provided in the following two sentences, the validity, interpretation, construction, and performance of this Agreement will be governed by the laws of the State of Indiana, to the extent not preempted by federal law. This Agreement will at all times be effected, construed, interpreted, and applied in a manner consistent with the Section 409A Standards, and in resolving any uncertainty as to the meaning or intention of any provision of this Agreement, the interpretation that will prevail is the interpretation that causes the Agreement to comply with the Section 409A Standards. In addition, to the extent that any terms of this Agreement would subject the Executive to gross income inclusion, interest, or additional tax pursuant to Code Section 409A, those terms are to that extent superseded by the applicable Section 409A Standards. All references to sections of the Exchange Act or the Code will be deemed also to refer to any successor provisions to those sections. Any payments provided for under this Agreement will be paid net of any applicable withholding required under federal, state, or local law and any additional withholding to which the Executive has agreed. The obligations of the Company and the Executive under Articles III, IV, and VI will survive the expiration of the term of this Agreement. In no event shall Company be liable for any taxes, penalties, interest or additional tax payments assessed against Executive because of any benefits, remuneration or reimbursements provided under this Agreement.

ARTICLE X
Validity

The invalidity or unenforceability of any provision or this Agreement will not affect the validity or enforceability of any other provision of this Agreement, which will remain in full force and effect.

ARTICLE XI
Counterparts

This Agreement may be executed in several counterparts, each of which will be deemed to be an original but all of which together will constitute one and the same instrument.

ARTICLE XII
Settlement of Disputes; Arbitration

All claims by the Executive for benefits under this Agreement must be in writing and will be directed to and determined by the Board. Any denial by the Board of a claim for benefits under this Agreement will be delivered to the Executive in writing and will set forth the specific reasons for the denial and the specific provisions of this Agreement relied upon. The Board will afford a reasonable opportunity to the Executive for a review of the decision denying a claim and will further allow the Executive to appeal to the Board a decision of the Board within 60 days after notification by the Board that the Executive's claim has been denied. Any further dispute or controversy arising under or in connection with this Agreement will be settled exclusively by arbitration in Warsaw, Indiana in accordance with the rules of the American Arbitration Association then in effect. Judgment may be entered on the arbitrator's award in any court having jurisdiction. Each party will bear its own expenses in the arbitration for attorneys' fees, for its witnesses, and for other expenses of presenting its case. Other arbitration costs, including arbitrators' fees, administrative fees, and fees for records or transcripts, will be borne equally by the parties. Notwithstanding anything in this Article to the contrary, if the Executive prevails with respect to any dispute submitted to arbitration under this Article, the Company will reimburse or pay all reasonable legal fees and expenses that the Executive incurred in connection with that dispute as required by Section 3.05.

ARTICLE XIII
Definitions

For purposes of this Agreement, the following terms will have the meanings indicated below:

(a) " Accounting Firm " means an accounting firm, other than the Company's independent auditors, that is designated as one of the four largest accounting firms in the United States.

(b) " Award Plan " means the Company's 2009 Stock Incentive Plan.

(c) " Base Amount " has the meaning stated in Code Section 280G(b)(3).

(d) " Beneficial Owner " has the meaning stated in Rule 13d-3 under the Exchange Act.

(e) " Board " means the Board of Directors of the Company.

(f) " Cause " for termination by the Company of the Executive's employment, after any Change in Control, means (1) the willful and continued failure by the Executive to substantially perform the Executive's duties with the Company (other than any such failure resulting from the Executive's incapacity due to physical or mental

illness or any such actual or anticipated failure after the issuance of a Notice of Termination for Good Reason by the Executive pursuant to Section 4.01) for a period of at least 30 consecutive days after a written demand for substantial performance is delivered to the Executive by the Board, which demand specifically identifies the manner in which the Board believes that the Executive has not substantially performed the Executive's duties; (2) the Executive willfully engages in conduct that is demonstrably and materially injurious to the Company or its subsidiaries, monetarily or otherwise; or (3) the Executive is convicted of, or has entered a plea of no contest to, a felony. For purposes of clauses (1) and (2) of this definition, no act, or failure to act, on the Executive's part will be deemed "willful" unless it is done, or omitted to be done, by the Executive not in good faith and without reasonable belief that the Executive's act, or failure to act, was in the best interest of the Company.

(g) A " Change in Control " will be deemed to have occurred if any of the following events occur:

(1) any Person is or becomes the Beneficial Owner, directly or indirectly, of securities of the Company (not including in the securities beneficially owned by that Person any securities acquired directly from the Company or its affiliates) representing 20% or more of the combined voting power of the Company's then-outstanding securities; or

(2) during any period of two consecutive years (not including any period prior to the execution of this Agreement), individuals who at the beginning of the period constitute the Board and any new director (other than a director designated by a Person who has entered into an agreement with the Company to effect a transaction described in clause (1), (3) or (4) of this paragraph whose election by the Board or nomination for election by the Company's stockholders was approved by a vote of at least two-thirds (2/3) of the directors then still in office who either were directors at the beginning of the period or whose election or nomination for election was previously approved), cease for any reason to constitute a majority of the Board; or

(3) the shareholders of the Company approve a merger or consolidation of the Company with any other corporation, other than (A) a merger or consolidation that would result in the voting securities of the Company outstanding immediately prior to the merger or consolidation continuing to represent (either by remaining outstanding or by being converted into voting securities of the surviving entity), in combination with the ownership of any trustee or other fiduciary holding securities under an employee benefit plan of the Company, at least 75% of the combined voting power of the voting securities of the Company or the

surviving entity outstanding immediately after the merger or consolidation; or (B) a merger or consolidation effected to implement a recapitalization of the Company (or similar transaction) in which no Person acquires more than 50% of the combined voting power of the Company's then - outstanding securities; or

(4) the shareholders of the Company approve a plan of complete liquidation of the Company or an agreement for the sale or disposition by the Company of all or substantially all the Company's assets.

Notwithstanding the foregoing, a Change in Control will not include any event, circumstance, or transaction occurring during the six-month period following a Potential Change in Control that results from the action of any entity or group that includes, is affiliated with, or is wholly or partly controlled by the Executive; provided , further , that such an action will not be taken into account for this purpose if it occurs within a six-month period following a Potential Change in Control resulting from the action of any entity or group that does not include the Executive.

(h) " COBRA " means the continuation coverage provisions of the Consolidated Omnibus Budget Reconciliation Act of 1985, as amended.

(i) " Code " means the Internal Revenue Code of 1986, as amended from time to time, and interpretative rules and regulations.

(j) " Company " means Zimmer Biomet Holdings, Inc., a Delaware corporation, and any successor to its business and/or assets that assumes and agrees to perform this Agreement by operation of law, or otherwise (except in determining, under Section XIII(g), whether or not any Change in Control of the Company has occurred in connection with the succession).

(k) " Company Shares " means shares of common stock of the Company or any equity securities into which those shares have been converted.

(l) " Date of Termination " has the meaning stated in Section 4.02.

(m) " Disability " has the meaning stated in the Company's short-term or long-term disability plan, as applicable, as in effect immediately prior to a Change in Control.

(n) " Exchange Act " means the Securities Exchange Act of 1934, as amended from time to time, and interpretive rules and regulations.

(o) " Excise Tax " means any excise tax imposed under Code Section 4999.

(p) " Executive " means the individual named in the first paragraph of this Agreement.

(q) " General Release " has the meaning stated in Section 6.03.

(r) " Good Reason " for termination by the Executive of the Executive's employment means the occurrence (without the Executive's express written consent) of any one of the following acts by the Company, or failures by the Company to act, unless, in the case of any act or failure to act described in paragraph (1), (4), (5), (6), or (7) below, the act or failure to act is corrected prior to the Date of Termination specified in the Executive's Notice of Termination:

(1) the assignment to the Executive of any duties inconsistent with the Executive's status as an executive officer of the Company or a substantial adverse alteration in the nature or status of the Executive's responsibilities from those in effect immediately prior to a Change in Control;

(2) a reduction by the Company in the Executive's annual base salary as in effect on the date of this Agreement or as the same may be increased from time to time, or the level of the Executive's entitlement under the Incentive Plan as in effect on the date of this Agreement or as the same may be increased from time to time;

(3) the Company's requiring the Executive to be based more than 50 miles from the Company's offices at which the Executive is based immediately prior to a Change in Control (except for required travel on the Company's business to an extent substantially consistent with the Executive's business travel obligations immediately prior to the Change in Control), or, in the event the Executive consents to any such relocation of his offices, the Company's failure to provide the Executive with all of the benefits of the Company's relocation policy as in operation immediately prior to the Change in Control;

(4) the Company's failure, without the Executive's consent, to pay to the Executive any portion of the Executive's current compensation (which means, for purposes of this paragraph (4), the Executive's annual base salary as in effect on the date of this Agreement, or as it may be increased from time to time, and the awards earned pursuant to the Incentive Plan) or to pay to the Executive any portion of an installment of deferred compensation under any deferred compensation program of the Company, within seven days of the date the compensation is due;

(5) the Company's failure to continue in effect any compensation plan in which the Executive participates immediately prior to a Change in Control, which plan is material to the Executive's total compensation, including, but not limited to, the Incentive Plan and the Award Plan or any substitute plans

adopted prior to the Change in Control, unless an equitable arrangement (embodied in an ongoing substitute or alternative plan) has been made with respect to that plan, or the Company's failure to continue the Executive's participation in such a plan (or in a substitute or alternative plan) on a basis not materially less favorable, both in terms of the amount of benefits provided and the level of the Executive's participation relative to other participants, as existed at the time of the Change in Control;

(6) the Company's failure to continue to provide the Executive with benefits substantially similar to those enjoyed by the Executive under any of the Company's pension (including, without limitation, , the Company's Savings and Investment Program,), life insurance, medical, health and accident, or disability plans in which the Executive was participating at the time of the Change in Control; the taking of any action by the Company that would directly or indirectly materially reduce any of those benefits or deprive the Executive of any material fringe benefit enjoyed by the Executive at the time of a Change in Control; or the Company's failure to provide the Executive with the number of paid vacation days to which the Executive is entitled on the basis of years of service with the Company in accordance with the Company's normal vacation policy in effect at the time of the Change in Control; or

(7) any purported termination of the Executive's employment that is not effected pursuant to a Notice of Termination satisfying the requirements of Section 4.01; for purposes of this Agreement, no such purported termination will be effective.

The Executive's right to terminate the Executive's employment for Good Reason will not be affected by the Executive's incapacity due to physical or mental illness. The Executive's continued employment will not constitute consent to, or a waiver of rights with respect to, any act or failure to act that constitutes Good Reason.

Notwithstanding the foregoing, the occurrence of an event that would otherwise constitute Good Reason will cease to be an event constituting Good Reason if the Executive does not timely provide a Notice of Termination to the Company within 120 days of the date on which the Executive first becomes aware (or reasonably should have become aware) of the occurrence of that event.

(s) " Incentive Plan " means the Company's Executive Performance Incentive Plan.

(t) " Notice of Termination " has the meaning stated in Section 4.01.

(u) " Options " means options for Shares granted to the Executive under the Award Plan.

(v) " Person " has the meaning stated in section 3(a)(9) of the Exchange Act, as modified and used in sections 13(d) and 14(d) of the Exchange Act; however, a Person will not include (1) the Company or any of its subsidiaries, (2) a trustee or other fiduciary holding securities under an employee benefit plan of the Company or any of its subsidiaries, (3) an underwriter temporarily holding securities pursuant to an offering of those securities, or (4) a corporation owned, directly or indirectly, by the stockholders of the Company in substantially the same proportions as their ownership of stock of the Company.

(w) " Potential Change in Control " will be deemed to have occurred if any one of the following events occurs:

(1) the Company enters into an agreement, the consummation of which would result in the occurrence of a Change in Control;

(2) the Company or any Person publicly announces an intention to take or to consider taking actions that, if consummated, would constitute a Change in Control;

(3) any Person who is or becomes the Beneficial Owner, directly or indirectly, of securities of the Company representing 10% or more of the combined voting power of the Company's then-outstanding securities, increases that Person's beneficial ownership of those securities by 5% or more over the percentage so owned by that Person on the date of this Agreement; or

(4) the Board adopts a resolution to the effect that, for purposes of this Agreement, a Potential Change in Control has occurred.

(x) " Savings Plan " means the Company's Savings and Investment 401(k) Program, which, for purposes of this Agreement, will be deemed to include the Zimmer Biomet Holdings, Inc. Deferred Compensation Plan.

(y) " Section 409A Standards " means the standards for nonqualified deferred compensation plans established by Code Section 409A.

(z) " Severance Payments " means the payments described in Section 3.02.

(a) " Shares " means shares of the common stock, $0.01 par value, of the Company.

(bb) " Total Payments " has the meaning stated in Section 3.03(a).

EXECUTIVE ZIMMER BIOMET HOLDINGS, INC.

________________________________ By: ____________________________

Exhibit 10.18

CORPORATE EXECUTIVE CONFIDENTIALITY, NON-COMPETITION AND NON-SOLICITATION AGREEMENT

This Corporate Executive Confidentiality, Non-Competition and Non-Solicitation Agreement ("Agreement") is made by and between Zimmer, Inc., a corporation having its principal headquarters in Warsaw, Indiana, and _____ ("Employee").

Recitals

A. For purposes of this Agreement, the term "Company" means Zimmer, Inc., Zimmer US, Inc. and/or any or each of their affiliates, parents, or direct or indirect subsidiaries (including but not limited to Biomet, Inc. and its affiliates, parents or direct or indirect subsidiaries), as well as any successor-in-interest to Zimmer, Inc., Zimmer US, Inc. and/or to any of their direct or indirect subsidiaries, affiliates, or parents.

B. Employee is employed or is being employed by Company in an executive and/or high-level managerial capacity in which Employee has or will have extensive access to trade secrets and confidential information of Company, and/or is being offered certain equity incentives.

C. Company has offered Employee employment and/or other valuable consideration, which may include without limitation such consideration as a job promotion, an increase in compensation, and/or an equity award, contingent upon Employee's entering into this Agreement.

Agreement

NOW, THEREFORE, in consideration of the foregoing recitals, the promises contained herein and other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, Company and Employee agree to be legally bound as follows:

1. **Acknowledgements**. Employee acknowledges that Company is engaged in the highly competitive business of the development, manufacture, distribution, and sale of orthopedic- and musculoskeletal-related medical and surgical devices, products, and services, including but not limited to hip, knee, trauma, extremities, craniomaxillofacial, thoracic, dental rehabilitation, spine, microfixation, bone healing, bone cement, surgical, sports medicine, orthopedic diagnostic (including unique diagnostic products developed for or by Company) and/or biologics devices, products, processes and services, and that Employee serves or will serve in an executive and/or high-level managerial capacity for Company and in that capacity Employee has and/or will have access to and has and/or will gain knowledge of substantial trade secrets and confidential information of Company.

2. **Non-Disclosure and Ownership of Confidential Information**. Employee acknowledges that Confidential Information is a valuable, special, and unique asset of Company, and solely the property of Company, and agrees to the following; provided, however, that this policy does not, in any manner, prevent employees from filing a complaint with, providing information to, or participating in an investigation conducted by, the Securities and Exchange Commission, the United States Equal Opportunity Commission or any other governmental or law enforcement agency.

(a) Confidential Information Defined. The term "Confidential Information" includes, but is not limited to, any and all of Company's trade secrets, confidential and proprietary information and all other information and data of Company that is not generally known to the public or other third parties who could derive economic value from its use or disclosure. Confidential Information includes, without limitation, technical information such as product specifications, compounds, formulas, improvements, discoveries, developments, designs, inventions, techniques, new products and surgical training methods, and research and development information; confidential business methods and processes; business plans and strategies; marketing plans and strategies; non-public financial information including budgets, sales data, sales forecasts, sales quotas, and information regarding profits or losses; office optimization and logistics information; information pertaining to current and prospective customers; information pertaining to distributors and sales structures; pricing information; discount schedules; costing

information; personnel information; compensation structure, schedules and plans; and information about current and prospective products or services, whether or not reduced to writing or other tangible medium of expression, including work product created by Employee in rendering services for Company.

(b) Non-Disclosure of Confidential Information. During Employee's employment with Company and thereafter, Employee will not disclose, transfer, or use (or seek to induce others to disclose, transfer, or use) any Confidential Information for any purpose other than(i) disclosure to authorized employees and agents of Company who are bound to maintain the confidentiality of the Confidential Information; (ii) for authorized purposes during the course of Employee's employment in furtherance of Company's business; and/or (iii) as specifically allowed or required under applicable law. Employee's non-disclosure obligations shall continue as long as the Confidential Information remains confidential and shall not apply to information that becomes generally known to the public through no fault or action of Employee. The Federal Defend Trade Secrets Act provides that individuals may not be held criminally or civilly liable under any federal or state trade secret law for the disclosure of a trade secret that is made (a) in confidence to a federal, state or local government official, either directly or indirectly, or to an attorney if such disclosure is made solely for the purpose of reporting or investigating a suspected violation of law or for pursuing an anti-retaliation lawsuit; or (b) in a complaint or other document filed in a lawsuit or other proceeding, if such filing is made under seal and the individual does not disclose the trade secret except pursuant to a court order.

(c) Protection of Confidential Information. Employee will notify Company in writing of any circumstances which may constitute unauthorized disclosure, transfer, or use of Confidential Information. Employee will use Employee's best efforts to protect Confidential Information from unauthorized disclosure, transfer, or use. Employee will implement and abide by all procedures adopted by Company to prevent unauthorized disclosure, transfer, or use of Confidential Information. Notwithstanding the above requirements, nothing in this Agreement shall restrict Employee's right to make disclosures specifically allowed or required under applicable law.

3. **Ownership of Intellectual Property**.

(a) Invention Defined. The term "Invention" includes, but is not limited to ideas, programs, processes, systems, intellectual property, works of authorship, copyrightable materials, discoveries, and/or improvements which Employee discovers, invents, originates, develops, makes, authors, or conceives alone or in conjunction with others during Employee's employment with Company and/or within six (6) months after Employee's employment ends which relate to Company's present or future business. An Invention is covered by this Agreement regardless of whether (i) Employee conceived of the Invention in the scope of Employee's employment; (ii) the Invention is patentable; or (iii) Company takes any action to commercialize or develop the Invention.

(b) Ownership of Inventions. Inventions are solely the property of Company. Employee agrees that by operation of law and/or the effect of this Agreement Employee does not have any rights, title, or interest in any Inventions. Notwithstanding, Employee may be recognized as the inventor of an Invention without retaining any other rights associated therewith.

(c) Disclosure and Assignment of Inventions. Employee hereby assigns to Company all right, title and interest Employee may have in any Inventions that are discovered, invented, originated, developed, made, authored, or conceived by Employee (whether alone or with others) during Employee's employment with Company and/or within six (6) months after Employee's employment ends which relate to Company's present or future business. Employee agrees to: (i) promptly disclose all such Inventions in writing to Company; (ii) keep complete and accurate records of all such Inventions, which records shall be Company property and shall be retained on Company premises; and (iii) execute such documents and do such other acts as may be necessary in the opinion of Company to establish and preserve Company's property rights in all such Inventions. This section shall not apply to any Invention for which no equipment, supplies, facility or trade secret information of Company was used and which was developed entirely on Employee's own time, and (1) which does not relate (a) directly to the business of Company, or (b) to Company's actual or demonstrably anticipated research or development, and (2) which does not result from any work performed by Employee for Company.

(d) Works of Authorship . All written, graphic or recorded material and all other works of authorship fixed in a tangible medium of expression made or created by Employee, solely or jointly with others, during Employee's employment with Company and relating to Company's business, actual or contemplated, shall be the exclusive property of Company (collectively "Works"). Company will have the exclusive right to copyright such Works. Employee agrees that if any Work created while employed by Company, whether or not created at the direction of Company, is copyrightable, such Work will be a "work made for hire," as that term is defined in the copyright laws of the United States. If, for any reason, any copyrightable Works created by Employee are excluded from that definition, Employee hereby assigns and conveys to Company all right, title and interest (including any copyright and renewals) in such Works.

(e) Attribution and Use of Works and Inventions; Waiver of Assertion of "Moral" Rights in Inventions and Works . Employee agrees that Company and its licensees are not required to designate Employee as author, inventor or developer of any Works or Inventions when distributed or otherwise. Employee hereby waives, and agrees not to assert, any "moral" rights in any Inventions and Works. Employee agrees that Company and its licensees shall have sole discretion with regard to how and for what purposes any Inventions or Works are used or distributed.

(f) Employee Cooperation in Establishment of Company Proprietary Rights . Employee will sign documents of assignment, declarations and other documents and take all other actions reasonably required by Company, at Company's expense, to perfect and enforce any of its proprietary rights. In the event Company is unable, for any reason whatsoever, to secure Employee's signature to any lawful or necessary documents required to apply for, prosecute, perfect, or assign any United States or foreign application for Letters Patent, trademark, copyright registration, or other filing to protect any Invention or Work, Employee hereby irrevocably designates and appoints Company and its duly authorized officers and agents as Employee's agent and attorney in fact, to act for and on Employee's behalf, to execute and file any such application, registration or other filing, and to do all other lawfully permitted acts to further the prosecution, issuance or assignment of Letters Patent or other protections on such Inventions, or registrations for trademark or copyright or other protections on such Works, with the same force and effect as if executed by Employee.

4. **Return of Confidential Information and Company Property** . Immediately upon termination of Employee's employment with Company, Employee shall return to Company all of Company's property relating to Company's business, including without limitation all of Company's property which is in the possession, custody, or control of Employee such as Confidential Information, documents, hard copy files, copies of documents and electronic information/files, and equipment (*e.g.* , computers and mobile phones).

5. **Obligations to Other Entities or Persons** . Employee warrants that Employee is not bound by the terms of a confidentiality agreement or any other legal obligation which would either preclude or limit Employee from disclosing or using any of Employee's ideas, inventions, discoveries or other information or otherwise fulfilling Employee's obligations to Company. While employed by Company, Employee shall not disclose or use any confidential information belonging to another entity or other person.

6. **Conflict of Interest and Duty of Loyalty** . During Employee's employment with Company, Employee shall not engage, directly or indirectly, in any activity, employment or business venture, whether or not for remuneration, that (i) is competitive with Company's business; (ii) deprives or potentially could deprive Company of any business opportunity; (iii) conflicts or potentially could conflict with Company's business interests; or (iv) is otherwise detrimental to Company, including but not limited to preparations to engage in any of the foregoing activities.

7. **Restrictive Covenants** . Employee agrees to, and covenants to comply with, each of the following separate and divisible restrictions:

(a) Definitions .

(1) "Competing Product" is defined as any implant, device, or medical product(s), service(s),

instrument(s) or supplies that is or are the same as, related to, or similar to any product, process or service that Company is researching, developing, manufacturing, distributing, selling and/or providing at the time of Employee's separation from employment with Company (including, but not limited to, any product or service Company's Hip, Knee, Trauma, Extremities, Craniomaxillofacial, Thoracic, Biologics, Surgical, Sports Medicine, Microfixation, Bone Healing, Bone Cement, Orthopedic Diagnostic, Spine and/or Dental division is researching, developing, manufacturing, distributing, selling and/or providing at the time of Employee's separation from employment with Company).

(2) "Competing Organization" is defined as any organization that researches, develops, manufactures, markets, distributes and/or sells one or more Competing Products. A Competing Organization is diversified if it operates multiple, independently operating business divisions, units, lines or segments some of which do not research, develop, manufacture, market, distribute and/or sell any Competing Products.

(3) "Prohibited Capacity" is defined as (a) any same or similar capacity to that held by Employee at any time during Employee's last two (2) years of employment with Company; (b) any executive or managerial capacity; or (c) any capacity in which Employee's knowledge of Confidential Information and/or Inventions would render Employee's assistance to a Competing Organization a competitive advantage.

(4) "Restricted Geographic Area" is defined as all countries, territories, parishes, municipalities and states in which Company is doing business or is selling its products at the time of termination of Employee's employment with Company, including but not limited to every parish and municipality in the state of Louisiana. Employee acknowledges that this geographic scope is reasonable given Employee's position with Company, the international scope of Company's business; and the fact that Employee could compete with Company from anywhere Company does business.

(5) "Restricted Period" is defined as the date Employee executes this Agreement, continuing through the eighteen (18) months after the Employee's last day of employment with Company unless otherwise extended by Employee's breach of this Agreement. The running time on the Restricted Period shall be suspended during any period in which Employee is in violation of any of the restrictive covenants set forth herein, and all restrictions shall automatically be extended by the period Employee was in violation of any such restrictions.

(6) "Customer" is defined as any person or entity with respect to whom, as of the date of Employee's separation from Company employment or at any time during the two years prior to such separation, Company sold or provided any products and/or services.

(7) "Active Prospect" is defined as any person or entity that Company individually and specifically marketed to and/or held discussions with regarding the distribution and/or sale of any of Company's products, processes or services at any time during the last six (6) months of Employee's employment with Company.

(8) "Severance Benefit Period" is the period of time represented by the total amount of any severance benefit offered to Employee (whether or not actually paid). By way of illustration, if Employee were offered a lump-sum severance benefit equivalent to ten (10) weeks of Employee's final base pay upon termination of his or her employment with the Company, Employee's Severance Benefit Period would be 10 weeks, whether or not Employee actually fulfilled all requirements of receiving, and did receive, any portion of the severance benefit.

(b) Restrictive Covenants . During the Restricted Period, Employee agrees to be bound by each of the following independent and divisible restrictions:

(1) Covenant Not to Compete .

(A) Employee will not, within the Restricted Geographic Area, be employed by, work for, consult with, provide services to, or lend assistance to any Competing Organization in a Prohibited Capacity.

(B) Employee may be employed by, work for, consult with, provide services to, or lend assistance to a Competing Organization provided that: (i) the Competing Organization's business is diversified; (ii) the part of the Competing Organization's business with which Employee will be affiliated would not, evaluated on a stand-alone basis, be a Competing Organization; (iii) Employee's affiliation with the Competing Organization does not involve any Competing Products; (iv) Employee provides Company a written description of Employee's anticipated activities on behalf of the Competing Organization which includes, without limitation, an assurance satisfactory to Company that Employee's affiliation with the Competing Organization does not constitute a Prohibited Capacity; and (v) Employee's affiliation with the Competing Organization does not constitute a competitive disadvantage to Company.

(2) Covenant Not to Solicit Customers or Active Prospects. Employee will not, directly or indirectly, (i) provide, sell, or market; (ii) assist in the provision, selling or marketing of; or (iii) attempt to provide, sell or market any Competing Products to any of Company's Customers or Active Prospects located in the Restricted Geographic Area.

(3) Covenant Not to Interfere With Business Relationships. Employee will not, within the Restricted Geographic Area, urge, induce or seek to induce any of Company's independent contractors, subcontractors, distributors, brokers, consultants, sales representatives, customers, vendors, suppliers or any other person or entity with whom Company has a business relationship at the time of Employee's separation from Company employment to terminate its or their relationship with, or representation of, Company or to cancel, withdraw, reduce, limit or in any manner modify any such person's or entity's business with, or representation of, Company

(4) Covenant Not to Solicit Company Employees. Employee will not employ, solicit for employment, or advise any other person or entity to employ or solicit for employment, any individual employed by Company at the time of Employee's separation from Company employment, or otherwise directly or indirectly induce or entice any such employee to leave his/her employment with Company.

(5) Covenant Not to Disparage Company. Employee will not make or publish any disparaging or derogatory statements about Company; about Company's products, processes, or services; or about Company's past, present and future officers, directors, employees, attorneys and agents. Disparaging or derogatory statements include, but are not limited to, negative statements regarding Company's business or other practices; provided, however, nothing herein shall prohibit Employee from providing any information as may be compelled by law or legal process.

8. **Reasonableness of Terms**. Employee acknowledges and agrees that the restrictive covenants contained in this Agreement restrict Employee from engaging in activities for a competitive purpose and are reasonably necessary to protect Company's legitimate interests in Confidential Information, Inventions, and goodwill. Additionally, Employee acknowledges and agrees that the restrictive covenants are reasonable in all respects, including, but not limited to, temporal duration, scope of prohibited activities and geographic area. Employee further acknowledges and agrees that the restrictive covenants set forth in this Agreement will not pose unreasonable hardship on Employee and that Employee will have a reasonable opportunity to earn an equivalent livelihood without violating any provision of this Agreement.

9. **Non-Competition Period Payments**.

(a) Eligibility and Amount. In the event of Employee's involuntary separation from employment with the Company for a reason that renders Employee eligible for benefits under the terms of the Company's Severance Plan, then to the extent Employee is denied, solely because of the restrictive covenant provisions of Section 7 of this Agreement, a specific full-time or part-time employment, consulting, or other position that would otherwise be offered to Employee by a Competing Organization, and provided Employee satisfies all conditions stated herein, then upon expiration of Employee's Severance Benefit Period, Company will make monthly payments to Employee for each month Employee remains unemployed through the end of the Restricted Period. These monthly payments shall equal the lesser of Employee's monthly base pay at the time of Employee's separation from Company

employment (exclusive of bonus and other extra compensation and any other employee benefits) or the monthly compensation that would have been offered to Employee by the Competing Organization. This Section 9 will not apply if Employee leaves employment with the Company voluntarily or if Company terminates Employee's employment for a reason or reasons that render Employee ineligible for benefits under terms of the Company's Severance Plan.

(b) Verification of Eligibility for Non-Competition Period Payments. To qualify for payments under this Section 9, Employee must provide Company detailed written documentation supporting eligibility for payment, including, at a minimum, (i) the name and location of the Competing Organization that would have employed Employee but for the provisions of Section 7 of this Agreement, (ii) the title, nature, and detailed job responsibilities of the employment position with the Competing Organization that Employee was denied, (iii) the date Employee was denied the employment position, and (iv) the name and contact information of a managerial employee at the Competing Organization who has sufficient authority to confirm that Employee was denied this specific employment position with the Competing Organization solely because Employee is subject to the provisions of Section 7 of this Agreement (the "eligibility documentation"). Upon receipt of the eligibility documentation, Company will determine eligibility for payment and, if eligibility is established, payments will commence as of the date of Company's receipt of the eligibility documentation or the date Employee's Severance Benefit Period ends, whichever is later.

(c) Obligation to Pursue Replacement Employment and Verification of Continued Eligibility for Non-Competition Period Payments. Employee is obligated to diligently seek and pursue replacement employment that does not violate Section 7 of this Agreement ("replacement employment") during any period in which Employee seeks and/or accepts payment from Company under this Section 9. After eligibility for non-competition period payments is established, Employee will, on or before the 15 th day of each month of eligibility for continued payments, submit to Company a written statement (i) identifying by name and address all prospective employers with whom Employee has applied or inquired about employment; (ii) identifying positions sought with each listed employer and specific actions taken in seeking each position; (iii) describing all other efforts made to obtain replacement employment; and (iv) describing any offers of employment received, including the name of the employer; the nature, title, and compensation terms of the position offered; the actual or anticipated start date if the offer has been accepted; and the reason(s) for declining if the offer was declined.

(d) Effect of Replacement Employment on Non-Competition Period Payments. If Employee is denied a specific employment, consulting or other such position with a Competing Organization solely because of the restrictive covenant provisions of Section 7 of this Agreement but obtains other work for compensation, and the monthly compensation (including base pay, commissions, incentive compensation, bonuses, fees and other compensation) for the replacement work is less than Employee's monthly base pay at the time of Employee's separation from employment with Company, Company agrees to pay Employee the difference for each such month through the end of the Restricted Period, again upon expiration of any severance benefits which Employee was offered and provided Employee satisfies all conditions stated herein, with monthly payments not to exceed the amount to which Employee is entitled under subsection (a) of this Section 9. Employee shall submit to Company payroll records and/or any other records reasonably requested by Company showing all compensation received by Employee from the replacement work as a condition of Company's payment of Non-Competition Period Payments covering any period of time when Employee performs work for compensation.

(e) Company's Right To Provide Release of Obligations in Lieu of Non-Competition Period Payments. Notwithstanding any of the foregoing provisions of this Section 9, Company reserves the right to release Employee from Employee's obligations under Section 7 of this Agreement at any time during the Restricted Period, in full or in sufficient part to allow Employee to accept an opportunity that would otherwise be prohibited under this Agreement, at which time Company's payment obligations under this Section 9 shall cease immediately and Employee shall not be entitled to any further such payments or compensation.

10. **Severability, Modification of Restrictions**. The covenants and restrictions in this Agreement are separate and divisible, and to the extent any clause, portion or section of this Agreement is determined to be unenforceable or invalid for any reason, Company and Employee acknowledge and agree that such unenforceability or invalidity shall not affect the enforceability or validity of the remainder of the Agreement. If any particular

covenant, provision or clause of this Agreement is determined to be unreasonable or unenforceable for any reason, including, without limitation, temporal duration, scope of prohibited activity, and/or scope of geographic area, Company and Employee acknowledge and agree that such covenant, provision or clause shall automatically be deemed reformed to have the closest effect permitted by applicable law to the original form and shall be given effect and enforced as so reformed to whatever extent would be reasonable and enforceable under applicable law. The parties agree that any court interpreting the provisions of this Agreement shall have the authority, if necessary, to reform any such provision to make it enforceable under applicable law.

11. **Remedies**. Employee acknowledges that a breach or threatened breach by Employee of this Agreement will give rise to irreparable injury to Company and that money damages will not be adequate relief for such injury. Accordingly, Employee agrees that Company shall be entitled to obtain injunctive relief, including, but not limited to, temporary restraining orders, preliminary injunctions and/or permanent injunctions, without having to post any bond or other security, to restrain or prohibit such breach or threatened breach, in addition to any other legal remedies which may be available. In addition to all other relief to which it shall be entitled, Company shall be entitled to cease all payments to which Employee would otherwise be entitled under Section 9 hereto; continue to enforce this Agreement; recover from Employee all payments made under Section 9 to the extent attributable to a time during which Employee was in violation of the covenants for which payment was made; and recover from Employee all litigation costs and attorneys' fees incurred by Company in any action or proceeding relating to this Agreement in which Company prevails in any respect, including, but not limited to, any action or proceeding in which Company seeks enforcement of this Agreement or seeks relief from Employee's violation of this Agreement.

12. **Survival of Obligations**. Employee acknowledges and agrees that Employee's obligations under this Agreement, including, without limitation, Employee's non-disclosure and non-competition obligations, shall survive the termination of Employee's employment with Company, whether such termination is with or without cause and whether it is voluntary or involuntary. Employee acknowledges and agrees that nothing in this Agreement alters the at-will nature of Employee's employment and that either Company or Employee may terminate the employment relationship at any time, with or without cause or notice. Employee further acknowledges and agrees that: (a) Employee's non-disclosure, non-disparagement, non-solicitation and non-competition covenants set forth in Sections 2 and 7 of this Agreement shall be construed as independent covenants and that no breach of any contractual or legal duty by Company shall be held sufficient to excuse or terminate Employee's obligations or to preclude Company from obtaining injunctive relief or other remedies for Employee's violation or threatened violation of such covenants, and (b) the existence of any claim or cause of action by Employee against Company, whether predicated on this Agreement or otherwise, shall not constitute a defense to Company's enforcement of Employee's obligations under Sections 2 and 7 of this Agreement.

13. **Governing Law and Choice of Forum**. This Agreement shall be construed and enforced in accordance with the laws of the State of Indiana, notwithstanding any state's choice-of-law rules to the contrary. The parties agree that any legal action relating to this Agreement shall be commenced and maintained exclusively before the United States District Court for the Northern District of Indiana if jurisdiction permits, or otherwise before any appropriate state court located in Kosciusko County, Indiana. The parties hereby submit to the jurisdiction of such courts and waive any right to challenge or otherwise object to personal jurisdiction or venue, in any action commenced or maintained in such courts. Language translations aside, the English version shall govern.

14. **Enforcement**. The parties agree that Zimmer, Inc., Zimmer US, Inc. and/or any or each of their affiliates, parents, or direct or indirect subsidiaries (including but not limited to Biomet, Inc. and its direct or indirect subsidiaries), as well as any successor-in-interest to Zimmer, Inc., Zimmer US, Inc. and/or to any of their direct or indirect subsidiaries, affiliates, or parents are express and intended parties to and beneficiaries to this Agreement, with full rights to enforce this Agreement independently or in conjunction with each other.

15. **Successors and Assigns**. Company shall have the right to assign this Agreement, and, accordingly, this Agreement shall inure to the benefit of, and may be enforced by, any and all successors and assigns of Company, including without limitation by asset assignment, stock sale, merger, consolidation or other corporate reorganization, and shall be binding on Employee. The services to be provided by Employee to Company are personal to Employee, and Employee shall not have the right to assign Employee's duties under this Agreement.

16. **Modification**. This Agreement may not be amended, supplemented, or modified except by a written document signed by both Employee and a duly authorized officer of Company.

17. **No Waiver**. The failure of Company to insist in any one or more instances upon performance of any provision of this Agreement or to pursue its rights hereunder shall not be construed as a waiver of any such provisions or the relinquishment of any such rights.

18. **Counterparts**. This Agreement may be executed in counterparts, each of which shall be deemed an original, but both of which when taken together will constitute one and the same agreement.

19. **Entire Agreement**. This Agreement, including Recitals, constitutes the entire agreement of the parties with respect to the subjects specifically addressed herein, and supersedes any prior agreements, understandings, or representations, oral or written, on the subjects addressed herein. Notwithstanding the foregoing, to the extent the employee has an existing non-competition, confidentiality, and/or non-solicitation agreement in favor of Company and has breached or violated the terms thereof, Company may continue to enforce its rights and remedies under and pursuant to such existing agreement.

Employee's signature below indicates that Employee has read the entire Agreement, understands what Employee is signing, and is signing the Agreement voluntarily. Employee agrees that Company advised Employee to consult with an attorney prior to signing the Agreement.

"EMPLOYEE"

_____
(Employee Signature)

Printed Name: _____

Date: _____

"COMPANY"

By: _____

Printed Name: _____

Title: _____

Date: _____

ZIMMER BIOMET HOLDINGS, INC.

2009 STOCK INCENTIVE PLAN
NONQUALIFIED STOCK OPTION GRANT

To encourage your continued employment with Zimmer Biomet Holdings, Inc. (the "Company") or its Affiliates, you have been granted this option (this "Option") to purchase fully paid and non-assessable shares of the Company's common stock, par value $0.01 per share (the "Common Stock") pursuant to the Company's 2009 Stock Incentive Plan (the "Plan"), subject to the vesting requirements set forth in this agreement (this "Agreement") and all of the other restrictions, terms and conditions contained in this Agreement and in the Plan. Capitalized terms that are not defined in this Agreement have the meanings given to them in the Plan.

1. **Grant Date**: ____ __, 20__ (the "Grant Date").

2. **Expiration Date**: ____ __, 20__ (the "Expiration Date").

3. **Exercise Price per Share**: $_____.

4. **Vesting Schedule**: No Option may be exercised hereunder for the purchase of shares unless you shall have remained in the continuous employ of the Company or one of its Affiliates for one year following the Grant Date. Thereafter, provided that you shall at the time of such exercise, except as specifically set forth herein to the contrary, have been in the employ of the Company or one of its Affiliates, and except as set forth in Sections 16 and 17 below, this Option may from time to time prior to the Expiration Date be exercised in the manner hereinafter set forth, and this Option may be exercised (i) only to the extent of 25 percent of the number of shares to which this Option applies on or after the first anniversary and prior to the second anniversary of the Grant Date; (ii) only to the extent of 50 percent of the number of shares to which this Option applies on or after the second anniversary and prior to the third anniversary of the Grant Date; (iii) only to the extent of 75 percent of the number of shares to which this Option applies on or after the third anniversary and prior to the fourth anniversary of the Grant Date; and (iv) in its entirety on or after the fourth anniversary of the Grant Date.

5. **Exercise Procedure**: This Option may be exercised, in whole or in part in accordance with the vesting schedule set forth above, by the delivery of an exercise notice to the Company or the Company's designated agent. The exercise notice will be effective upon receipt by the appropriate person at the Company or the Company' s agent and upon payment of the exercise price, any fees and any other amounts due to cover Tax-Related Items as defined and described in Section 11 herein. Such exercise notice (which, in the Company's discretion, may be, or may be required to be, given by electronic, telefax or other specified means) shall specify the number of shares with respect to which this Option is being exercised and such other representations and agreements as may be required by the Company. In the event the Expiration Date or the termination date set forth under Section 8 of this Agreement falls on a day which is not a regular business day at the Company's executive office in Warsaw, Indiana, U.S.A., then such written notification must be received on or before the last regular business day prior to such Expiration Date or termination date, as applicable (and prior to the close of the New York Stock Exchange on such last regular business day); any later attempt to exercise this Option will not be honored. Payment is to be made by certified personal check, or bank draft, by payment through a broker in accordance with procedures permitted by Regulation T of the Federal Reserve Board, in shares of Common Stock owned by you having a fair market value at the date of exercise equal to the purchase price for such shares, in any combination of the foregoing or by any other method that the Committee approves; provided, however, 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. 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. No shares shall be issued until full payment for such shares has been made. At its discretion, the Committee may modify or suspend any method for the exercise of this Option. You shall have the rights of a stockholder only with respect to shares of stock that have been recorded on the Company's books on your behalf or for which certificates have been issued to you.

6. **Issuance of Shares**: The Company shall not be required to issue or deliver any certificate or certificates for shares of its Common Stock purchased upon the exercise of any part of this Option 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 local, state, federal or foreign law or rulings or regulations of any governmental regulatory body, including but not limited to the U.S. Securities and Exchange Commission ("SEC"), (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 your obligations under Section 11 herein. You understand that the Company is under no obligation to register or qualify the shares with the SEC or any state or foreign securities commission or to seek approval or clearance from any governmental authority for the issuance or sale of the shares. Further, you agree that the Company shall have unilateral authority to amend the Plan and the Agreement without your consent to the extent necessary to comply with securities or other laws applicable to issuance of shares.

7. **Nontransferability** : This Option is not transferable by you otherwise than by will or by the laws of descent and distribution, and may be exercised, during your lifetime, only by you; provided that the Board may permit further transferability, on a general or specific basis, and may impose conditions and limitations on any permitted transferability.

8. **Termination of Employment** : Notwithstanding any other provision hereof:

(a) **Remaining Period to Exercise Option Following Termination of Employment (Other than Due to Death)** : If you retire or cease to be employed by the Company or any of its Affiliates for any reason (other than death) after you have been continuously so employed for one year from the Grant Date, you may exercise this Option only to the extent that you were otherwise entitled to exercise it at the time of such retirement or cessation of employment with the Company or any of its Affiliates, but in no event after (i) the Expiration Date, in the case of retirement or cessation of employment with the Company or any of its Affiliates on or after your 65th birthday, or on or after your 55th birthday after having completed ten years of service with the Company or any of its Affiliates, or on or after the date the sum of your attained age (expressed as a whole number) plus completed years of service (expressed as a whole number) plus one (1) equals at least 70 and you have completed ten years of service with the Company or any of its Affiliates and your employment terminates for any reason other than death, resignation, willful misconduct, or activity deemed detrimental to the interest of the Company and, where applicable, you have executed a general release, a covenant not to compete and/or a covenant not to solicit as required by the Company, or (ii) the date that is three months next succeeding retirement or cessation of employment, in the case of any other retirement or cessation of employment with the Company or any of its Affiliates.

(b) **Leave of Absence** : Whether military or government service or other bona fide leave of absence shall constitute termination of employment for the purpose of this Option shall be determined in each case by the Committee in its sole discretion.

(c) **Remaining Period to Exercise Option Following Death** : Except as provided in Section 7, in the event of your death while in the employ of the Company or of any of its Affiliates or within whichever period after retirement or cessation of your employment specified in subparagraph (a) is applicable, and after you have been continuously so employed for one year after the Grant Date, this Option shall be exercisable by the executors, administrators, legatees or distributees of your estate, as the case may be, only to the extent that you would have been entitled to exercise it if you were then living, subject to subparagraph (d) herein, but in the case of your death after retirement or cessation of employment in no event after the later of (i) the date twelve months next succeeding such death and (ii) the last day of the period after your retirement or other cessation of employment specified in subparagraphs (a)(i) or (a)(ii) and provided, in any case, not after the Expiration Date.

In the event this Option is exercised by the executors, administrators, legatees or distributees of your estate, the Company shall be under no obligation to issue stock hereunder unless and until the Company is satisfied that the person or persons exercising this Option are the duly appointed legal representatives of your estate or the proper legatees or distributees thereof.

(d) **Accelerated Vesting** : The provisions of Section 4 hereof restricting the percentage of shares of an Option grant which can be exercised prior to the fourth anniversary of the date of such grant shall not apply if (i) you have reached age 60; (ii) you die while in the employ of the Company or any of its Affiliates; (iii) you retire or cease to be employed by the Company or any of its Affiliates (1) on or after your 65th birthday, or (2) on or after your 55th birthday after having completed ten years of service with the Company or any of its Affiliates, or (3) on or after the date the sum of your attained age (expressed as a whole number) plus completed years of service (expressed as a whole number) plus one (1) equals at least 70 and you have completed ten years of service with the Company or any of its Affiliates and your employment terminates for any reason other than death, resignation, willful misconduct, or activity deemed detrimental to the interest of the Company and, where applicable, you have executed a general release and a non-solicitation and/or non-compete agreement with the Company as required by the Company; or (iv) your employment terminates for any reason other than death, resignation, willful misconduct, or activity deemed detrimental to the interest of the Company provided you execute a general release and, where applicable, a non-solicitation and/or non-compete agreement with the

Company as required by the Company. For the purposes of this Option, service with Bristol-Myers Squibb Company and its affiliates before the effective date of the Plan shall be included as service with the Company; provided that you were employed by Bristol-Myers Squibb Company on August 5, 2001 and have been continuously employed by the Company or an Affiliate of the Company since August 6, 2001.

9. **Change in Control** : Under certain circumstances, if your employment with the Company or one of its Affiliates terminates during the three year period following a change in control of the Company, this Option may become fully vested and exercisable. Please refer to the Plan for more information.

10. **Changes in Capitalization** : If prior to the Expiration Date changes occur in the outstanding Common Stock by reason of stock dividends, recapitalization, mergers, consolidations, stock splits, combinations or exchanges of shares and the like, the exercise price per share and the number and class of shares subject to this Option shall be appropriately adjusted by the Committee, whose determination shall be conclusive. If as a result of any adjustment under this paragraph you should become entitled to a fractional share of stock, you shall have the right to purchase only the adjusted number of full shares and no payment or other adjustment will be made with respect to the fractional share so disregarded.

11. **Responsibility for Taxes** : You acknowledge that, regardless of any action taken by the Company or, if different, your employer (the "Employer"), the ultimate liability for all income tax, social insurance, payroll tax, fringe benefits tax, payment on account or other tax-related items related to your participation in the Plan and legally applicable to you or deemed by the Company or the Employer in its discretion to be an appropriate charge to you even if legally applicable to the Company or the Employer ("Tax-Related Items") is and remains your responsibility and may exceed the amount, if any, actually withheld by the Company or the Employer. You further acknowledge that the Company and/or the Employer (1) make no representations or undertakings regarding the treatment of any Tax-Related Items in connection with any aspect of the Option, including, but not limited to, the grant, vesting or exercise of the Option, the subsequent sale of shares of Common Stock acquired pursuant to such exercise and the receipt of any dividends; and (2) do not commit to and are under no obligation to structure the terms of the grant or any aspect of the Option to reduce or eliminate your liability for Tax-Related Items or achieve any particular tax result. Further, if you are subject to Tax-Related Items in more than one jurisdiction, you acknowledge that the Company and/or the Employer (or former employer, as applicable) may be required to withhold or account for Tax-Related Items in more than one jurisdiction.

Prior to the relevant taxable or tax withholding event, as applicable, you agree to make adequate arrangements satisfactory to the Company and/or the Employer to satisfy all Tax-Related Items. In this regard, you authorize the Company and/or the Employer, or their respective agents, at their discretion, to satisfy any applicable obligations with regard to all Tax-Related Items legally payable by you by one or a combination of the following: (a) by withholding from your wages or other cash compensation paid to you by the Company and/or the Employer, within legal limits; or (b) withholding from the proceeds of the sale of shares of Common Stock acquired at exercise of the Option either through a voluntary sale or through a mandatory sale arranged by the Company (on your behalf pursuant to this authorization) without further consent unless the use of such withholding method is problematic under applicable tax or securities law or has materially adverse accounting consequences, in which case, you agree that the obligation for Tax-Related Items may be satisfied by withholding in shares of Common Stock to be issued at exercise of the Option.

Depending on the withholding method, the Company and/or the Employer may withhold or account for Tax-Related Items by considering applicable minimum statutory withholding amounts or other applicable withholding rates in your jurisdiction, including maximum applicable rates, in which case you may receive a refund of any over-withheld amount in cash and will have no entitlement to the Common Stock equivalent. If the obligation for Tax-Related Items is satisfied by withholding in shares of Common Stock, for tax purposes, you are deemed to have been issued the full number of shares of Common Stock subject to the exercised Options, notwithstanding that a number of the shares of Common Stock are held back solely for the purpose of paying the Tax-Related Items.

Finally, you agree to pay to the Company or the Employer any amount of Tax-Related Items that the Company or the Employer may be required to withhold or account for as a result of your participation in the Plan that cannot be satisfied by the means previously described. The Company may refuse to issue or deliver the shares or the proceeds of the sale of shares of Common Stock, if you fail to comply with your obligations in connection with the Tax-Related Items.

12. **Nature of Grant:** In accepting the Option grant, you acknowledge, understand and agree that:

(a) the Plan is established voluntarily by the Company, it is discretionary in nature, and may be

amended, suspended or terminated by the Company at any time, to the extent permitted by the Plan;

(b) the grant of the Option is exceptional, discretionary, voluntary and occasional and does not create any contractual or other right to receive future grants of options, or benefits in lieu of options, even if options have been granted in the past;

(c) all decisions with respect to future option or other grants, if any, will be at the sole discretion of the Company;

(d) the Option grant and your participation in the Plan shall not create a right to employment or be interpreted as forming an employment or service contract with the Company, the Employer or any Affiliate, and shall not interfere with the ability of the Company, the Employer or any Affiliate, as applicable, to terminate your employment or service relationship (if any);

(e) you are voluntarily participating in the Plan;

(f) the Option, any shares of Common Stock acquired under the Plan, and the income from and value of same are not intended to replace any pension rights or compensation;

(g) the Option and any shares of Common Stock acquired under the Plan and the income from and value of same, are not part of normal or expected compensation for any purpose, including without limitation for purposes of calculating any severance, resignation, termination, redundancy, dismissal, end-of-service payments, holiday pay, bonuses, long-service awards, pension or retirement or welfare benefits or similar mandatory payments, unless otherwise determined by the Company, in its sole discretion;

(h) the future value of the shares of Common Stock underlying the Option is unknown, indeterminable, and cannot be predicted with certainty;

(i) if the underlying shares of Common Stock do not increase in value, the Option will have no value;

(j) if you exercise the Option and acquire shares of Common Stock, the value of such shares of Common Stock may increase or decrease in value, even below the exercise price;

(k) no claim or entitlement to compensation or damages shall arise from forfeiture of the Option resulting from the termination of your employment or other service relationship (regardless of the reason for such termination and whether or not later found to be invalid or in breach of employment laws in the jurisdiction where you are employed or the terms of your employment agreement, if any), or resulting from a breach or violation as described in Section 16 or Section 17 below;

(l) for purposes of the Option, your employment or service relationship will be considered terminated as of the date you are no longer actively providing services to the Company or one of its Affiliates (regardless of the reason for such termination and whether or not later found to be invalid or in breach of employment laws in the jurisdiction where you are employed or the terms of your employment agreement, if any), and unless otherwise expressly provided in this Agreement or determined by the Company, (i) your right to vest in the Option under the Plan, if any, will terminate as of such date and will not be extended by any notice period (*e.g.* , your period of service would not include any contractual notice period or any period of "garden leave" or similar period mandated under employment laws in the jurisdiction where you are employed or the terms of your employment agreement, if any); and (ii) the period (if any) during which you may exercise the Option after such termination of your employment or service relationship will commence on the date you cease to actively provide services and will not be extended by any notice period mandated under employment laws in the jurisdiction where you are employed or terms of your employment agreement, if any; the Committee shall have the exclusive discretion to determine when you are no longer actively providing services for purposes of the Option grant (including whether you may still be considered to be providing services while on a leave of absence); and

(m) unless otherwise provided in the Plan or by the Company in its discretion, the Option and the benefits evidenced by this Agreement do not create any entitlement to have the Option or any such benefits transferred to, or assumed by, another company nor to be exchanged, cashed out or substituted for, in connection with any corporate transaction affecting the shares of the Company; and

(n) neither the Company, the Employer nor any other Affiliate shall be liable for any foreign exchange rate fluctuation between your local currency and the United States Dollar that may affect the value of the Option or of any amounts due to you pursuant to the exercise of the Option or the subsequent sale of any shares of Common Stock acquired upon exercise.

13. **No Advice Regarding Grant :** The Company is not providing any tax, legal or financial advice, nor is the Company making any recommendations regarding your participation in the Plan, or your acquisition or sale of the underlying shares of Common Stock. You should consult with your own personal tax, legal and financial advisors regarding your participation in the Plan before taking any action related to the Plan.

14. **Data Privacy** : ***You hereby explicitly and unambiguously consent to the collection, use and transfer, in electronic or other form, of your personal data as described in this Agreement and any other***

Option grant materials ("Data") by and among, as applicable , the Company , the Employer and any other Affiliates for the exclusive purpose of implementing, administering and managing your participation in the Plan.

You understand that the Company and the Employer may hold certain personal information about you, including, but not limited to, your name, home address and telephone number, email address, date of birth, social insurance, passport or other identification number (e.g. resident registration number), salary, nationality, job title, any shares of Common Stock or directorships held in the Company, details of all Options or any other entitlement to shares of Common Stock awarded, canceled, exercised, vested, unvested or outstanding in your favor, for the exclusive purpose of implementing, administering and managing the Plan.

You understand that Data may be transferred to Computershare or such other stock plan service provider as may be selected by the Company in the future, which is assisting the Company with the implementation, administration and management of the Plan. You understand that the recipients of the Data may be located in the United States or elsewhere, and that the recipient's country (e.g., the United States) may have different data privacy laws and protections than your country. You understand that you may request a list with the names and addresses of any potential recipients of the Data by contacting your local human resources representative. You authorize the Company, Computershare and any other possible recipients which may assist the Company (presently or in the future) with implementing, administering and managing the Plan to receive, possess, use, retain and transfer the Data, in electronic or other form, for the sole purposes of implementing, administering and managing your participation in the Plan. You understand that Data will be held only as long as is necessary to implement, administer and manage your participation in the Plan. You understand that you may, at any time, view Data, request information about the storage and processing of Data, require any necessary amendments to Data or refuse or withdraw the consents herein, in any case without cost, by contacting in writing your local human resources representative. Further, you understand that you are providing the consents herein on a purely voluntary basis. If you do not consent, or if you later seek to revoke your consent, your employment status or service with the Employer will not be affected; the only consequence of refusing or withdrawing your consent is that the Company would not be able to grant Options or other equity awards to you or administer or maintain such awards. Therefore, you understand that refusing or withdrawing your consent may affect your ability to participate in the Plan. For more information on the consequences of your refusal to consent or withdrawal of consent, you understand that you may contact your local human resources representative.

Finally, upon the request of the Company or the Employer, you agree to provide an executed data privacy consent form (or any other agreements or consents) that the Company and/or the Employer may deem necessary to obtain from you for the purpose of administering your participation in the Plan in compliance with the data privacy laws in your country, either now or in the future. You understand and agree that you will not be able to participate in the Plan if you fail to provide any such consent or agreement requested by the Company and/or the Employer.

15. **Notice** : Until you are advised otherwise by the Committee, all notices and other correspondence with respect to this Option will be effective upon receipt at the following address: Zimmer Biomet Holdings, Inc., ATTN: Employee Stock Services, 345 East Main Street, Post Office Box 708, Warsaw, Indiana 46581-0708, U.S.A.

16. **Breach of Restrictive Covenants** : As a condition of receiving the Option, you have entered into a non-disclosure non-solicitation and/or non-competition agreement with the Company. The Company may, at its discretion, require execution of a restated non-disclosure, non-solicitation and/or non-competition agreement as a condition of receiving the Option. Should you decline to sign such a restated agreement as required by the Company and, therefore, forego receiving the Option, your most recently signed non-disclosure, non-solicitation and/or non-competition agreement shall remain in full force and effect. You understand and agree that if you violate any provision of any such agreement that remains in effect at the time of the violation, the Committee may require you to forfeit your right to any unexercised portion of the Option, even if vested, and, to the extent any portion of the Option has previously been exercised, the Committee may require you to return to the Company any shares of Common Stock you received upon such exercise or any cash proceeds you received upon the sale of any such shares.

17. **Violation of Policies** : Notwithstanding any other provisions of this Agreement , you understand and agree that if you engage in conduct (which may include a failure to act) in connection with, or that results in, a violation of any of the Company's policies, procedures or standards, a violation of the Company's Code of Business Conduct and Ethics, or that is deemed detrimental to the business or reputation of the Company, the Committee may, in its discretion, require you to forfeit your right to any unvested portion of the

Award and, to the extent that any portion of the Award has previously vested, the Committee may require yo u to return to the Company the s hares of Common Stock covered by the Award or any cash proceeds you received upon the sale of such s hares of Common Stock . The Committee may exercise this discretion at any time that you are employed by the Company or any Affiliate of the Company, and at any time during the 18 - month period following the termination of your employment with the Company or any Affiliate of the Company for any reason, including, without limitation, on account of Retirement or death.

18. **Consent to Electronic Delivery** : The Company may, in its sole discretion, decide to deliver any documents related to current or future participation in the Plan by electronic means. You hereby consent to receive such documents by electronic delivery and agree to participate in the Plan through an on-line or electronic system established and maintained by the Company or a third party designated by the Company.

19. **Insider Trading/Market Abuse Laws** : You acknowledge that you may be subject to insider trading restrictions and/or market abuse laws based on the exchange on which the shares of Common Stock are listed in applicable jurisdictions, including the United States, your country or the country of the applicable stock plan service provider, which may affect your ability to accept, acquire, sell, attempt to sell or otherwise dispose of shares of Common Stock , rights to shares of Common Stock (*e.g.* , Options) or rights linked to the value of shares of Common Stock during such times as you are considered to have "inside information" regarding the Company (as defined by the laws or regulations in applicable jurisdictions). Local insider trading laws and regulations may prohibit the cancellation or amendment of orders you placed before you possessed inside information. Furthermore, you could be prohibited from (i) disclosing the inside information to any third party, including fellow employees (other than on a "need to know" basis) and (ii) "tipping" third parties or causing them otherwise to buy or sell securities. Any restrictions under these laws or regulations are separate from and in addition to any restrictions that may be imposed under any applicable insider trading policy of the Company. You acknowledge that it is your responsibility to comply with any applicable restrictions, and you should speak to your personal advisor on this matter.

20. **Foreign Asset/Account Reporting** : Please be aware that your country may have certain foreign asset and/or account reporting requirements which may affect your ability to acquire or hold shares of Common Stock under the Plan or cash received from participating in the Plan (including from any dividends received or sale proceeds arising from the sale of shares of Common Stock) in a brokerage or bank account outside your country. You may be required to report such accounts, assets or transactions to the tax or other authorities in your country. You acknowledge that it is your responsibility to be compliant with such regulations, and you should speak to your personal advisor on this matter.

21. **Addendum** : Notwithstanding any provisions in this Agreement, the Option grant shall be subject to any special terms and conditions set forth in any Addendum to this Agreement for your country. Moreover, if you relocate to one of the countries included in the Addendum, the special terms and conditions for such country will apply to you, to the extent the Company determines that the application of such terms and conditions is necessary or advisable for legal or administrative reasons. The Addendum constitutes part of this Agreement.

22. **Construction and Interpretation** : The Board and the Committee shall have full authority and discretion, subject only to the express terms of the Plan, to decide all matters relating to the administration and interpretation of the Plan and this Agreement and all such Board and Committee determinations shall be final, conclusive, and binding upon you and all interested parties. The terms and conditions set forth in this Agreement are subject in all respects to the terms and conditions of the Plan, as amended from time to time, which shall be controlling. This Agreement contains the entire understanding of the parties and may not be modified or amended except in writing duly signed by the parties. The waiver of, or failure to enforce, any provision of this Agreement or the Plan by the Company will not constitute a waiver by the Company of the same provision or right at any other time or a waiver of any other provision or right. The various provisions of this Agreement are severable and any determination of invalidity or unenforceability of any provision shall have no effect on the remaining provisions. This Agreement will be binding upon and inure to the benefit of the successors, assigns, and heirs of the respective parties.

The validity and construction of this Agreement shall be governed by the laws of the State of Indiana, excluding any conflicts or choice of law rule or principle that might otherwise refer construction or interpretation of this Agreement to the substantive law of another jurisdiction. For purposes of litigating any dispute arising under this Agreement, the parties hereby submit and consent to the jurisdiction of the State of Indiana, agree that such litigation shall be conducted in the courts of Kosciusko County Indiana, or the federal courts for the United States for the Northern District of Indiana, where this grant is made and/or to be performed.

You acknowledge that you are proficient in the English language and understand the provisions of this

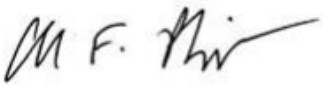
Agreement and the Plan. If you have received this or any other document related to the Plan translated into a language other than English, and if the meaning of the translated v ersion is different than the English version, the English version will control.

23. **Imposition of Other Requirements** : The Company reserves the right to impose other requirements on your participation in the Plan, on the Option and on any shares of Common Stock acquired under the Plan, to the extent the Company determines it is necessary or advisable for legal or administrative reasons, and to require you to sign any additional agreements or undertakings that may be necessary to accomplish the foregoing.

24. **Recoupment** Any benefits you may receive hereunder shall be subject to repayment or forfeiture as may be required to comply with (i) any applicable listing standards of a national securities exchange adopted in accordance with Section 954 of the Dodd-Frank Wall Street Reform and Consumer Protection Act (regarding recovery of erroneously awarded compensation) and any implementing rules and regulations of the U.S. Securities and Exchange Commission adopted thereunder; (ii) similar rules under the laws of any other jurisdiction; and (iii) any policies adopted by the Company to implement such requirements, all to the extent determined by the Company in its discretion to be applicable to you .

25. **Electronic Acceptance** By electronically accepting or exercising the Option, you agree to the terms of this Agreement and the Plan.

ZIMMER BIOMET HOLDINGS, INC.

By 

Chad F. Phipps
Senior Vice President, General
Counsel & Secretary

ZIMMER BIOMET HOLDINGS, INC.

2009 STOCK INCENTIVE PLAN
NONQUALIFIED STOCK OPTION GRANT

To encourage your continued employment with Zimmer Biomet Holdings, Inc. (the "Company") or its Affiliates, you have been granted this option (this "Option") to purchase fully paid and non-assessable shares of the Company's common stock, par value $0.01 per share (the "Common Stock") pursuant to the Company's 2009 Stock Incentive Plan (the "Plan"), subject to the vesting requirements set forth in this agreement (this "Agreement") and all of the other restrictions, terms and conditions contained in this Agreement and in the Plan. Capitalized terms that are not defined in this Agreement have the meanings given to them in the Plan.

1. **Grant Date**: _____ __, 20__ (the "Grant Date").

2. **Expiration Date**: ____ __, 20__ (the "Expiration Date").

3. **Exercise Price per Share**: $_____.

4. **Two-Year Cliff Vesting Schedule**: Provided that you shall at the time of such exercise, except as specifically set forth herein to the contrary, have been in the employ of the Company or one of its Affiliates, and except as set forth in Sections 16 and 17 below, this Option may from time to time prior to the Expiration Date be exercised in the manner hereinafter set forth, and this Option may be exercised in its entirety on or after the second anniversary of the Grant Date.

5. **Exercise Procedure**: This Option may be exercised, in whole or in part in accordance with the vesting schedule set forth above, by the delivery of an exercise notice to the Company or the Company's designated agent. The exercise notice will be effective upon receipt by the appropriate person at the Company or the Company's agent and upon payment of the exercise price, any fees and any other amounts due to cover Tax-Related Items as defined and described in Section 11 herein. Such exercise notice (which, in the Company's discretion, may be, or may be required to be, given by electronic, telefax or other specified means) shall specify the number of shares with respect to which this Option is being exercised and such other representations and agreements as may be required by the Company. In the event the Expiration Date or the termination date set forth under Section 8 of this Agreement falls on a day which is not a regular business day at the Company' s executive office in Warsaw, Indiana, U.S.A., then such written notification must be received on or before the last regular business day prior to such Expiration Date or termination date, as applicable (and prior to the close of the New York Stock Exchange on such last regular business day); any later attempt to exercise this Option will not be honored. Payment is to be made by certified personal check, or bank draft, by payment through a broker in accordance with procedures permitted by Regulation T of the Federal Reserve Board, in shares of Common Stock owned by you having a fair market value at the date of exercise equal to the purchase price for such shares, in any combination of the foregoing or by any other method that the Committee approves; provided, however, 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. 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. No shares shall be issued until full payment for such shares has been made. At its discretion, the Committee may modify or suspend any method for the exercise of this Option. You shall have the rights of a stockholder only with respect to shares of stock that have been recorded on the Company's books on your behalf or for which certificates have been issued to you.

6. **Issuance of Shares**: The Company shall not be required to issue or deliver any certificate or certificates for shares of its Common Stock purchased upon the exercise of any part of this Option 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 local, state, federal or foreign law or rulings or regulations of any governmental regulatory body, including but not limited to the U.S. Securities and Exchange Commission ("SEC"), (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 your obligations under Section 11 herein. You understand that the Company is under no obligation to register or qualify the shares with the SEC or any state or foreign securities commission or to seek approval or clearance from any governmental authority for the issuance or sale of the shares. Further, you agree that the Company shall have unilateral authority to amend the Plan and the Agreement without your consent to the

extent necessary to comply with securities or other laws applicable to issuance of shares.

7. **Nontransferability** : This Option is not transferable by you otherwise than by will or by the laws of descent and distribution, and may be exercised, during your lifetime, only by you; provided that the Board may permit further transferability, on a general or specific basis, and may impose conditions and limitations on any permitted transferability.

8. **Termination of Employment** : Notwithstanding any other provision hereof:

(a) **Remaining Period to Exercise Option Following Termination of Employment (Other than Due to Death)** : If you retire or cease to be employed by the Company or any of its Affiliates for any reason (other than death) after you have been continuously so employed for one year from the Grant Date, you may exercise this Option only to the extent that you were otherwise entitled to exercise it at the time of such retirement or cessation of employment with the Company or any of its Affiliates, but in no event after (i) the Expiration Date, in the case of retirement or cessation of employment with the Company or any of its Affiliates on or after your 65th birthday, or on or after your 55th birthday after having completed ten years of service with the Company or any of its Affiliates, or on or after the date the sum of your attained age (expressed as a whole number) plus completed years of service (expressed as a whole number) plus one (1) equals at least 70 and you have completed ten years of service with the Company or any of its Affiliates and your employment terminates for any reason other than death, resignation, willful misconduct, or activity deemed detrimental to the interest of the Company and, where applicable, you have executed a general release, a covenant not to compete and/or a covenant not to solicit as required by the Company, or (ii) the date that is three months next succeeding retirement or cessation of employment, in the case of any other retirement or cessation of employment with the Company or any of its Affiliates.

(b) **Leave of Absence** : Whether military or government service or other bona fide leave of absence shall constitute termination of employment for the purpose of this Option shall be determined in each case by the Committee in its sole discretion.

(c) **Remaining Period to Exercise Option Following Death** : Except as provided in Section 7, in the event of your death while in the employ of the Company or of any of its Affiliates or within whichever period after retirement or cessation of your employment specified in subparagraph (a) is applicable, and after you have been continuously so employed for one year after the Grant Date, this Option shall be exercisable by the executors, administrators, legatees or distributees of your estate, as the case may be, only to the extent that you would have been entitled to exercise it if you were then living, subject to subparagraph (d) herein, but in the case of your death after retirement or cessation of employment in no event after the later of (i) the date twelve months next succeeding such death and (ii) the last day of the period after your retirement or other cessation of employment specified in subparagraphs (a)(i) or (a)(ii) and provided, in any case, not after the Expiration Date.

In the event this Option is exercised by the executors, administrators, legatees or distributees of your estate, the Company shall be under no obligation to issue stock hereunder unless and until the Company is satisfied that the person or persons exercising this Option are the duly appointed legal representatives of your estate or the proper legatees or distributees thereof.

(d) **Accelerated Vesting** : The provisions of Section 4 hereof restricting the exercise of this Option prior to the second anniversary of the Grant Date shall not apply after you have been continuously employed by the Company or any of its Affiliates for one year from the Grant Date if (i) you have reached age 60; (ii) you die while in the employ of the Company or any of its Affiliates; (iii) you retire or cease to be employed by the Company or any of its Affiliates (1) on or after your 65th birthday, or (2) on or after your 55th birthday after having completed ten years of service with the Company or any of its Affiliates, or (3) on or after the date the sum of your attained age (expressed as a whole number) plus completed years of service (expressed as a whole number) plus one (1) equals at least 70 and you have completed ten years of service with the Company or any of its Affiliates and your employment terminates for any reason other than death, resignation, willful misconduct, or activity deemed detrimental to the interest of the Company and, where applicable, you have executed a general release and a non-solicitation and/or non-compete agreement with the Company as required by the Company; or (iv) your employment terminates for any reason other than death, resignation, willful misconduct, or activity deemed detrimental to the interest of the Company provided you execute a general release and, where applicable, a non-solicitation and/or non-compete agreement with the Company as required by the Company. For the purposes of this Option, service with Bristol-Myers Squibb Company and its affiliates before the effective date of the Plan shall be included as service with the Company; provided that you were employed by Bristol-Myers Squibb Company on August 5, 2001 and have been continuously employed by the Company or an Affiliate of the Company since August 6, 2001.

9. **Change in Control** : Under certain circumstances, if your employment with the Company or one of its

Affiliates terminates during the three year period following a change in control of the Company, this Option may become fully vested and exercisable. Please refer to the Plan for more information.

10. **Changes in Capitalization** : If prior to the Expiration Date changes occur in the outstanding Common Stock by reason of stock dividends, recapitalization, mergers, consolidations, stock splits, combinations or exchanges of shares and the like, the exercise price per share and the number and class of shares subject to this Option shall be appropriately adjusted by the Committee, whose determination shall be conclusive. If as a result of any adjustment under this paragraph you should become entitled to a fractional share of stock, you shall have the right to purchase only the adjusted number of full shares and no payment or other adjustment will be made with respect to the fractional share so disregarded.

11. **Responsibility for Taxes** : You acknowledge that, regardless of any action taken by the Company or, if different, your employer (the "Employer"), the ultimate liability for all income tax, social insurance, payroll tax, fringe benefits tax, payment on account or other tax-related items related to your participation in the Plan and legally applicable to you or deemed by the Company or the Employer in its discretion to be an appropriate charge to you even if legally applicable to the Company or the Employer ("Tax-Related Items") is and remains your responsibility and may exceed the amount, if any, actually withheld by the Company or the Employer. You further acknowledge that the Company and/or the Employer (1) make no representations or undertakings regarding the treatment of any Tax-Related Items in connection with any aspect of the Option, including, but not limited to, the grant, vesting or exercise of the Option, the subsequent sale of shares of Common Stock acquired pursuant to such exercise and the receipt of any dividends; and (2) do not commit to and are under no obligation to structure the terms of the grant or any aspect of the Option to reduce or eliminate your liability for Tax-Related Items or achieve any particular tax result. Further, if you are subject to Tax-Related Items in more than one jurisdiction, you acknowledge that the Company and/or the Employer (or former employer, as applicable) may be required to withhold or account for Tax-Related Items in more than one jurisdiction.

Prior to the relevant taxable or tax withholding event, as applicable, you agree to make adequate arrangements satisfactory to the Company and/or the Employer to satisfy all Tax-Related Items. In this regard, you authorize the Company and/or the Employer, or their respective agents, at their discretion, to satisfy any applicable obligations with regard to all Tax-Related Items legally payable by you by one or a combination of the following: (a) by withholding from your wages or other cash compensation paid to you by the Company and/or the Employer, within legal limits; or (b) withholding from the proceeds of the sale of shares of Common Stock acquired at exercise of the Option either through a voluntary sale or through a mandatory sale arranged by the Company (on your behalf pursuant to this authorization) without further consent unless the use of such withholding method is problematic under applicable tax or securities law or has materially adverse accounting consequences, in which case, you agree that the obligation for Tax-Related Items may be satisfied by withholding in shares of Common Stock to be issued at exercise of the Option.

Depending on the withholding method, the Company and/or the Employer may withhold or account for Tax-Related Items by considering applicable minimum statutory withholding amounts or other applicable withholding rates in your jurisdiction, including maximum applicable rates, in which case you may receive a refund of any over-withheld amount in cash and will have no entitlement to the Common Stock equivalent. If the obligation for Tax-Related Items is satisfied by withholding in shares of Common Stock, for tax purposes, you are deemed to have been issued the full number of shares of Common Stock subject to the exercised Options, notwithstanding that a number of the shares of Common Stock are held back solely for the purpose of paying the Tax-Related Items.

Finally, you agree to pay to the Company or the Employer any amount of Tax-Related Items that the Company or the Employer may be required to withhold or account for as a result of your participation in the Plan that cannot be satisfied by the means previously described. The Company may refuse to issue or deliver the shares or the proceeds of the sale of shares of Common Stock, if you fail to comply with your obligations in connection with the Tax-Related Items.

12. **Nature of Grant:** In accepting the Option grant, you acknowledge, understand and agree that:

(a) the Plan is established voluntarily by the Company, it is discretionary in nature, and may be amended, suspended or terminated by the Company at any time, to the extent permitted by the Plan;

(b) the grant of the Option is exceptional, discretionary, voluntary and occasional and does not create any contractual or other right to receive future grants of options, or benefits in lieu of options, even if options have been granted in the past;

(c) all decisions with respect to future option or other grants, if any, will be at the sole discretion of the Company;

(d) the Option grant and your participation in the Plan shall not create a right to employment or be interpreted as forming an employment or service contract with the Company, the Employer or any Affiliate, and shall not interfere with the ability of the Company, the Employer or any Affiliate, as applicable, to terminate your employment or service relationship (if any);

(e) you are voluntarily participating in the Plan;

(f) the Option, any shares of Common Stock acquired under the Plan, and the income from and value of same are not intended to replace any pension rights or compensation;

(g) the Option and any shares of Common Stock acquired under the Plan and the income from and value of same, are not part of normal or expected compensation for any purpose, including without limitation for purposes of calculating any severance, resignation, termination, redundancy, dismissal, end-of-service payments, holiday pay, bonuses, long-service awards, pension or retirement or welfare benefits or similar mandatory payments, unless otherwise determined by the Company, in its sole discretion;

(h) the future value of the shares of Common Stock underlying the Option is unknown, indeterminable, and cannot be predicted with certainty;

(i) if the underlying shares of Common Stock do not increase in value, the Option will have no value;

(j) if you exercise the Option and acquire shares of Common Stock, the value of such shares of Common Stock may increase or decrease in value, even below the exercise price;

(k) no claim or entitlement to compensation or damages shall arise from forfeiture of the Option resulting from the termination of your employment or other service relationship (regardless of the reason for such termination and whether or not later found to be invalid or in breach of employment laws in the jurisdiction where you are employed or the terms of your employment agreement, if any), or resulting from a breach or violation as described in Section 16 or Section 17 below;

(l) for purposes of the Option, your employment or service relationship will be considered terminated as of the date you are no longer actively providing services to the Company or one of its Affiliates (regardless of the reason for such termination and whether or not later found to be invalid or in breach of employment laws in the jurisdiction where you are employed or the terms of your employment agreement, if any), and unless otherwise expressly provided in this Agreement or determined by the Company, (i) your right to vest in the Option under the Plan, if any, will terminate as of such date and will not be extended by any notice period (*e.g.* , your period of service would not include any contractual notice period or any period of "garden leave" or similar period mandated under employment laws in the jurisdiction where you are employed or the terms of your employment agreement, if any); and (ii) the period (if any) during which you may exercise the Option after such termination of your employment or service relationship will commence on the date you cease to actively provide services and will not be extended by any notice period mandated under employment laws in the jurisdiction where you are employed or terms of your employment agreement, if any; the Committee shall have the exclusive discretion to determine when you are no longer actively providing services for purposes of the Option grant (including whether you may still be considered to be providing services while on a leave of absence); and

(m) unless otherwise provided in the Plan or by the Company in its discretion, the Option and the benefits evidenced by this Agreement do not create any entitlement to have the Option or any such benefits transferred to, or assumed by, another company nor to be exchanged, cashed out or substituted for, in connection with any corporate transaction affecting the shares of the Company; and

(n) neither the Company, the Employer nor any other Affiliate shall be liable for any foreign exchange rate fluctuation between your local currency and the United States Dollar that may affect the value of the Option or of any amounts due to you pursuant to the exercise of the Option or the subsequent sale of any shares of Common Stock acquired upon exercise.

13. **No Advice Regarding Grant :** The Company is not providing any tax, legal or financial advice, nor is the Company making any recommendations regarding your participation in the Plan, or your acquisition or sale of the underlying shares of Common Stock. You should consult with your own personal tax, legal and financial advisors regarding your participation in the Plan before taking any action related to the Plan.

14. **Data Privacy** : ***You hereby explicitly and unambiguously consent to the collection, use and transfer, in electronic or other form, of your personal data as described in this Agreement and any other Option grant materials ("Data") by and among, as applicable, the Company, the Employer and any other Affiliates for the exclusive purpose of implementing, administering and managing your participation in the Plan.***

You understand that the Company and the Employer may hold certain personal information about you, including, but not limited to, your name, home address and telephone number, email address, date of birth, social insurance, passport or other

identification number (e.g. resident registration number), salary, nationality, job title, any shares of Common Stock or directorships held in the Company, details of all Options or any other entitlement to shares of Common Stock awarded, canceled, exercised, vested, unvested or outstanding in your favor, for the exclusive purpose of implementing, administering and managing the Plan.

You understand that Data may be transferred to Computershare or such other stock plan service provider as may be selected by the Company in the future, which is assisting the Company with the implementation, administration and management of the Plan. You understand that the recipients of the Data may be located in the United States or elsewhere, and that the recipient's country (e.g., the United States) may have different data privacy laws and protections than your country. You understand that you may request a list with the names and addresses of any potential recipients of the Data by contacting your local human resources representative. You authorize the Company, Computershare and any other possible recipients which may assist the Company (presently or in the future) with implementing, administering and managing the Plan to receive, possess, use, retain and transfer the Data, in electronic or other form, for the sole purposes of implementing, administering and managing your participation in the Plan. You understand that Data will be held only as long as is necessary to implement, administer and manage your participation in the Plan. You understand that you may, at any time, view Data, request information about the storage and processing of Data, require any necessary amendments to Data or refuse or withdraw the consents herein, in any case without cost, by contacting in writing your local human resources representative. Further, you understand that you are providing the consents herein on a purely voluntary basis. If you do not consent, or if you later seek to revoke your consent, your employment status or service with the Employer will not be affected; the only consequence of refusing or withdrawing your consent is that the Company would not be able to grant Options or other equity awards to you or administer or maintain such awards. Therefore, you understand that refusing or withdrawing your consent may affect your ability to participate in the Plan. For more information on the consequences of your refusal to consent or withdrawal of consent, you understand that you may contact your local human resources representative.

Finally, upon the request of the Company or the Employer, you agree to provide an executed data privacy consent form (or any other agreements or consents) that the Company and/or the Employer may deem necessary to obtain from you for the purpose of administering your participation in the Plan in compliance with the data privacy laws in your country, either now or in the future. You understand and agree that you will not be able to participate in the Plan if you fail to provide any such consent or agreement requested by the Company and/or the Employer.

15. **Notice** : Until you are advised otherwise by the Committee, all notices and other correspondence with respect to this Option will be effective upon receipt at the following address: Zimmer Biomet Holdings, Inc., ATTN: Employee Stock Services, 345 East Main Street, Post Office Box 708, Warsaw, Indiana 46581-0708, U.S.A.

16. **Breach of Restrictive Covenants** : As a condition of receiving the Option, you have entered into a non-disclosure non-solicitation and/or non-competition agreement with the Company. The Company may, at its discretion, require execution of a restated non-disclosure, non-solicitation and/or non-competition agreement as a condition of receiving the Option. Should you decline to sign such a restated agreement as required by the Company and, therefore, forego receiving the Option, your most recently signed non-disclosure, non-solicitation and/or non-competition agreement shall remain in full force and effect. You understand and agree that if you violate any provision of any such agreement that remains in effect at the time of the violation, the Committee may require you to forfeit your right to any unexercised portion of the Option, even if vested, and, to the extent any portion of the Option has previously been exercised, the Committee may require you to return to the Company any shares of Common Stock you received upon such exercise or any cash proceeds you received upon the sale of any such shares.

17. **Violation of Policies** : Notwithstanding any other provisions of this Agreement , you understand and agree that if you engage in conduct (which may include a failure to act) in connection with, or that results in, a violation of any of the Company's policies, procedures or standards, a violation of the Company's Code of Business Conduct and Ethics, or that is deemed detrimental to the business or reputation of the Company, the Committee may, in its discretion, require you to forfeit your right to any unvested portion of the Award and, to the extent that any portion of the Award has previously vested, the Committee may require you to return to the Company the shares of Common Stock covered by the Award or any cash proceeds you received upon the sale of such shares of Common Stock. The Committee may exercise this discretion at any time that you are employed by the Company or any Affiliate of the Company, and at any time during the 18-month period following the termination of your employment with the Company or any Affiliate of the

Company for any reason, including, without limitation, on account of Retirement or death.

18. **Consent to Electronic Delivery** : The Company may, in its sole discretion, decide to deliver any documents related to current or future participation in the Plan by electronic means. You hereby consent to receive such documents by electronic delivery and agree to participate in the Plan through an on-line or electronic system established and maintained by the Company or a third party designated by the Company.

19. **Insider Trading/Market Abuse Laws** : You acknowledge that you may be subject to insider trading restrictions and/or market abuse laws based on the exchange on which the shares of Common Stock are listed in applicable jurisdictions, including the United States, your country or the country of the applicable stock plan service provider, which may affect your ability to accept, acquire, sell, attempt to sell or otherwise dispose of shares of Common Stock , rights to shares of Common Stock (*e.g.* , Options) or rights linked to the value of shares of Common Stock during such times as you are considered to have "inside information" regarding the Company (as defined by the laws or regulations in applicable jurisdictions). Local insider trading laws and regulations may prohibit the cancellation or amendment of orders you placed before you possessed inside information. Furthermore, you could be prohibited from (i) disclosing the inside information to any third party, including fellow employees (other than on a "need to know" basis) and (ii) "tipping" third parties or causing them otherwise to buy or sell securities. Any restrictions under these laws or regulations are separate from and in addition to any restrictions that may be imposed under any applicable insider trading policy of the Company. You acknowledge that it is your responsibility to comply with any applicable restrictions, and you should speak to your personal advisor on this matter.

20. **Foreign Asset/Account Reporting** : Please be aware that your country may have certain foreign asset and/or account reporting requirements which may affect your ability to acquire or hold shares of Common Stock under the Plan or cash received from participating in the Plan (including from any dividends received or sale proceeds arising from the sale of shares of Common Stock) in a brokerage or bank account outside your country. You may be required to report such accounts, assets or transactions to the tax or other authorities in your country. You acknowledge that it is your responsibility to be compliant with such regulations, and you should speak to your personal advisor on this matter.

21. **Addendum** : Notwithstanding any provisions in this Agreement, the Option grant shall be subject to any special terms and conditions set forth in any Addendum to this Agreement for your country. Moreover, if you relocate to one of the countries included in the Addendum, the special terms and conditions for such country will apply to you, to the extent the Company determines that the application of such terms and conditions is necessary or advisable for legal or administrative reasons. The Addendum constitutes part of this Agreement.

22. **Construction and Interpretation** : The Board and the Committee shall have full authority and discretion, subject only to the express terms of the Plan, to decide all matters relating to the administration and interpretation of the Plan and this Agreement and all such Board and Committee determinations shall be final, conclusive, and binding upon you and all interested parties. The terms and conditions set forth in this Agreement are subject in all respects to the terms and conditions of the Plan, as amended from time to time, which shall be controlling. This Agreement contains the entire understanding of the parties and may not be modified or amended except in writing duly signed by the parties. The waiver of, or failure to enforce, any provision of this Agreement or the Plan by the Company will not constitute a waiver by the Company of the same provision or right at any other time or a waiver of any other provision or right. The various provisions of this Agreement are severable and any determination of invalidity or unenforceability of any provision shall have no effect on the remaining provisions. This Agreement will be binding upon and inure to the benefit of the successors, assigns, and heirs of the respective parties.

The validity and construction of this Agreement shall be governed by the laws of the State of Indiana, excluding any conflicts or choice of law rule or principle that might otherwise refer construction or interpretation of this Agreement to the substantive law of another jurisdiction. For purposes of litigating any dispute arising under this Agreement, the parties hereby submit and consent to the jurisdiction of the State of Indiana, agree that such litigation shall be conducted in the courts of Kosciusko County Indiana, or the federal courts for the United States for the Northern District of Indiana, where this grant is made and/or to be performed.

You acknowledge that you are proficient in the English language and understand the provisions of this Agreement and the Plan. If you have received this or any other document related to the Plan translated into a language other than English, and if the meaning of the translated version is different than the English version, the English version will control.

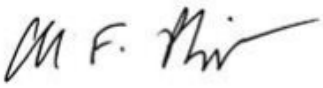
23. **Imposition of Other Requirements** : The Company reserves the right to impose other requirements on your participation in the Plan, on the Option and on any shares of Common Stock acquired under the Plan, to the extent the Company determines it

is necessary or advisable for legal or administrative reasons, and to require you to sign any additional agreements or undertakings that may be necessary to accomplish the foregoing.

24. **Recoupment** Any benefits you may receive hereunder shall be subject to repayment or forfeiture as may be required to comply with (i) any applicable listing standards of a national securities exchange adopted in accordance with Section 954 of the Dodd-Frank Wall Street Reform and Consumer Protection Act (regarding recovery of erroneously awarded compensation) and any implementing rules and regulations of the U.S. Securities and Exchange Commission adopted thereunder; (ii) similar rules under the laws of any other jurisdiction; and (iii) any policies adopted by the Company to implement such requirements, all to the extent determined by the Company in its discretion to be applicable to you .

25. **Electronic Acceptance** By electronically accepting or exercising the Option, you agree to the terms of this Agreement and the Plan.

ZIMMER BIOMET HOLDINGS, INC.

By 

Chad F. Phipps
Senior Vice President, General
Counsel & Secretary

Exhibit 10.40

AIRCRAFT TIME SHARING AGREEMENT

Dated as of the 27th day of February, 2018

by and between

Zimmer, Inc.,
as Time Share Lessor

and
Bryan C. Hanson,
as Time Share Lessee

* * *

INSTRUCTIONS FOR COMPLIANCE WITH
"TRUTH IN LEASING" REQUIREMENTS UNDER FAR § 91.23

Within 24 hours after execution of this Agreement:
mail a copy of the executed document to the
following address via certified mail, return receipt requested:

Federal Aviation Administration
Aircraft Registration Branch
ATTN: Technical Section
P.O. Box 25724
Oklahoma City, Oklahoma 73125

At least 48 hours prior to the first flight to be conducted under this Agreement:
provide notice of the departure airport and proposed time of departure
of said first flight, by telephone or facsimile, to the Flight Standards
District Office located nearest the departure airport.

Carry a copy of this Agreement in the aircraft at all times.

* * *

Exhibit 10.40

This **AIRCRAFT TIME SHARING AGREEMENT** (the **" Agreement "**) is made and effective as of the 2 7 th day of February , 2018 (the **" Effective Date "**), by and between Zimmer , Inc. , a Delaware c orporation (**" Time Share Lessor "** or **" Company "**), and Bryan C. Hanson , an individual (**" Time Share Lessee "** or **" Executive "**).

W I T N E S S E T H:

WHEREAS , Company is a subsidiary of Zimmer Biomet Holdings, Inc., a Delaware corporation (**"Parent"**);

WHEREAS , Executive is President and Chief Executive Officer of Parent;

WHEREAS , Company possesses and operates the Aircraft described and referred to herein within the scope of and incidental to its own business;

WHEREAS , from time to time, Executive may desire to lease the Aircraft with a flight crew from Company on a non-exclusive time share basis as defined in Section 91.501(c)(1) of the FAR;

WHEREAS , in accordance with such policy or policies that have been or hereafter may be approved or adopted by the Board of Directors of Parent, or the Compensation and Management Development Committee thereof (**"Policies"**), Company is willing from time to time to lease the Aircraft, with a flight crew, on a time share basis, to Executive; and

WHEREAS , during the Term of this Agreement, the Aircraft will be subject to use by Company and may be subject to use by one or more other third parties.

NOW, THEREFORE , the parties agree as follows:

1. **Definitions.** The following terms shall have the following meanings for all purposes of this Agreement:

"Aircraft" means the aircraft described in any Supplement or Supplements hereto executed by Company and Executive substantially in the form of Exhibit A hereto (collectively, the "Aircraft" and, individually, an "Aircraft).

"Applicable Law" means, without limitation, all applicable laws, treaties, international agreements, decisions and orders of any court, arbitration or governmental agency or authority and rules, regulations, orders, directives, licenses and permits of any governmental body, instrumentality, agency or authority, including, without limitation, the FAR and 49 U.S.C. § 41101, *et seq* ., as amended.

"DOT" means the United States Department of Transportation or any successor agency.

"FAA" means the Federal Aviation Administration or any successor agency.

"FAR" means collectively the Aeronautics Regulations of the FAA and the DOT, as codified at Title 14, Parts 1 to 399 of the United States Code of Federal Regulations.

"Operational Control" has the same meaning given the term in Section 1.1 of the FAR.

"Pilot in Command" has the same meaning given the term in Section 1.1 of the FAR.

"Supplement" shall mean each Aircraft Time Sharing Supplement executed under this Agreement by the parties hereto substantially in the form of Exhibit A hereto, covering one or more particular Aircraft and incorporating by reference the terms and provisions of this Agreement.

"Term" means the entire period from the Effective Date to the date this Agreement is terminated pursuant to Section 3.

2. **Agreement to Lease.** Company agrees to lease the Aircraft to Executive from time to time on an "as

needed and as available ” basis, and to provide a fully qualified flight crew for all f light operations, in accordance with the terms and conditions of this Agreement. Nothing contained herein shall obligate or entitle Executive to any minimum usage of the Aircraft. Company shall have the right to add or substitute aircraft of similar type, quality, and equipment, and to remove aircraft from the fleet, from time to time during the term of this Agreement. Company and Executive shall execute one or more Supplements to add Aircraft to this Agreement .

3. **Term.** This Agreement will commence on the Effective Date and will terminate on the earlier to occur of the following: (i) termination of this Agreement by either party with or without cause upon thirty (30) days written notice to the other party; and (ii) the date Executive is no longer employed as President and Chief Executive Officer of Parent.

4. **Applicable Regulations.** The parties hereto intend that this Agreement shall constitute, and this Agreement shall be interpreted as, a *Time Sharing Agreement* as defined in Section 91.501(c)(1) of the FAR. The parties agree that for all flights under this Agreement, the Aircraft shall be operated under the pertinent provisions of Subpart F of Part 91 of the FAR. If any provision of this Agreement is determined to be inconsistent with any of the requirements of the provisions of Subpart F of Part 91 of the FAR, such provision shall be deemed amended in any respect necessary to bring it into compliance with such requirements.

5. **Non-Exclusivity.** Executive acknowledges that each Aircraft is leased to Executive hereunder on a non-exclusive basis, and that the Aircraft will also be subject use by Company and may also be subject to non-exclusive leases and leased to others during the Term.

6. **Flight Charges.** For each flight conducted under this Agreement, Executive shall pay Company an amount equal to the actual direct operating expenses of such flight, but only to the extent authorized by FAR Section 91.501(d) as in effect from time to time. As of the effective date of this Agreement, such payment from Executive to Company for any specific flight shall not exceed:

6.1 fuel, oil, lubricants, and other additives;
6.2 travel expenses of the crew, including food, lodging and ground transportation;
6.3 hangar and tie down costs away from the Aircraft ’s operating base;
6.4 insurance obtained for the specific flight;
6.5 landing fees, airport taxes and similar assessments;
6.6 customs, foreign permit, and similar fees directly related to the flight;
6.7 in-flight food and beverages;
6.8 passenger ground transportation;
6.9 flight planning and weather contract services; and
6.10 an additional charge equal to 100% of the expenses listed in Section 6.1.

7. **Invoices and Payment.** Company will pay all expenses related to the operation of the Aircraft when incurred and will provide quarterly invoices to Executive for the expenses enumerated in Section 6 above . Company and Executive acknowledge that, with the exception of the expenses for in-flight food and beverages and passenger ground transportation, the payment of these expenses is subject to the federal excise tax imposed under Section 4261 of the Internal Revenue Code. Executive shall reimburse Company for the expenses authorized by FAR Section 91.501(d) plus applicable federal excise taxes within thirty (30) calendar days after receipt of the related invoice. Company agrees to collect and remit to the Internal Revenue Service for the benefit of Executive all such federal excise taxes.

8. **Operating Base.** For purposes of this Agreement, the permanent base of operation of the Aircraft shall be Warsaw Municipal Airport in Warsaw, Indiana, unless changed by Company , in which event Company shall notify Executive of the new permanent base of operation of the Aircraft.

9. **Scheduling Flights.**

9.1 In the event that Executive desires to use the Aircraft pursuant to this Agreement, Executive will so notify Company and will provide Company with requests for flight time and proposed flight

schedules as far as possible in advance of any given flight. Requests for flight time shall be in a form, whether oral or written, mutually convenient to and agreed upon by Company and Executive. In addition to proposed schedules and flight times, Executive shall provide at least the following information for each proposed flight at some time prior to scheduled departure as required by Company or Company ' s flight crew: proposed departure point ; destination; date and time of flight ; the identity and relationship to Executive of anticipated passengers; the nature and extent of luggage and/or cargo to be carried; the date and time of return flight, if any; and any other information concerning the proposed flight that may be pertinent or required by Company or Company ' s flight crew.

9.2 Company shall have final authority over the scheduling of the Aircraft. Company shall at all times be entitled to preempt any scheduled, unscheduled, and anticipated use of the Aircraft by Executive, notwithstanding any prior approval by Company of a request by Executive to schedule a flight.

10. **Title and Registration** . Executive acknowledges that title to the Aircraft shall remain vested in the owner(s) thereof as shown on the applicable Supplement. Executive undertakes, to the extent permitted by Applicable Law, to do all such further acts, deeds, assurances or things as, in the reasonable opinion of such owner(s) and/or Company, may be necessary or desirable in order to protect or preserve each such owner's title to the Aircraft.

11. **Aircraft Maintenance.** Company shall be solely responsible for maintenance, preventive maintenance and required or otherwise necessary inspections of the Aircraft and shall take such requirements into account in scheduling the Aircraft. No period of maintenance, preventative maintenance, or inspection shall be delayed or postponed for the purpose of scheduling the Aircraft, unless said maintenance or inspection can be safely conducted at a later time in compliance with all Applicable Laws, and within the sound discretion of the Pilot in Command.

12. **Flight Crew.** Company shall provide to Executive a qualified flight crew for each flight conducted in accordance with this Agreement. The members of the flight crew may be either employees or independent contractors of Company. In either event, the flight crew shall be and remain under the exclusive command and control of Company in all phases of all flights conducted hereunder.

13. **OPERATIONAL CONTROL .** THE PARTIES EXPRESSLY AGREE THAT COMPANY SHALL HAVE AND MAINTAIN OPERATIONAL CONTROL OF THE AIRCRAFT FOR ALL FLIGHTS OPERATED UNDER THIS AGREEMENT, AND THAT THE INTENT OF THE PARTIES IS THAT THIS AGREEMENT CONSTITUTE A "TIME SHARING AGREEMENT" AS SUCH TERM IS DEFINED IN SECTION 91.501(C)(1) OF THE FAR. COMPANY SHALL EXERCISE EXCLUSIVE AUTHORITY OVER INITIATING, CONDUCTING, OR TERMINATING ANY FLIGHT CONDUCTED ON BEHALF OF EXECUTIVE PURSUANT TO THIS AGREEMENT.

14. **Authority of Pilot in Command.** Notwithstanding that Company shall have Operational Control of the Aircraft during any flight conducted pursuant to this Agreement, Company and Executive expressly agree that the Pilot in Command, in his or her sole discretion, may terminate any flight, refuse to commence any flight, or take any other flight-related action which, in the judgment of the Pilot in Command, is necessary to ensure the safety of the Aircraft, the flight crew, the passengers, and/or persons and property on the ground. The Pilot in Command shall have final and complete authority to postpone or cancel any flight for any reason or condition which in his or her judgment would compromise the safety of the flight. No such action of the Pilot in Command shall create or support any liability of Company to Executive for loss, injury, damage or delay.

15. **No Liability for Failure to Furnish the Aircraft.** The Company and Executive agree that Company shall not be liable to Executive or any other person for loss, injury, or damage occasioned by the delay or failure to furnish the Aircraft and crew pursuant to this Agreement for any reason.

16. **Insurance; Risk of Loss .** Company will maintain or cause to be maintained in full force and effect throughout the term of this Agreement aircraft liability insurance in respect of the Aircraft. Such insurance

shall name Executive as an additional insured and contain a waiver of subrogation against Executive . The risk of loss during the period when an Aircraft is operated on behalf of Executive under this Agreement shall remain with Company , and Company will retain all rights and benefits with respect to the proceeds payable under policies of hull insurance maintained by Company that may be payable as a result of any incident or occurrence while an Aircraft is being operated on behalf of Executive under this Agreement.

17. **Insurance as Sole Recourse.** Company and Executive agree that the insurance specified in Section 16 shall provide the sole recourse to Executive, his family members or guests on the Aircraft, their personal representatives and any person claiming by, through or under them (collectively, the "Lessee Parties") for all claims, losses, liabilities, obligations, demands, suits, judgments or causes of action, penalties, fines, costs and expenses of any nature whatsoever, including attorneys' fees and expenses (each, a "Claim" and collectively, the "Claims") for or on account of, or arising out of, or in any way connected with Company's breach of this Agreement or possession, maintenance, storage, use or operation of the Aircraft, including injury to or death of any persons, which may result from, arise out of, or is in any way connected with the possession, maintenance, storage, use or operation of the Aircraft during the term of this Agreement. WITHOUT LIMITING THE FOREGOING, IN NO EVENT SHALL COMPANY OR ANY OF ITS AFFILIATES OR THEIR RESPECTIVE DIRECTORS, OFFICERS, MEMBERS, MANAGERS, EMPLOYEES OR AGENTS BE LIABLE TO ANY OF THE LESSEE PARTIES OR ANY OTHER THIRD PARTIES, AS THE CASE MAY BE, FOR (I) ANY CLAIMS IN EXCESS OF THE AMOUNT PAID TO ANY OF THE LESSEE PARTIES OR ANY OTHER THIRD PARTIES, AS APPLICABLE, BY COMPANY'S INSURANCE CARRIER, OR (II) ANY INDIRECT, SPECIAL, CONSEQUENTIAL AND/OR PUNITIVE DAMAGES OF ANY KIND OR NATURE UNDER ANY CIRCUMSTANCES OR FOR ANY REASON, INCLUDING ANY DELAY OR FAILURE TO FURNISH THE AIRCRAFT OR CAUSED OR OCCASIONED BY THE PERFORMANCE OR NON-PERFORMANCE OF ANY SERVICES COVERED BY THIS AGREEMENT.

1 8 . **Representations and Warranties.** Executive represents and warrants that:

1 8 .1 Executive will use the Aircraft solely for and on account of Executive's own business or personal use and will not use the Aircraft for the purpose of providing transportation of passengers or cargo for compensation or hire.

1 8 .2 Executive shall refrain from incurring any mechanic's or other lien in connection with inspection, preventative maintenance, maintenance or storage of the Aircraft, whether permissible or impermissible under this Agreement, and he shall not attempt to convey, mortgage, assign, lease, sublease, or in any way alienate the Aircraft or create any kind of lien or security interest involving the Aircraft or do anything or take any action that might mature into such a lien.

1 8 .3 During the Term of this Agreement, Executive will abide by and conform to all Applicable Laws as shall from time to time be in effect relating in any way to the operation and use of the Aircraft by a time-sharing lessee.

19. **Counterparts; Electronic Signatures** . This Agreement and any Supplement hereunder may be executed in one or more counterparts, each of which shall be deemed to be an original, but all of which together shall constitute one and the same instrument. The exchange of copies of this Agreement and of signature pages by electronic mail in "portable document format" (".pdf") form, or by any other electronic means intended to preserve the original graphic and pictorial appearance of a document, or by combination of such means, shall constitute effective execution and delivery of this Agreement as to the parties and may be used in lieu of the original Agreement for all purposes. Signatures of the parties through electronic means or methods shall be deemed to be their original signatures for all purposes

2 0 . **Entire Agreement.** The Polices, this Agreement and each relevant Supplement hereunder constitute the entire agreement of the parties pertaining to the subject matter of this Agreement and supersede all prior or independent, oral or written agreements, understandings, statements, representations, commitments, promises, and warranties made with respect to the subject matter of this Agreement.

21. **Prohibited or Unenforceable Provisions.** Any provision of this Agreement which is prohibited or unenforceable in any jurisdiction shall, as to such jurisdiction, be ineffective to the extent of such prohibition or unenforceability without invalidating the remaining provisions hereof, and any such prohibitions or unenforceability in any jurisdiction. To the extent permitted by Applicable Law, each of Company and Executive hereby waives any provision of Applicable Law which renders any provision hereof prohibited or unenforceable in any respect.

22. **Binding Effect; Assignment.** This Agreement and any Supplements hereunder, including all agreements, covenants, representations and warranties, shall be binding upon and inure to the benefit of, and may be enforced by, the parties and their respective successors and assigns; provided, however, that no party may assign any of its rights under this Agreement or any Supplement and any such purported assignment shall be null, void and of no effect.

23. **Headings.** The section headings in this Agreement are for convenience of reference only and shall not modify, define, expand, or limit any of the terms or provisions hereof.

24. **Amendment.** This Agreement may be amended only by a written agreement signed by the parties.

25. **Survival.** All representations, warranties, covenants and agreements of the parties contained in this Agreement and any Supplement hereunder shall survive the Term of this Agreement.

26. **No Waiver.** No delay or omission in the exercise or enforcement or any right or remedy hereunder by either party shall be construed as a waiver of such right or remedy. All remedies, rights, undertakings, obligations, and agreements contained herein shall be cumulative and not mutually exclusive, and in addition to all other rights and remedies which either party possesses at law or in equity.

27. **Notices.** All communications, declarations, demands, consents, directions, approvals, instructions, requests and notices required or permitted by this Agreement shall be in writing and shall be deemed to have been duly given or made when delivered personally, or in the case of documented overnight delivery service or registered or certified mail, return receipt requested, delivery charge or postage prepaid, on the date shown on the receipt therefor, in each case at the address set forth below:

If to Company: Zimmer, Inc.
345 East Main Street
Warsaw, IN 46580

Attn: Barry Lintz

If to Executive: Bryan C. Hanson

Zimmer Biomet Holdings, Inc.
345 East Main Street
Warsaw, IN 46580

28. **Governing Law.** This Agreement has been negotiated and delivered in the State of Indiana and shall in all respects be governed by, and construed in accordance with, the laws of the State of Indiana, including all matters of construction, validity and performance, without giving effect to its conflict of laws provisions.

29. **Jurisdiction and Venue** . Exclusive jurisdiction and venue over any and all disputes between the parties arising under this Agreement shall be in, and for such purpose each party hereby submits to the jurisdiction of, the state and federal courts serving the State of Indiana.

30. **DISCLAIMER.** EACH AIRCRAFT IS BEING LEASED BY THE COMPANY TO THE EXECUTIVE HEREUNDER ON AN "AS IS, WHERE IS," BASIS, WHICH IS ACKNOWLEDGED AND AGREED TO BY THE EXECUTIVE. THE WARRANTIES AND REPRESENTATIONS SET FORTH IN THIS AGREEMENT ARE EXCLUSIVE AND IN LIEU OF ALL OTHER REPRESENTATIONS OR WARRANTIES WHATSOEVER, EXPRESS OR IMPLIED, AND COMPANY HAS NOT MADE AND SHALL NOT BE CONSIDERED OR DEEMED TO HAVE MADE (WHETHER BY VIRTUE OF HAVING LEASED THE AIRCRAFT UNDER THIS AGREEMENT, OR HAVING ACQUIRED THE

AIRCRAFT, OR HAVING DONE OR FAILED TO DO ANY ACT, OR HAVING ACQUIRED OR FAILED TO ACQUIRE ANY STATUS UNDER OR IN RELATION TO THIS AGREEMENT OR OTHERWISE) ANY OTHER REPRESENTATION OR WARRANTY WHATSOEVER, EXPRESS OR IMPLIED, WITH RESPECT TO THE AIRCRAFT OR TO ANY PART THEREOF, AND SPECIFICALLY, WITHOUT LIMITATION, IN THIS RESPECT COMPANY DISCLAIM S ALL REPRESENTATIONS AND WARRANTIES CONCERNING THE TITLE, AIRWORTHINESS, VALUE, CONDITION, DESIGN, MERCHANTABILITY, COMPLIANCE WITH SPECIFICATIONS, CONSTRUCTION AND CONDITION OF THE AIRCRAFT, OR FITNESS FOR A PARTICULAR USE OF THE AIRCRAFT AND AS TO THE ABSENCE OF LATENT AND OTHER DEFECTS, WHETHER OR NOT DISCOVERABLE, AND AS TO THE ABSENCE OF ANY INFRINGEMENT OR THE LIKE, HEREUNDER OF ANY PATENT, TRADEMARK OR COPYRIGHT, AND AS TO THE ABSENCE OF OBLIGATIONS BASED ON STRICT LIABILITY IN TORT, OR AS TO THE QUALITY OF THE MATERIAL OR WORKMANSHIP OF THE AIRCRAFT OR ANY PART THEREOF OR ANY OTHER REPRESENTATION OR WARRANTY WHATSOEVER, EXPRESS OR IMPLIED (INCLUDING ANY IMPLIED WARRANTY ARISING FROM A COURSE OF PERFORMANCE OR DEALING OR USAGE OF TRADE), WITH RESPECT TO THE AIRCRAFT OR ANY PART THEREOF. EXECUTIVE HEREBY WAIVES, RELEASES, DISCLAIMS AND RENOUNCES ALL EXPECTATION OF OR RELIANCE UPON ANY SUCH AND OTHER WARRANTIES, OBLIGATIONS AND LIABILITIES OF COMPANY AND RIGHTS, CLAIMS AND REMEDIES OF EXECUTIVE AGAINST COMPANY , EXPRESS OR IMPLIED, ARISING BY LAW OR OTHERWISE, INCLUDING BUT NOT LIMITED TO (I) ANY IMPLIED WARRANTY OF MERCHANTABILITY OF FITNESS FOR ANY PARTICULAR USE, (II) ANY IMPLIED WARRANTY ARISING FROM COURSE OF PERFORMANCE, COURSE OF DEALING OR USAGE OF TRADE, (III) ANY OBLIGATION, LIABILITY, RIGHT, CLAIM OR REMEDY IN TORT, WHETHER OR NOT ARISING FROM THE NEGLIGENCE OF COMPANY , ACTUAL OR IMPUTED, AND (IV) ANY OBLIGATION, LIABILITY, RIGHT, CLAIM OR REMEDY FOR LOSS OF OR DAMAGE TO THE AIRCRAFT, FOR LOSS OF USE, REVENUE OR PROFIT WITH RESPECT TO THE AIRCRAFT, OR FOR ANY OTHER DIRECT, INDIRECT, INCIDENTAL OR CONSEQUENTIAL DAMAGES.

3 1 . **TRUTH IN LEASING.**

COMPANY HEREBY CERTIFIES THAT EACH AIRCRAFT HAS BEEN INSPECTED AND MAINTAINED WITHIN THE TWELVE (12) MONTH PERIOD PRECEDING THE EXECUTION OF THIS AGREEMENT IN ACCORDANCE WITH THE PROVISIONS OF FAR PART 91. EACH OF COMPANY AND EXECUTIVE CERTIFIES THAT DURING THE TERM OF THIS AGREEMENT AND FOR OPERATIONS CONDUCTED HEREUNDER, THE AIRCRAFT WILL BE MAINTAINED AND INSPECTED BY COMPANY IN ACCORDANCE WITH THE PROVISIONS OF FAR PART 91.

COMPANY ACKNOWLEDGES THAT WHEN IT OPERATES THE AIRCRAFT ON BEHALF OF EXECUTIVE UNDER THIS AGREEMENT, COMPANY SHALL BE KNOWN AS, CONSIDERED, AND IN FACT WILL BE THE OPERATOR OF SUCH AIRCRAFT. EACH PARTY HERETO CERTIFIES THAT IT UNDERSTANDS THE EXTENT OF ITS RESPONSIBILITIES SET FORTH HEREIN FOR COMPLIANCE WITH APPLICABLE FEDERAL AVIATION REGULATIONS.

AN EXPLANATION OF FACTORS BEARING ON OPERATIONAL CONTROL AND PERTINENT FEDERAL AVIATION REGULATIONS CAN BE OBTAINED FROM THE NEAREST FEDERAL AVIATION ADMINISTRATION FLIGHT STANDARDS DISTRICT OFFICE.

THE PARTIES HERETO CERTIFY THAT A TRUE COPY OF THIS AGREEMENT SHALL BE CARRIED ON THE AIRCRAFT AT ALL TIMES AND SHALL BE MADE AVAILABLE FOR INSPECTION UPON REQUEST BY AN APPROPRIATELY CONSTITUTED IDENTIFIED REPRESENTATIVE OF THE ADMINISTRATOR OF THE FAA.

IN WITNESS WHEREOF , the parties have executed this **Aircraft Time Sharing Agreement** as of the date and year first written above.

COMPANY:

ZIMMER, INC.

By: /s/ Chad F. Phipps
Print: Chad F. Phipps
Title: Senior Vice President, General Counsel & Secretary

EXECUTIVE:

BRYAN C. HANSON

/s/ Bryan C. Hanson

AIRCRAFT TIME SHARING SUPPLEMENT NO. 1

THIS AIRCRAFT TIME SHARING SUPPLEMENT NO. 1 (this " Supplement ") is entered into as of February 27, 2018 by and between Zimmer, Inc. (" Company ") and Bryan C. Hanson (" Executive").

Company and Executive are parties to that Aircraft Time Sharing Agreement between them dated as of February 27, 2018 (the " Agreement "), the terms and provisions of which Agreement are incorporated herein by this reference. This Supplement is entered into by the parties in order to add further aircraft to the Agreement.

1. Executive engages Company to provide, and Company agrees to provide to Executive, the use from time to time of the aircraft described below (the " Aircraft ") upon all of the terms and provisions of the Agreement as supplemented by this Supplement:

U.S. Registration Number	Make and Model	Manufacturer's Serial Number	Owner/ Holder of Legal Title
N605ZH	Bombardier Inc. model CL-600-2B16 (Challenger 605)	5738	Wilmington Trust Company, not in its individual capacity, but solely owner trustee under trust agreement dated as of April 3, 2006
N710MT	Textron Aviation Inc. model 560XL (Citation Excel)	560-5332	Biomet Leasing Inc.

2. As compensation for the services to be rendered under the Agreement as supplemented hereby, Executive shall reimburse to Company certain of Company's costs, as provided more fully in the Agreement.

3. The term of this Supplement shall commence as of the 27th day of February, 2018 and shall extend until the expiration of the Agreement, unless earlier terminated in accordance with the terms of the Agreement.

4. The parties acknowledge and agree that, notwithstanding any other term or provision hereof, the rights of Executive to use the Aircraft hereunder are (a) subject to all terms and provisions of the lease agreements with respect thereto between the lessors thereof and the Company and (b) subordinate to the rights of the respective lessors thereof and their secured lenders.

IN WITNESS WHEREOF, Company and Executive have executed this Aircraft Time Sharing Supplement No. 1 as of the day and year first above written.

COMPANY:

ZIMMER, INC.

By: /s/ Chad F. Phipps
Print: Chad F. Phipps
Title: Senior Vice President, General Counsel & Secretary

EXECUTIVE:

BRYAN C. HANSON

/s/ Bryan C. Hanson

Subsidiaries of Zimmer Biomet Holdings, Inc.
As of December 31, 2017

Name of Subsidiary [1]	**Jurisdiction of Formation**
Domestic subsidiaries :	
Accelero Health Partners, LLC	Pennsylvania
Biomet 3i, LLC	Florida
dba Zimmer Biomet Dental	
Biomet Biologics, LLC	Indiana
Biomet CV Holdings, LLC	Delaware
Biomet Europe Holdings, LLC	Delaware
Biomet Europe Ltd.	Delaware
Biomet Fair Lawn LLC	Indiana
Biomet Finance US, LLC	Delaware
Biomet Holdings US, Inc.	Delaware
Biomet International Orthopedics, LLC	Delaware
Biomet International, Inc.	Delaware
Biomet Leasing, Inc.	Indiana
Biomet Manufacturing, LLC	Indiana
Biomet Orthopedics, LLC	Indiana
Biomet Sports Medicine, LLC	Indiana
dba Biomet Sports Medicine Limited Liability Company *(Forced)*	
Biomet Trauma, LLC	Indiana
Biomet U.S. Reconstruction, LLC	Indiana
Biomet US Inc.	Delaware
Biomet, Inc.	Indiana
dba Zimmer Biomet	
Cayenne Medical, Inc.	Delaware
CD Diagnostics, Inc.	Delaware
CelgenTek Innovations Corporation	Delaware
Citra Labs, LLC	Indiana
dba Biomet Citra Labs, LLC (*Forced*)	
Citrano Diagnostic Laboratories, Inc.	Maryland
Compression Therapy Concepts, Inc.	New Jersey
Dornoch Medical Systems, Inc.	Illinois
EBI Holdings, LLC	Delaware
EBI Medical Systems, LLC	Delaware
EBI, LLC	Indiana
dba Zimmer Biomet Bone Healing Technologies	
dba Biomet Bone Healing Technologies	
dba Biomet Bracing	
dba Biomet Healing Technologies (*Forced*)	
dba Biomet Osteobiologics	
dba Biomet Spine (*Forced*)	
dba Biomet Spine & Bone Healing Technologies	
dba Biomet Spine & Bone Healing Technologies, LLC (*Forced*)	
dba Biomet Spine & Bone Healing Technologies, Biomet Bracing and Biomet Osteobiologics, LLC (*Forced*)	
dba Biomet Trauma, Biomet Spine (*Forced*)	
dba Biomet Trauma, Biomet Spine, Biomet Bracing and Biomet Osteobiologics, LLC (*Forced*)	
dba EBI, LLC (IN) (*Forced*)	
dba EBI, LLC of Indiana (*Forced*)	

Name of Subsidiary [1]	Jurisdiction of Formation
Electro-Biology, LLC	Delaware
ETEX Corporation	Massachusetts
dba Zimmer ETEX	
dba Zimmer Biomet ETEX	
ETEX Holdings, Inc.	Delaware
dba Zimmer ETEX	
dba Zimmer Biomet ETEX	
Implant Innovations Holdings, LLC	Indiana
InnoVision, Inc.	Delaware
Interpore Cross International, LLC	California
dba Zimmer Biomet Irvine	
Jamabil US, Inc.	Delaware
Kirschner Medical Corporation	Delaware
LDR Holding Corporation	Delaware
LDR Spine USA, Inc.	Delaware
LVB Acquisition, Inc.	Delaware
Medical Compression Systems, Inc.	Delaware
Medtech Surgical, Inc.	Delaware
Orthopaedic Advantage, LLC	Indiana
ResponDesign, Inc.	Oregon
Synvasive Technology, Inc.	California
ZB COOP LLC	Delaware
ZB LHS LLC	Delaware
ZB Manufacturing, LLC	Delaware
Zimmer Biomet CMF and Thoracic, LLC	Florida
dba Biomet Microfixation	
Zimmer Biomet Connected Health, LLC	Delaware
Zimmer Biomet Finance US Holding, Inc.	Delaware
Zimmer Biomet Spine, Inc.	Delaware
dba Lanx	
dba Zimmer Spine	
Zimmer Biomet US 2 Holding, Inc.	Delaware
Zimmer Caribe, LLC	Delaware
Zimmer CBT I Holding, Inc.	Delaware
Zimmer CBT II Holding, Inc.	Delaware
Zimmer CEP USA Holding Co.	Delaware
Zimmer CEP USA, Inc.	Delaware
Zimmer Co-op Holdings, LLC	Delaware
Zimmer CV, Inc.	Delaware
Zimmer Dental Inc.	Delaware
Zimmer Investments, LLC	Delaware
Zimmer Knee Creations, Inc.	Delaware
Zimmer Orthobiologics, Inc.	New Jersey
Zimmer Production, Inc.	Delaware
Zimmer Southeast Florida, LLC	Delaware
Zimmer Spine Next, Inc.	Delaware
Zimmer Surgical, Inc.	Delaware
Zimmer Trabecular Metal Technology, Inc.	New Jersey
Zimmer US, Inc.	Delaware
dba Compression Therapy Concepts	

Name of Subsidiary [1]	**Jurisdiction of Formation**
dba CTC Inc.	
dba Zimmer Biomet	
dba Zimmer Biomet Bay Area	
dba Zimmer Biomet Mid-Atlantic	
dba Zimmer Biomet North Texas	
dba Zimmer Biomet Southern California	
Zimmer, Inc.	Delaware
dba Zimmer Biomet	
dba Zimmer Biomet Corporate Services (*Forced*)	
dba Z Hotel	
Foreign subsidiaries :	
Biomet Argentina SA	Argentina
Biomet 3i Australia Pty. Ltd.	Australia
Biomet Australia Pty. Ltd.	Australia
Zimmer Australia Holding Pty. Ltd.	Australia
Zimmer Biomet Pty. Ltd.	Australia
Zimmer Biomet Austria GmbH	Austria
ZH2LX Barbados Branch (branch)	Barbados
Biomet 3i Belgium N.V.	Belgium
Biomet 3i Benelux Holdings N.V.	Belgium
Zimmer Biomet BVBA	Belgium
Biomet Insurance Ltd.	Bermuda
Biomet 3i do Brasil Comercio de Aparelhos Medicos Ltda.	Brazil
Biomet Brazil Medical Device Ltda.	Brazil
Exopro Industria Comercio, Importacao Exportacao SA	Brazil
LDR Brasil Comercio, Importacao e Exportacao Ltda.	Brazil
Ospol Participacoes Ltda.	Brazil
Zimmer do Brasil Comercio Ltda.	Brazil
ORTHOsoft ULC	Canada
dba Zimmer CAS	
Zimmer Biomet Canada, Inc.	Canada
Zimmer Biomet Dental Canada Inc.	Canada
ZB Cayman Island CBT 2 Ltd.	Cayman Islands
Zimmer Cayman Islands Holding Co. Ltd.	Cayman Islands
Biomet Chile SA	Chile
Zimmer Dental Chile Spa	Chile
Beijing Montagne Medical Device Co. Ltd.	China
Biomet China Co., Ltd.	China
Changzhou Biomet Medical Devices Co. Ltd.	China
Shanghai Biomet Business Consulting Co. Ltd.	China
Zhejiang Biomet Medical Products Co. Ltd.	China
Zimmer Biomet CBT	China
Zimmer Biomet CBT 2	China
Zimmer Dental (Shanghai) Medical Device Co. Ltd.	China
Zimmer (Shanghai) Medical International Trading Co., Ltd.	China
Zimmer Columbia SAS	Columbia
Zimmer Biomet Centroamerica SA	Costa Rica
Zimmer Czech sro	Czech Republic
Zimmer Biomet Denmark ApS	Denmark

Name of Subsidiary [1]	Jurisdiction of Formation
Biomet El Salvador SA de CV	El Salvador
Zimmer Biomet Finland Oy	Finland
Biomet France Sarl	France
LDR Médical S.A.S.	France
Medtech SA	France
Zimmer Dental SAS	France
Zimmer France Manufacturing Sarl	France
Zimmer Biomet France SAS	France
Zimmer Biomet France Holdings SAS	France
Zimmer Spine SAS	France
Biomet Deutschland GmbH	Germany
Biomet Deutschland Holding GmbH	Germany
Biomet Healthcare Management GmbH	Germany
CelgenTek Deutschland GmbH	Germany
Medtech Surgical GmbH	Germany
Zimmer Dental GmbH	Germany
Zimmer Biomet Deutschland GmbH	Germany
Zimmer Germany Holdings GmbH	Germany
Zimmer International Logistics GmbH	Germany
Zfx GmbH	Germany
ZB (Gibraltar) Holding Limited	Gibraltar
ZB (Gibraltar) CV Holding Limited	Gibraltar
Zimmer Biomet Hellas SA	Greece
SM Re Ltd.	Guernsey
Biomet Hong Kong CBT Ltd.	Hong Kong
Biomet Hong Kong Holding Ltd.	Hong Kong
Biomet Hong Kong No. 1 Ltd.	Hong Kong
Biomet Hong Kong No. 2 Ltd.	Hong Kong
Biomet Hong Kong No. 3 Ltd.	Hong Kong
LDR Medical Hong Kong (branch)	Hong Kong
ZB Hong Kong CBT 2 Ltd.	Hong Kong
ZB Hong Kong Holding Ltd.	Hong Kong
ZB Hong Kong Ltd.	Hong Kong
Zimmer Asia (HK) Ltd.	Hong Kong
Biomet Orthopaedic India Private Limited	India
Zimmer India Private Ltd.	India
CelgenTek, Limited	Ireland
Zimmer Finance Ireland	Ireland
Zimmer Biomet Ireland Limited	Ireland
Zimmer Orthopedics Manufacturing Limited	Ireland
D.S. Comp Ltd.	Israel
Zimmer Biomet Comp Ltd.	Israel
Zimmer Dental Ltd.	Israel
Lanx Srl	Italy
Zimmer Dental Italy Srl	Italy
Zimmer Biomet Italia Srl	Italy
Zfx Innovation GmbH	Italy
Zimmer Biomet Dental K.K.	Japan
Zimmer Biomet GK	Japan
Zimmer Biomet Korea Ltd.	Korea

Name of Subsidiary [1]	Jurisdiction of Formation
JERDS Luxembourg Holding Sarl dba JERDS LLC	Luxembourg
ZB Investment Luxembourg Sarl	Luxembourg
ZB Top LHS Sarl	Luxembourg
Zimmer Luxembourg Sarl	Luxembourg
Zimmer Luxembourg II Sarl	Luxembourg
Zimmer Medical Malaysia SDN BHD	Malaysia
Biomet 3i Mexico S.A. de C.V.	Mexico
Biomet Mexico S.A. de C.V.	Mexico
Representaciones Zimmer Inc., S. de R.L. de C.V.	Mexico
Biomet 3i Netherlands B.V.	Netherlands
Biomet C.V.	Netherlands
Biomet Global Supply Chain Center B.V.	Netherlands
Biomet Holdings B.V.	Netherlands
Biomet Microfixation B.V.	Netherlands
Clinical Graphics BV	Netherlands
ZB COOP C.V.	Netherlands
Zimmer Biomet Asia Holding B.V.	Netherlands
Zimmer Europe Holdings B.V.	Netherlands
Zimmer Manufacturing B.V.	Netherlands
Zimmer Biomet Nederland B.V.	Netherlands
Zimmer Netherlands Cooperatief U.A.	Netherlands
Zimmer Biomet New Zealand Company	New Zealand
Zimmer Biomet Norway AS	Norway
Zimmer Biomet Polska Sp. z.o.o	Poland
Biomet 3i Portugal Lda	Portugal
Zimmer Biomet Portugal Unipessoal, Lda	Portugal
Biomet Orthopedics Puerto Rico, Inc.	Puerto Rico
EBI Patient Care, Inc.	Puerto Rico
Lanx Puerto Rico, LLC	Puerto Rico
Zimmer Manufacturing B.V. (branch)	Puerto Rico
Zimmer Puerto Rico, Inc.	Puerto Rico
Zimmer CIS Ltd.	Russia
Zimmer Biomet Asia Holdings Pte. Ltd.	Singapore
Zimmer Pte. Ltd.	Singapore
Zimmer Slovakia sro	Slovakia
Zimmer Biomet South Africa (Pty) Ltd.	South Africa
Biomet 3i Dental Iberica SL	Spain
Biomet Spain Orthopaedics S.L.	Spain
Espanormed S.L.	Spain
Zimmer Biomet Spain S.L.	Spain
Biomet 3i Nordic AB	Sweden
Biomet Cementing Technologies AB	Sweden
Scandimed Holding AB	Sweden
Zimmer Biomet Sweden AB	Sweden
Biomet 3i Switzerland GmbH	Switzerland
Biomet Orthopaedics Switzerland GmbH	Switzerland
Guillaume Genin & Co.	Switzerland
ZB Investment Luxembourg Sarl, Luxembourg (LU), Winterthur Branch (branch)	Switzerland
ZB Luxembourg II Sarl, Luxembourg (LU), EURO Finance, Winterthur Branch (branch)	Switzerland

Name of Subsidiary [1]	Jurisdiction of Formation
Zimmer Europe Holdings GmbH	Switzerland
Zimmer GmbH	Switzerland
Zimmer GmbH Euro IP Branch (branch)	Switzerland
Zimmer Surgical SA	Switzerland
Zimmer Switzerland Holdings LLC	Switzerland
Zimmer Switzerland Manufacturing GmbH	Switzerland
Zimmer Biomet Taiwan Co., Ltd.	Taiwan
Zimmer Biomet (Thailand) Co., Ltd.	Thailand
Biomet 3i Turkey	Turkey
Zimmer Tibbi Cihazlar Sanayi ve Ticaret AS	Turkey
Zimmer Gulf FZ LLC	United Arab Emirates
Biomet 3i UK Ltd.	United Kingdom
Biomet Acquisitions (Unlimited)	United Kingdom
Biomet UK Ltd.	United Kingdom
Biomet UK Healthcare Ltd.	United Kingdom
CelgenTek UK Limited	United Kingdom
Centerpulse (UK) Ltd.	United Kingdom
Zimmer Biomet UK Ltd.	United Kingdom
Zimmer Trustee Ltd.	United Kingdom
Zimmer UK Limited	United Kingdom

[1] Excludes certain entities that have de minimis activity or are in the process of being liquidated or dissolved and that, if considered in the aggregate as a single subsidiary, would not constitute a significant subsidiary.

Exhibit 23

CONSENT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

We hereby consent to the incorporation by reference in the Registration Statements on Form S-8 (Nos. 333-65934, 333-65936, 333-65938, 333-101243, 333-101265, 333-125667, 333-131164, 333-140939, 333-155757, 333-165078, 333-172463, 333-179700, 333-186951, 333-194269, and 333-216367) and in the Registration Statements on Form S-3 (Nos. 333-209390 and 333-209394) of Zimmer Biomet Holdings, Inc. of our report dated February 27, 2018 relating to the financial statements financial statement schedule and the effectiveness of internal control over financial reporting, which appears in this Form 10-K.

/s/ PricewaterhouseCoopers LLP
Chicago, Illinois
February 27, 2018

EXHIBIT 31.1

CERTIFICATION PURSUANT TO RULE 13a-14(a)/15d-14(a) OF THE SECURITIES EXCHANGE ACT OF 1934, AS ADOPTED PURSUANT TO SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002

I, Bryan C. Hanson, certify that:

1. I have reviewed this Annual Report on Form 10-K of Zimmer Biomet Holdings, Inc.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

   a. Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

   b. Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

   c. Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

   d. Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of registrant's board of directors:

   a. All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

   b. Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: February 27, 2018

/s/ Bryan C. Hanson

Bryan C. Hanson

President and Chief Executive Officer

EXHIBIT 31.2

CERTIFICATION PURSUANT TO RULE 13a-14(a)/15d-14(a) OF THE SECURITIES EXCHANGE ACT OF 1934, AS ADOPTED PURSUANT TO SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002

I, Daniel P. Florin, certify that:

1. I have reviewed this Annual Report on Form 10-K of Zimmer Biomet Holdings, Inc.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

   a. Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

   b. Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

   c. Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

   d. Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of registrant's board of directors:

   a. All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

   b. Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: February 27, 2018

/s/ Daniel P. Florin

Daniel P. Florin

Executive Vice President and Chief Financial Officer

Exhibit 32

CERTIFICATION PURSUANT TO
18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

In connection with the Annual Report of Zimmer Biomet Holdings, Inc. (the "Company") on Form 10-K for the period ended December 31, 2017 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), each of the undersigned certify, pursuant to 18 U.S.C. § 1350, as adopted pursuant to § 906 of the Sarbanes-Oxley Act of 2002, that:

(1) The Report fully complies with the requirements of section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

(2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

/s/ Bryan C. Hanson
Bryan C. Hanson
President and Chief Executive Officer
February 27, 2018

/s/ Daniel P. Florin
Daniel P. Florin
Executive Vice President and Chief Financial Officer
February 27, 2018