# 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, 2018**

**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**<br>**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 every Interactive Data File required to be submitted 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 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.

| | | | |
|---|---|---|---|
| Large accelerated filer | ☒ | Accelerated filer | ☐ |
| Non-accelerated filer | ☐ | 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 $22,648,282,177 (based on the closing price of these shares on the New York Stock Exchange on June 29, 2018 and assuming solely for the purpose of this calculation that all directors and executive officers of the registrant are "affiliates"). As of February 15, 2019, 204,433,342 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 2019 Annual Meeting of Stockholders | Part III |

**ZIMMER BIOMET HOLDINGS, INC.**
**2018 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. These risks, uncertainties and changes in circumstances include, but are not limited to: the possibility that the anticipated synergies and other benefits from mergers and acquisitions will not be realized, or will not be realized within the expected time periods; the risks and uncertainties related to our ability to successfully integrate the operations, products, employees and distributors of acquired companies; the effect of the potential disruption of management's attention from ongoing business operations due to integration matters related to mergers and acquisitions; the effect of mergers and acquisitions on our relationships with customers, vendors and lenders and on our operating results and businesses generally; compliance with the Deferred Prosecution Agreement entered into in January 2017; the success of our quality and operational excellence initiatives, including ongoing quality remediation efforts at our Warsaw North Campus facility; challenges relating to changes in and compliance with governmental laws and regulations affecting our U.S. and international businesses, including regulations of the U.S. Food and Drug Administration and foreign government regulators, such as more stringent requirements for regulatory clearance of products; the ability to remediate matters identified in any inspectional observations or warning letters issued by the U.S. Food and Drug Administration, while continuing to satisfy the demand for our products; the outcome of government investigations; competition; pricing pressures; changes in customer demand for our products and services caused by demographic changes or other factors; the impact of healthcare reform measures, including the impact of the U.S. excise tax on medical devices if such tax is not further suspended or repealed; reductions in reimbursement levels by third-party payors and cost containment efforts of healthcare purchasing organizations; dependence on new product development, technological advances and innovation; shifts in the product category or regional sales mix of our products and services; supply and prices of raw materials and products; control of costs and expenses; the ability to obtain and maintain adequate intellectual property protection; the ability to form and implement alliances; changes in tax obligations arising from tax reform measures, including European Union rules on state aid, or examinations by tax authorities; product liability and intellectual property litigation losses; the ability to retain the independent agents and distributors who market our products; dependence on a limited number of suppliers for key raw materials and outsourced activities; changes in general industry and market conditions, including domestic and international growth rates; changes in general domestic and international economic conditions, including interest rate and currency exchange rate fluctuations; and the impact of the ongoing financial and political uncertainty on countries in the Euro zone on the ability to collect accounts receivable in affected countries.

See also the section titled "Risk Factors" (refer to Part I, Item 1A of this report) for further discussion of certain risks and uncertainties that could cause actual results and events to differ materially from the forward-looking statements. 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**

**PART I**

**Item 1. Business**

**Overview**

Zimmer Biomet is a global leader in musculoskeletal healthcare. We design, manufacture and market orthopedic 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.

**Customers, Sales and Marketing**

Our primary customers include orthopedic 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, some healthcare dealers, dental practices and dental laboratories, title to product passes upon shipment. Consignment sales represented approximately 80 percent of our net sales in 2018. 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 2018.

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 consistent, high quality service. Additionally, we keep current with key surgical developments and other issues related to orthopedic surgeons, neurosurgeons, other specialists, dentists and oral surgeons and the medical and dental 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 our 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 46 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 orthopedic 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, our 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 indep endent sales agents. Internationally, our primary customers are independent stocking distributors who market our products 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 orthopedic 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
- 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:

- Intellicart ® System
- 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
- Mobi-C ® Cervical Disc
- SternaLock ® Blu Closure System
- SternaLock ® Rigid Sternal Fixation

[1] Registered trademark of Seikagaku Corporation

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 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.

**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 certain 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, 2018, we employed approximately 2,000 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).

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 manufa cturing 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 compli ance 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 Q SR, 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 m onitors 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 ap proval 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 ma nufacturer 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 our 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 Administration 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 r isks 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 reg arding the DPA, see Note 19 to our 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. The FDA has issued guidance to which we may be subject concerning data security for medical devices. In addition, 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"). HIPAA governs the use, disclosure, and security of protected health information by HIPAA "covered entities" and their "business associates." Covered entities are health care providers that engage in specific types of electronic transactions, health plans, and health care clearinghouses. A business associate is any person or entity (other than members of a covered entity's workforce) that performs a service on behalf of a covered entity involving the use or disclosure of protected health information. The U.S. Department of Health and Human Services ("HHS") (through the Office for Civil Rights) has direct enforcement authority against covered entities and business associates with regard to compliance with HIPAA regulations. On December 12, 2018, the Office for Civil Rights of HHS issued a request for information seeking input from the public on how the HIPAA regulations could be modified to amend existing obligations relating to the processing of protected health information. We will monitor this process and assess the impact of changes to the HIPAA regulations to our business.

In addition to the FDA guidance and HIPAA regulations described above, a number of U.S. states have also enacted data privacy and security laws and regulations that govern the confidentiality, security, use and disclosure of sensitive personal information, such as social security numbers, medical and financial information and other personal information. These laws and regulations may be more restrictive and not preempted by U.S. federal laws. These state laws include the California Consumer Privacy Act ("CCPA"), which was signed into law on June 28, 2018 and largely takes effect January 1, 2020. The CCPA, among other things, contains new disclosure obligations for businesses that collect personal information about California residents and affords those individuals new rights relating to their personal information that may affect our ability to use personal information. We will continue to monitor and assess the impact of the CCPA, which has substantial penalties for non-compliance and carries significant potential liability, on our business.

Outside of the U.S., data protection laws, including the EU General Data Protection Regulation and member state implementing legislation, also apply to some of our operations in the countries in which we provide services to our customers. Legal requirements in these countries relating to the collection, storage, processing and transfer of personal data continue to evolve. The EU General Data Protection Regulation, which became effective on May 25, 2018 (the "GDPR"), imposes, among other things, data protection requirements that include strict obligations and restrictions on the ability to collect, analyze and transfer EU personal data, a requirement for prompt notice of data breaches to data subjects and supervisory authorities in certain circumstances, and possible substantial fines for any violations (including possible fines for certain violations of up to 4% of total company revenue).

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 orthopedics 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 8,500 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, 2018, we employed approximately 19,000 employees worldwide, including approximately 2,000 employees dedicated to research and development. Approximately 9,000 employees are located within the U.S. and approximately 10,000 employees are located outside of the U.S., primarily throughout Europe and in Japan. We have approximately 8,500 employees dedicated to manufacturing our products worldwide. The Warsaw, Indiana production facilities employ approximately 3,000 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 25, 2019.

| Name | Age | Position |
|---|---|---|
| Bryan C. Hanson | 52 | President and Chief Executive Officer |
| Aure Bruneau | 44 | Group President, Spine, CMF, Thoracic and Surgery Assisting Technology |
| Didier Deltort | 52 | President, Europe, Middle East and Africa |
| Daniel P. Florin | 54 | Executive Vice President and Chief Financial Officer |
| Chad F. Phipps | 47 | Senior Vice President, General Counsel and Secretary |
| Ivan Tornos | 43 | Group President, Orthopedics |
| Sang Yi | 56 | 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 January 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 held 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. Deltort** was appointed President, Europe, Middle East and Africa in August 2018. He is responsible for the marketing, sales and distribution of products, services and solutions in the European, Middle Eastern and African (EMEA) regions. Prior to joining Zimmer Biomet, Mr. Deltort served as Senior Vice President and General Manager, Global Healthcare Solutions and Partnerships of Boston Scientific Corporation, based in France from May 2016 until August 2018. Before joining Boston Scientific Corporation, he spent 14 years with GE Healthcare in positions of increasing responsibility in Germany, Finland, Dubai and the United States, most recently serving as Global Senior Vice President and General Manager of the global Monitoring Solutions business as well as Managing Director of GE Healthcare Finland. Prior to GE, Mr. Deltort served at Philips, Hewlett-Packard and Marquette Electronics in various international healthcare executive roles.

**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. From August 1986 until October 1990, Mr. Florin worked in the Audit Practice of Deloitte Haskins & Sells.

**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 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 General 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. Tornos** was appointed Group President, Orthopedics in Novem ber 2018. Prior to joining Zimmer Biomet, Mr. Tornos served as Worldwide President of the Global Urology, Medical and Critical Care Divisions of Becton, Dickinson and Company ("BD") (and previously, C. R. Bard, Inc. ("Bard")) from June 2017 until October 2018. From June 2017 until BD's acquisition of Bard in December 2017, Mr. Tornos also continued to serve as President, Europe, Middle East and Africa ("EMEA") of Bard, a position to which he was appointed in September 2013. Mr. Tornos joined Bard in Augu st 2011 and, prior to his appointment as President, EMEA, served as Vice President and General Manager with leadership responsibility for Bard's business in Southern Europe, Central Europe and the Emerging Markets Region of the Middle East and Africa. Bef ore joining Bard, Mr. Tornos served as Vice President and General Manager of the Americas Pharmaceutical and Medical/Imaging Segments of Covidien International from April 2009 to August 2011. Before that, he served as International Vice President, Busines s Development and Strategy with Baxter International Inc. from July 2008 to April 2009 and, prior to that, Mr. Tornos spent 11 years with Johnson & Johnson in positions of increasing responsibility.

**Mr. Yi** was appointed President, Asia Pacific in 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 results 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-i nclusive or necessarily in order of importance. Additional risks 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 u ncertainties before investing in our securities.*

***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, 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 costly and complex laws and 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 at 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. In August 2018, we received a warning letter from the FDA related to observed non-conformities with current good manufacturing practice requirements of the QSR at our Warsaw North Campus manufacturing facility. As of February 20, 2019, 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 our consolidated financial statements.

Govern mental regulations outside the U.S. have and may continue to become increasingly stringent and complex. In the EU, for example, a new Medical Device Regulation was published in 2017 which, when it enters into full force in 2020, will include significant additional premarket and post- market requirements. Complying with the requirements of this regulation will require us to incur significant expense. Additionally, the availability of industry notified body services certified to the new requirements is limited, which may cause delays in our receipt of CE certificate approvals and EU Medical Device Regulation submission approvals. Any such delays, or any failure to meet the requirements of the new regulation, could adversely impact our business in the EU and other regions that tie their product registrations to the EU requirements.

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. The FDA also has issued guidance to which we may be subject concerning data security for medical devices. In addition, certain of our affiliates are subject to privacy and security regulations promulgated under HIPAA. HIPAA governs the use, disclosure, and security of protected health information by HIPAA "covered entities" and their "business associates." Covered entities are health care providers that engage in specific types of electronic transactions, health plans, and health care clearinghouses. A business associate is any person or entity (other than members of a covered entity's workforce) that performs a service on behalf of a covered entity involving the use or disclosure of protected health information. HHS (through the Office for Civil Rights) has direct enforcement authority against covered entities and business associates with regard to compliance with HIPAA regulations. On December 12, 2018, the Office for Civil Rights of HHS issued a request for information seeking input from the public on how the HIPAA regulations could be modified to amend existing obligations relating to the processing of protected health information. We will monitor this process and assess the impact of changes to the HIPAA regulations to our business.

In addition to the FDA guidance and HIPAA regulations described above, a number of U.S. states have also enacted data privacy and security laws and regulations that govern the confidentiality, security, use and disclosure of sensitive personal information, such as social security numbers, medical and financial information and other personal information. These laws and regulations may be more restrictive and not preempted by U.S. federal laws. These state laws include the CCPA, which was signed into law on June 28, 2018 and largely takes effect January 1, 2020. The CCPA, among other things, contains new disclosure obligations for businesses that collect personal information about California residents and affords those individuals new rights relating to their personal information that may affect our ability to use personal information. We will continue to monitor and assess the impact of the CCPA, which has substantial penalties for non-compliance and carries significant potential liability, on our business.

Outside of the U.S., data protection laws, including the GDPR, also apply to some of our operations in the countries in which we provide services to our customers. Legal requirements in these countries relating to the collection, storage, processing and transfer of personal data continue to evolve. The GDPR imposes, among other things, data protection requirements that include strict obligations and restrictions on the ability to collect, analyze and transfer EU personal data, a requirement for prompt notice of data breaches to data subjects and supervisory authorities in certain circumstances, and possible substantial fines for any violations (including possible fines for certain violations

of up to 4% of total company revenue) . Other governmental authorities around the world are considering s imilar types of legislative and regulatory proposals concerning data protection.

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

***We incurred substantial additional indebtedness in connection with previous mergers and acquisitions and may not be able to meet all of our debt obligations.***

We incurred substantial additional indebtedness in connection with previous mergers and acquisitions. At December 31, 2018, our total indebtedness was $8.9 billion, as compared to $1.4 billion at December 31, 2014 . As of December 31, 2018, our debt service obligations, comprised of principal and interest (excluding leases and equipment notes), during the next 12 months are expected to be $776.9 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.

***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, 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 2018 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;
- changes in foreign regulatory requirements, such as more stringent requirements for regulatory clearance of products;
- 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, import or export requirements and increased tariffs 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 liabilities.***

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 are regularly 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. Although the U.S. Treasury has provided guidance on aspects of the 2017 Tax Act, there still remains further guidance to 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. We finalized our provisional amounts for the effects of the 2017 Tax Act in our 2018 Annual Report on Form 10-K. However, our tax expense and cash flow could be impacted in the event of adverse future regulatory guidance provided by the U.S. Treasury clarifying certain aspects of the 2017 Tax Act.

***If the medical device excise tax is not repealed or further suspended, our business, results of operations and cash flows may be adversely affected.***

As part of the Patient Protection and Affordable Care Act of 2010, as amended by the Health Care and Education Affordability Reconciliation Act of 2010 (collectively, the Affordable Care Act or ACA), in January 2013 we began paying a 2.3 percent medical device excise tax on the vast majority of our U.S sales. A two-year moratorium was placed on the tax effective January 1, 2016, and that moratorium was extended for an additional two years effective January 1, 2018. Absent further legislative action, the tax will be automatically reinstated for U.S. medical device sales beginning January 1, 2020. If the medical device excise tax is reinstated, we will again be forced to identify ways to reduce spending in other areas to offset the earnings impact due to the tax. We do not expect to be able to pass along the cost of the tax to hospitals, which continue to face cuts to their Medicare reimbursement under the Affordable Care Act and other legislation. Nor do we expect to be able to offset the cost of the tax through higher sales volumes resulting from any further expansion of health insurance coverage through ACA exchanges or Medicaid expansion because of the demographics of the current uninsured population. Accordingly, reinstatement of the medical device excise tax could have a material adverse effect on our business, results of operations and cash flows.

***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 f inancial 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 our consolidated financial statements, we are defending product liability lawsuits relating to the Durom ® Acetabular Component ("Durom Cup"), certain products within the M/L Taper and M/L Taper with Kinectiv ® Technology hip stems and Versys ® Femoral Head implants, 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 M/L Taper and M/L Taper with Kinectiv Technology hip stem cases and Versys Femoral Head implant cases are pending in a federal MDL in the Southern District of New York ( *In Re: Zimmer M/L Taper Hip Prosthesis or M/L Taper Hip Prosthesis with Kinectiv Technology and Versys Femoral Head 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 litigation 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 proprietary 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. As discussed further in Note 19 to our consolidated financial statements, in 2015 we paid a compensatory damages award of approximately $90 million and in December 2018 we accrued an estimated loss of approximately $168 million related to an award of treble damages and attorneys' fees in a patent infringement lawsuit.

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 remedi es 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 our 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, including goodwill. At December 31, 2018, we had $9.6 billion in goodwill. The goodwill results from our acquisition activity 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 our consolidated financial statements, we recorded goodwill impairment charges of $975.9 million in 2018. 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 portion of our goodwill or unamortized intangible assets would negatively affect our results of operations.

***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". In March 2017, the UK formally notified the EU of its intention to withdraw, which commenced a period of up to two ye ars for negotiating the UK's withdrawal terms. The UK and the EU have been negotiating the terms of the UK's exit from the EU, which is scheduled for March 29, 2019. Although the UK and the EU agreed upon a draft withdrawal agreement in November 2018, the UK Parliament rejected the withdrawal agreement in January 2019, creating significant uncertainty as to the terms under which the UK will leave the EU. If the UK leaves the EU with no agreement, it will likely have an adverse impact on labor and trade and will create further short-term currency volatility. Brexit and the perceptions as to its impact have and may continue to adversely affect business activity and economic conditions in Europe and globally and could contribute to instability in global fin ancial 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. The future relationship for medical device products regulation and trade between the UK and the EU is currently uncertain and any adjustments we make to our business and operations as a result of Brexit could result in significant expense and take significant time to complete. 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 we will be affected by Brexit is uncertain. Any of the potential negative effects of Brexit could adversely affect our business, results of operations and financial condition.

***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 forum 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 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 |
| Braintree, Massachusetts | Office, Manufacturing, Warehousing, Laboratory | Leased | 50,000 |
| Southaven, Mississippi | Distribution Center | Leased | 190,000 |
| Parsippany, New Jersey | Office, Research & Development, Manufacturing, Warehousing & The Zimmer Institute | Leased | 235,000 |
| Dover, Ohio | Manufacturing | Owned | 140,000 |
| Dover, Ohio | Manufacturing | Leased | 60,000 |
| Austin, Texas | Offices & Manufacturing | Leased | 90,000 |
| Beijing, China | Manufacturing | Leased | 95,000 |
| Changzhou, China | Manufacturing | Owned | 160,000 |
| Jinhua, China | Manufacturing | Owned | 125,000 |
| 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 |
| Tokyo, Japan | Distribution Center | Leased | 180,000 |
| 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 & Warehousing | 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 certain 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." As of February 15, 2019, there were approximately 20,000 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.

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 our consolidated financial statements, our debt facilities restrict the payment of dividends in certain circumstances.

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):

| | 2018 | 2017 | 2016 | 2015 (1)(2) | 2014 (1) |
|---|---|---|---|---|---|
| **STATEMENT OF EARNINGS DATA** | | | | | |
| Net sales | $ 7,932.9 | $ 7,803.3 | $ 7,668.4 | $ 5,997.8 | $ 4,673.3 |
| Net (loss) earnings of Zimmer Biomet Holdings, Inc. | (379.2) | 1,813.8 | 305.9 | 147.0 | 720.3 |
| (Loss) earnings per common share | | | | | |
| Basic | $ (1.86) | $ 8.98 | $ 1.53 | $ 0.78 | $ 4.26 |
| Diluted | (1.86) | 8.90 | 1.51 | 0.77 | 4.20 |
| Dividends declared per share of common stock | $ - | $ - | $ - | $ 0.88 | $ 0.88 |
| Average common shares outstanding | | | | | |
| Basic | 203.5 | 201.9 | 200.0 | 187.4 | 169.0 |
| Diluted | 203.5 | 203.7 | 202.4 | 189.8 | 171.7 |
| **BALANCE SHEET DATA** | | | | | |
| Total assets | $ 24,126.8 | $ 26,014.0 | $ 26,684.4 | $ 27,160.6 | $ 9,658.0 |
| Long-term debt | 8,413.7 | 8,917.5 | 10,665.8 | 11,497.4 | 1,425.5 |
| Other long-term obligations | 2,015.7 | 2,291.3 | 3,967.2 | 4,155.9 | 656.8 |
| Stockholders' equity | 11,276.1 | 11,735.5 | 9,669.9 | 9,889.4 | 6,551.7 |

(1) Effective January 1, 2018 we adopted Accounting Standards Update 2014-09 – Revenue from Contracts with Customers (Topic 606). We adopted this new standard using the retrospective method, which resulted in us restating the 2017 and 2016 periods. The 2015 and 2014 periods have not been restated. See Note 2 to our consolidated financial statements for additional information.

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

**Item 7. Manageme nt'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 2017 and 2016 consolidated financial statements have been reclassified to conform to the 2018 presentation.

## EXECUTIVE LEVEL OVERVIEW

*2018 Results*

In December 2017, we announced the appointment of a new Chief Executive Officer ("CEO"). After evaluating the state of our business, our CEO expects it will be a two-year (consisting of 2018 and 2019) effort to get the Company operating at market level or above in terms of sales growth rates. One of his first priorities was to improve our supply chain. Starting in 2016 and continuing into 2017, production delays at our Warsaw North Campus facility directly impacted our ability to fully meet demand in our Knees, Hips and S.E.T. product categories. We successfully reduced backorders and increased safety stock levels in 2018 and no longer consider supply to be a barrier to delivering our financial commitments. This resulted in improved sales growth in 2018 in our largest product categories of Knees and Hips. Knees and Hips sales growth in 2018 was 1.5 percent and 2.6 percent, respectively, compared to a sales decline in Knees of 0.6 percent and sales growth of 0.5 percent in Hips in 2017. Additionally, this sales growth improved in the second half of 2018 compared to the first half of 2018. Overall, net sales increased by 1.7 percent in 2018 compared to 2017, primarily due to the improved product supply and completion of key research and development ("R&D") projects in our Knees product category.

Our net earnings (loss) decreased significantly in 2018 compared to 2017 primarily due to $979.7 million of goodwill and intangible asset impairments and $186.0 million of litigation-related charges in 2018 compared to a $1,272.4 million income tax benefit recognized in 2017 related to the Tax Cuts and Jobs Act of 2017 ("2017 Tax Act"). Net earnings (loss) also decreased in 2018 due to increased excess and obsolescence charges and continued investments in R&D and selling, general and administrative ("SG&A").

*2019 Outlook*

2019 will mark the second year of our two-year turnaround effort. In late 2018 and early 2019, we had various product launches in our Knees product category, which we anticipate will drive improving commercial momentum, especially in the second half of 2019. We estimate the change in sales in 2019 compared to 2018 will be in a range of negative 0.5 percent to positive 0.5 percent. This range includes estimated negative effects of changes in foreign currency exchange rates of 1.0 percent to 1.5 percent. We anticipate that most of the negative effects of foreign currency exchange rates will occur in the first half of the year.

Assuming we have no significant goodwill and intangible asset impairments or litigation charges in 2019, we expect our net earnings to increase significantly compared to the net loss recognized in 2018. We expect our costs of products sold will continue to reflect costs associated with our quality remediation efforts. We anticipate continuing to make investments in operating expenses to support our new product launches. However, we expect expenses related to our acquisition and integration activities and quality remediation will decline as we complete these projects during 2019. We believe that our interest expense, net, will continue to decline throughout the year due to lower anticipated debt levels.

## 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.

***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, | | | Volume/ | | Foreign |
|---|---|---|---|---|---|---|
| | 2018 | 2017 | % Inc/(Dec) | Mix | Price | Exchange |
| Americas | $ 4,837.2 | $ 4,844.8 | (0.2) % | 2.3 % | (2.4) % | (0.1) % |
| EMEA | 1,801.9 | 1,745.2 | 3.2 | 1.7 | (1.6) | 3.1 |
| Asia Pacific | 1,293.8 | 1,213.3 | 6.6 | 9.2 | (3.5) | 0.9 |
| Total | $ 7,932.9 | $ 7,803.3 | 1.7 | 3.2 | (2.4) | 0.9 |

| | Year Ended December 31, | | | Volume/ | | Foreign |
|---|---|---|---|---|---|---|
| | 2017 | 2016 | % Inc | Mix | Price | Exchange |
| Americas | $ 4,844.8 | $ 4,786.7 | 1.2 % | 3.7 % | (2.6) % | 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 | $ 7,803.3 | $ 7,668.4 | 1.8 | 4.2 | (2.5) | 0.1 |

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

***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, | | | Volume/ | | Foreign |
|---|---|---|---|---|---|---|
| | 2018 | 2017 | % Inc/(Dec) | Mix | Price | Exchange |
| Knees | $ 2,773.7 | $ 2,734.0 | 1.5 % | 3.6 % | (2.9) % | 0.8 % |
| Hips | 1,921.4 | 1,871.8 | 2.6 | 4.3 | (2.8) | 1.1 |
| S.E.T. | 1,751.8 | 1,701.8 | 2.9 | 3.9 | (1.8) | 0.8 |
| Dental | 411.2 | 418.6 | (1.8) | (1.7) | (1.5) | 1.4 |
| Spine & CMF | 763.9 | 757.9 | 0.8 | 2.1 | (1.7) | 0.4 |
| Other | 310.9 | 319.2 | (2.6) | (1.7) | (1.5) | 0.6 |
| Total | $ 7,932.9 | $ 7,803.3 | 1.7 | 3.2 | (2.4) | 0.9 |

| | Year Ended December 31, | | | Volume/ | | Foreign |
|---|---|---|---|---|---|---|
| | 2017 | 2016 | % Inc/(Dec) | Mix | Price | Exchange |
| Knees | $ 2,734.0 | $ 2,751.2 | (0.6) % | 2.1 % | (2.8) % | 0.1 % |
| Hips | 1,871.8 | 1,861.8 | 0.5 | 3.5 | (3.0) | - |
| S.E.T. | 1,701.8 | 1,639.1 | 3.8 | 5.9 | (2.0) | (0.1) |
| Dental | 418.6 | 427.9 | (2.2) | (0.3) | (2.3) | 0.4 |
| Spine & CMF | 757.9 | 660.7 | 14.7 | 15.8 | (1.4) | 0.3 |
| Other | 319.2 | 327.7 | (2.6) | (0.9) | (1.8) | 0.1 |
| Total | $ 7,803.3 | $ 7,668.4 | 1.8 | 4.2 | (2.5) | 0.1 |

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

| | Year Ended December 31, | | | | |
|---|---|---|---|---|---|
| | 2018 | 2017 | 2016 | 2018 vs. 2017 % Inc/(Dec) | 2017 vs. 2016 % Inc/(Dec) |
| Knees | | | | | |
| Americas | $ 1,642.7 | $ 1,656.5 | $ 1,686.5 | (0.8) % | (1.8) % |
| EMEA | 672.3 | 644.4 | 638.1 | 4.4 | 1.0 |
| Asia Pacific | 458.7 | 433.1 | 426.6 | 5.9 | 1.5 |
| Total | $ 2,773.7 | $ 2,734.0 | $ 2,751.2 | 1.5 | (0.6) |
| Hips | | | | | |
| Americas | $ 996.3 | $ 968.9 | $ 982.1 | 2.8 % | (1.3) % |
| EMEA | 519.9 | 518.4 | 522.1 | 0.3 | (0.7) |
| Asia Pacific | 405.2 | 384.5 | 357.6 | 5.4 | 7.5 |
| Total | $ 1,921.4 | $ 1,871.8 | $ 1,861.8 | 2.6 | 0.5 |

*Demand (Volume/Mix) Trends*

Increased volume and changes in the mix of product sales contributed 3.2 percentage points of year-over-year sales growth during 2018. Volume/mix growth was driven by recent product introductions, sales in key emerging markets and an aging population. 2017 year-over-year volume/mix growth of 4.2 percent benefited from acquisitions made in 2016 that resulted in a full year of the sales of acquired companies reflected in the 2017 results.

We believe long-term indicators point toward sustained growth driven by an aging 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 and 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 2.4 percentage points on year-over-year sales during 2018. 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 2018, changes in foreign currency exchange rates had a positive effect of 0.9 percent on sales. We address currency risk through regular operating and financing activities and through the use of forward contracts 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, 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 recent rates, we estimate 2019 sales will be negatively affected by 1.0 percent to 1.5 percent.

*Sales by Product Category*

*Knees*

Knee sales increased in 2018 compared to a year-over-year decline in 2017. Knee sales have improved due to recent product launches and improved supply. Knee sales volume/mix growth was led by Persona The Personalized Knee System and the Oxford Partial Knee.

*Hips*

Hip sales continued to experience year-over-year sales growth driven primarily by volume/mix growth, which principally resulted from strong performance in our Asia Pacific and Americas operating segments. Improved supply contributed positively to our results in the Hips product category. 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 continued to increase in 2018, driven primarily by strong performance in key surgical and upper extremity brands.

*Dental*

Dental sales continued to decline in 2018. In the past few years, our Dental business has been affected by ongoing competitive challenges in the U.S. and EMEA and restructuring of our dental organization in certain European markets.

*Spine & CMF*

Spine and CMF sales continued to increase in 2018, primarily due to continuing strong sales of our Thoracic products, partially offset by a decline in Spine sales driven by continuing U.S. distributor integration issues. Year-over-year sales growth in 2017 benefited significantly from the full year impact of an acquisition made in 2016.

The following table presents estimated* 2018 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 | $ 7.9 | 2% | 35 % | 1 |
| Hips | 6.1 | 2 | 31 | 1 |
| S.E.T. | 16.6 | 4 | 11 | 5 |
| Dental | 5.0 | 5 | 8 | 4 |
| Spine & CMF | 10.5 | 2 | 7 | 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, | | | | |
|---|---|---|---|---|---|
| | 2018 | 2017 | 2016 | 2018 vs. 2017 Inc/(Dec) | 2017 vs. 2016 Inc/(Dec) |
| Cost of products sold, excluding intangible asset amortization | 28.6% | 27.3% | 31.1% | 1.3 % | (3.8) % |
| Intangible asset amortization | 7.5 | 7.7 | 7.4 | (0.2) | 0.3 |
| Research and development | 4.9 | 4.7 | 4.8 | 0.2 | (0.1) |
| Selling, general and administrative | 42.6 | 39.8 | 38.4 | 2.8 | 1.4 |
| Goodwill and intangible asset impairment | 12.3 | 4.2 | 0.4 | 8.1 | 3.8 |
| Acquisition, integration and related | 1.7 | 3.6 | 6.6 | (1.9) | (3.0) |
| Quality remediation | 1.9 | 2.3 | 0.7 | (0.4) | 1.6 |
| Operating Profit | 0.4 | 10.2 | 10.7 | (9.8) | (0.5) |

***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 2018 and 2017 compared to the prior year:

| | Year Ended December 31, | |
|---|---|---|
| | 2018 | 2017 |
| Prior year gross margin | 64.9% | 61.5% |
| Lower average selling prices | (0.6) | (0.6) |
| Average cost per unit | 0.8 | (0.1) |
| Excess and obsolete inventory | (1.0) | - |
| Discontinued products inventory charges | (0.1) | 1.0 |
| Foreign currency hedges | (0.4) | (1.1) |
| Inventory step-up | 0.4 | 3.8 |
| U.S. medical device excise tax | (0.3) | 0.7 |
| Intangible asset amortization | 0.2 | (0.3) |
| Current year gross margin | 63.9% | 64.9% |

The decrease in gross margin percentage in 2018 compared to 2017 was primarily due to higher excess and obsolete inventory charges, lower average selling prices and the effect of our hedging program. We incurred hedge losses of $26.2 million in 2018 compared to hedge gains of $5.1 million in 2017. 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 items affect earnings.

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.

***Operating Expenses***

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. In 2018, with tax savings resulting from the 2017 Tax Act, we were able to invest in R&D at a higher rate on projects such as our recent Knee product launches.

SG&A expenses and SG&A expenses as a percentage of sales increased significantly in 2018 compared to 2017 due to higher litigation-related charges, increased expenses related to our compliance with the DPA, increased incentive compensation due to better performance versus our operating budgets and various spending on other special business transformation initiatives. Our 2017 SG&A expenses and SG&A expenses as a percentage of sales increased in 2017 compared to 2016 due to higher litigation-related charges, increased freight costs due to expedited product shipments and increased investments in our specialized sales forces.

In 2018, we recognized goodwill impairment charges primarily related to our EMEA and Spine reporting units. 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 our consolidated financial statements.

Acquisition, integration and related expenses declined in both 2017 and 2018 due to the natural regression of integration activities related to the 2015 Biomet merger and other various acquisitions that were consummated in 2016. We are ne aring completion of our integration plans for these businesses.

Our quality enhancement and remediation efforts began in late 2016, accelerated throughout 2017 and continued throughout 2018. These costs primarily relate to fees paid to temporary external consultants engaged to assist in the quality remediation at our Warsaw North Campus facility. We have completed many of our remediation milestones and expect quality remediation costs to continue to decline in 2019.

***Other Expense, net, Interest Expense, net, and Income Taxes***

In 2018, other expense, net, was primarily related to certain components of pension expense and 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 entered into to mitigate any gain or loss. In 2017, other expense, net, primarily related to certain components of pension expense and 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 entered 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 certain components of pension expense and 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 entered into to mitigate any gain or loss.

Interest expense, net, declined in 2018 and 2017 when compared to the same prior year periods primarily due to continued debt repayments. Additionally, we implemented hedging strategies that have lowered our interest expense, net, and we extinguished higher-rate debt by issuing notes with lower interest rates.

Our effective tax rate ("ETR") on earnings before income taxes was negative 39.9 percent, negative 290.3 percent and positive 23.8 percent for the years ended December 31, 2018, 2017 and 2016, respectively. In 2018, our negative ETR was primarily due to goodwill impairment that resulted in us having a net loss before income taxes with no associated tax benefit recognized for this charge. In 2018, we also recognized an additional $8.3 million of income tax provision as we completed our estimate of the effects of the 2017 Tax Act. In 2017, the negative ETR was driven by the provisional 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.

Absent additional discrete tax events, we expect our future ETR will be lower than the U.S. corporate income tax rate of 21.0 percent, due to our mix of earnings between U.S. and foreign locations which have lower corporate income tax rates. Our ETR in future periods could also potentially be impacted by 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***

| | Net Sales | | | Operating Profit | | | Operating Profit as a Percentage of Net Sales | | |
|---|---|---|---|---|---|---|---|---|---|
| | Year Ended December 31, | | | Year Ended December 31, | | | Year Ended December 31, | | |
| (dollars in millions) | 2018 | 2017 | 2016 | 2018 | 2017 | 2016 | 2018 | 2017 | 2016 |
| Americas | $ 3,932.6 | $ 3,928.9 | $ 3,927.9 | $ 2,055.9 | $ 2,126.8 | $ 2,133.3 | 52.3 % | 54.1 % | 54.3 % |
| EMEA | 1,576.1 | 1,523.4 | 1,512.7 | 478.4 | 478.3 | 498.2 | 30.4 | 31.4 | 32.9 |
| Asia Pacific | 1,236.9 | 1,158.3 | 1,095.6 | 427.3 | 417.6 | 431.8 | 34.5 | 36.1 | 39.4 |

In the Americas, operating profit as a percentage of net sales decreased in 2018, primarily due to price declines and higher excess and obsolete inventory charges. In 2017, the Americas segment was unfavorably impacted 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.

In EMEA, operating profit as a percentage of net sales decreased in 2018 due to price declines and higher excess and obsolete inventory charges. In 2017, operating profit as a percentage of sales decreased primarily due to price declines and a reduced impact of hedge gains.

In Asia Pacific, operating profit as a percentage of net sales decreased in 2018 primarily due to price declines and higher excess and obsolete inventory charges. In 2017, operating profit as a percentage of sales decreased primarily 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 U.S. Generally Accepted Accounting Principles ("GAAP") to evaluate our operating performance. These non-GAAP financial measures exclude the impact of inventory step-up; certain inventory and manufacturing-related charges including charges to discontinue certain product lines; intangible asset amortization; goodwill and intangible asset impairment; acquisition, integration and related expenses; quality remediation expenses; certain litigation gains and charges; expenses to comply with the new European Union Medical Device Regulation; other charges; any related effects on our income tax provision associated with these items; the effect from finalizing the tax accounts for the Biomet merger; the effect of the 2017 Tax Act; other certain tax adjustments; and, with respect to earnings per share information, provide for the effect of dilutive shares assuming net earnings in a period of a reported net loss. We use these non-GAAP financial measures internally to evaluate the performance of the business. Additionally, we believe these non-GAAP measures provide meaningful incremental 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 income but that do not impact the fundamentals of our operations. The non-GAAP measures enable the evaluation of operating results and trend analysis by allowing a reader to better identify operating trends that may otherwise be masked or distorted by these types of items that are excluded from the non-GAAP measures. In addition, adjusted diluted earnings per share is used as a performance metric in our incentive compensation programs.

Our non-GAAP adjusted net earnings used for internal management purposes for the years ended December 31, 2018, 2017 and 2016 were $1,565.4 million, $1,636.4 million, and $1,610.8 million, respectively, and our non-GAAP adjusted diluted earnings per share were $7.64, $8.03, and $7.96, 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, | | |
|---|---|---|---|
| | 2018 | 2017 | 2016 |
| Net (Loss) Earnings of Zimmer Biomet Holdings, Inc. | $ (379.2) | $ 1,813.8 | $ 305.9 |
| Inventory step-up and other inventory and manufacturing related charges (1) | 32.5 | 70.8 | 468.3 |
| Intangible asset amortization (2) | 595.9 | 603.9 | 565.9 |
| Goodwill and intangible asset impairment (3) | 979.7 | 331.5 | 31.1 |
| Acquisition, integration and related (4) | 133.7 | 279.8 | 504.9 |
| Quality remediation (5) | 165.4 | 195.1 | 54.3 |
| Litigation (6) | 186.0 | 104.0 | 33.3 |
| European Union Medical Device Regulation (7) | 3.7 | - | - |
| Other charges (8) | 82.8 | 43.8 | 45.9 |
| Taxes on above items (9) | (239.6) | (421.5) | (449.0) |
| Biomet merger-related measurement period tax adjustments (10) | - | - | 52.7 |
| U.S. tax reform (11) | 8.3 | (1,272.4) | - |
| Other certain tax adjustments (12) | (3.8) | (112.4) | (2.5) |
| Adjusted Net Earnings | $ 1,565.4 | $ 1,636.4 | $ 1,610.8 |

| | Year ended December 31, | | |
|---|---|---|---|
| | 2018 | 2017 | 2016 |
| Diluted (Loss) Earnings per share | $ (1.86) | $ 8.90 | $ 1.51 |
| Inventory step-up and other inventory and manufacturing related charges (1) | 0.16 | 0.35 | 2.32 |
| Intangible asset amortization (2) | 2.93 | 2.96 | 2.80 |
| Goodwill and intangible asset impairment (3) | 4.81 | 1.63 | 0.15 |
| Acquisition, integration and related (4) | 0.66 | 1.37 | 2.49 |
| Quality remediation (5) | 0.81 | 0.96 | 0.27 |
| Litigation (6) | 0.91 | 0.51 | 0.16 |
| European Union Medical Device Regulation (7) | 0.02 | - | - |
| Other charges (8) | 0.41 | 0.22 | 0.23 |
| Taxes on above items (9) | (1.18) | (2.07) | (2.22) |
| Biomet merger-related measurement period tax adjustments (10) | - | - | 0.26 |
| U.S. tax reform (11) | 0.04 | (6.25) | - |
| Other certain tax adjustments (12) | (0.02) | (0.55) | (0.01) |
| Effect of dilutive shares assuming net earnings (13) | (0.05) | - | - |
| Adjusted Diluted EPS | $ 7.64 | $ 8.03 | $ 7.96 |

(1) Inventory step-up and other inventory and manufacturing-related charges relate to inventory step-up expense, excess and obsolete inventory charges on certain product lines we intend to discontinue and other inventory and manufacturing-related charges. Inventory step-up expense represents the incremental expense of inventory sold recognized at its fair value after business combination accounting is applied versus the expense that would have been recognized if sold at its cost to manufacture. Since only the inventory that existed at the business combination date was stepped-up to fair value, we believe excluding the incremental expense provides investors useful information as to what our costs may have been if we had not been required to increase the inventory's book value to fair value. The excess and obsolete inventory charges on certain product lines are driven by acquisitions where there are competing product lines and we have plans to discontinue one of the competing product lines.

(2) We exclude intangible asset amortization from our non-GAAP financial measures because we internally assess our performance against our peers without this amortization. Due to various levels of acquisitions among our peers, intangible asset amortization can vary significantly from company to company.

(3) In 2018, we recognized $3.8 million of intangible asset impairment from merger-related in-process research and development ("IPR&D) intangible assets and a goodwill impairment charge of $975.9 million. The impairment was comprised of $401.2 million in our Spine reporting unit, $567.0 million in our EMEA reporting unit and $7.7 million in an insignificant reporting unit. In 2017, we recognized $18.8 million and $8.0 million of intangible asset impairment from Biomet merger-related IPR&D and trademark intangible assets, respectively. Also in 2017, we recognized goodwill impairment charges of $32.7 million and $272.0 million on our Office Based Technologies and Spine reporting units, respectively. In 2016, we recognized $31.1 million of intangible asset impairment primarily from Biomet merger-related IPR&D intangible assets.

(4) The acquisition, integration and related expenses we have excluded from our non-GAAP financial measures resulted from our merger with Biomet in 2015 and various acquisitions we consummated in 2016. For Biomet, we have detailed integration roadmaps that cover a three year period from the merger date to accomplish the tasks we feel are necessary to integrate the businesses. For the various 2016 acquisitions, we also have integration plans that are necessary to integrate the businesses. The acquisition, integration and related expenses include the following types of expenses:

- Consulting and professional fees related to third-party integration consulting performed in a variety of areas, such as tax, compliance, logistics and human resources, and legal fees related to the consummation of mergers and acquisitions.
- Employee termination benefits related to terminating employees with overlapping responsibilities in various areas of our business.
- Dedicated project personnel expenses which include the salary, benefits, travel expenses and other costs directly associated with employees who are 100 percent dedicated to our integration of acquired businesses and employees who have been notified of termination, but are continuing to work on transferring their responsibilities.
- Contract termination expenses related to terminated contracts, primarily with sales agents and distribution agreements.

- Other various expenses to relocate facilities, integrate information technology, losses incurred on assets resulting from the applicable acquisition, and other various expenses.

(5) We are addressing inspectional observations on Form 483 and a Warning Letter issued by the U.S. Food and Drug Administration ("FDA") following its inspections of our Warsaw North Campus facility, among other matters. This quality remediation has required us to devote significant financial resources and is for a discrete period of time. The majority of the expenses are related to consultants who are helping us to update previous documents and redesign certain processes.

(6) We are involved in routine patent litigation, product liability litigation, commercial litigation and other various litigation matters. We review litigation matters from both a qualitative and quantitative perspective to determine if excluding the losses or gains will provide our investors with useful incremental information. Litigation matters can vary in their characteristics, frequency and significance to our operating results. The litigation charges and gains excluded from our non-GAAP financial measures in the periods presented relate to product liability matters where we have received numerous claims on specific products and intellectual property litigation. In regards to the product liability matters, due to the complexities involved and claims filed in multiple districts, the expenses associated with these matters are significant to our operating results. Once the litigation matter has been excluded from our non-GAAP financial measures in a particular period, any additional expenses or gains from changes in estimates are also excluded, even if they are not significant, to ensure consistency in our non-GAAP financial measures from period-to-period.

(7) The new European Union Medical Device Regulation imposes significant additional premarket and postmarket requirements. The new regulations will require currently-approved medical devices a transition period until May 2020 to meet the additional requirements. For certain devices, this transition period can be extended until May 2024. We are excluding from our non-GAAP financial measures the incremental costs incurred to comply with the regulations related to our currently-approved medical devices. The incremental costs primarily include third-party consulting necessary to supplement our internal resources.

(8) We have incurred other various expenses from specific events or projects that we consider highly variable or have a significant impact to our operating results that we have excluded from our non-GAAP financial measures. This includes legal entity and operational restructuring as well as our costs of complying with our DPA with the U.S. government related to certain FCPA matters involving Biomet and certain of its subsidiaries. Under the DPA, which has a three-year term, we are subject to oversight by an independent compliance monitor, which monitorship commenced in July 2017. The excluded costs include the fees paid to the independent compliance monitor and to external legal counsel assisting in the matter.

(9) Represents the tax effects on the previously specified items. 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.

(10) 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.

(11) 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. In 2018, we finalized our estimates of the effects of the 2017 Tax Act based upon final guidance issued by U.S. tax authorities.

(12) Other certain tax adjustments in 2018 primarily related to changes in tax rates on deferred tax liabilities recorded on intangible assets recognized in acquisition-related accounting and adjustments from internal restructuring transactions that provide us access to offshore funds in a tax efficient manner. In 2017, other certain tax adjustments relate 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.

(13) Diluted share count used in Adjusted Diluted EPS:

| | Year ended December 31, 2018 |
|---|---|
| Diluted shares | 203.5 |
| Dilutive shares assuming net earnings | 1.5 |
| Adjusted diluted shares | 205.0 |

**LIQUIDITY AND CAPITAL RESOURCES**

Cash flows provided by operating activities were $1,747.4 million in 2018 compared to $1,582.3 million and $1,632.2 million in 2017 and 2016, respectively. The increase in operating cash flows in 2018 compared to 2017 was d riven by additional cash flows from our sale of accounts receivable in certain countries, lower acquisition and integration expenses and lower quality remediation expenses, as well as certain significant payments made in the 2017 period. In the 2017 perio d, we made payments related to the U.S. Durom Cup Settlement Program, and we paid $30.5 million in Settlement Payments 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. The decline in operating cash flows in 2017 compared to 2016 was driven by additional investments in inventory, additional expenses for quality remediation and the significant payments made in the 2 017 period as discussed in the previous sentence. These unfavorable items were partially offset by $174.0 million of incremental cash flows in 2017 from our sale of accounts receivable in certain countries.

Cash flows used in investing activities were $416.6 million in 2018 compared to $510.8 million and $1,691.5 million in 2017 and 2016, respectively. Instrument and property, plant and equipment additions reflected ongoing investments in our product portfolio and optimization of our manufacturing and logistics network. In 2018, we entered into receive-fixed-rate, pay-fixed-rate cross-currency interest rate swaps. Our investing cash flows reflect the net cash inflows from the fixed-rate interest rate receipts/payments, as well as the termination of certain of these swaps that were in a gain position in the year. The 2016 period included cash outflows for the acquisition of LDR Holding Corporation ("LDR") and other business acquisitions. Additionally, the 2016 period reflects the maturity of available-for-sale debt securities. As these investments matured, we used the cash to pay off debt and have not reinvested in any additional debt securities.

Cash flows used in financing activities were $1,302.2 million in 2018. Our primary use of available cash in 2018 was for debt repayment. We received net proceeds of $749.5 million from the issuance of additional senior notes and borrowed $400.0 million from our Multicurrency Revolving Facility to repay $1,150.0 million of senior notes that became due on April 2, 2018. We subsequently repaid the $400.0 million of Multicurrency Revolving Facility borrowings. Also in 2018, we borrowed another $675.0 million under a new U.S. Term Loan C and used the cash proceeds along with cash generated from operations throughout the year to repay an aggregate of $835.0 million on U.S. Term Loan A, $450.0 million on U.S. Term Loan B, and we subsequently repaid $140.0 million on U.S. Term Loan C. Overall, we had approximately $1,150 million of net principal repayments on our senior notes and term loans in 2018. In 2017, our primary use of available cash was also for debt repayment compared to 2016 when we were not able to repay as much debt due to financing requirements to complete the LDR and other business acquisitions. Additionally in 2017, we had net cash inflows of $103.5 million on factoring programs that had not been remitted to the third party. In 2018, we had net cash outflows related to these factoring programs as we remitted the $103.5 million and collected only $66.8 million which had not yet been remitted by the end of the year. Since our factoring programs started at the end of 2016, we did not have similar cash flows in that year.

In January 2019, we borrowed an additional $200.0 million under U.S. Term Loan C and used those proceeds, along with cash on hand, to repay the remaining $225.0 million outstanding under U.S. Term Loan B.

In February, May, August and December 2018, 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 our 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. As of December 31, 2018, 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 and dividends. 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, 2018, a short-term liability of $19.5 million and a long-term l iability of $72.1 million related to Durom Cup product liability claims were 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 r eceivable recorded on our consolidated balance sheet as of December 31, 2018 for any possible future insurance recoveries for these claims. We also had a liability of $70.4 million recorded on our consolidated balance sheet as of December 31, 2018 related to Biomet metal-on-metal hip implant claims. Additionally, we have a liability of approximately $168 million related to the Stryker patent infringement lawsuit that we may be required to pay in 2019.

At December 31, 2018, we had 12 tranches of senior notes outstanding as follows (dollars in millions):

| Principal | | Interest Rate | | Maturity Date |
|---|---|---|---|---|
| $ 500.0 | | 4.625 | % | November 30, 2019 |
| 1,500.0 | | 2.700 | | April 1, 2020 |
| 450.0 | | Floating | | March 19, 2021 |
| 300.0 | | 3.375 | | November 30, 2021 |
| 750.0 | | 3.150 | | April 1, 2022 |
| 571.6 | * | 1.414 | | December 13, 2022 |
| 300.0 | | 3.700 | | March 19, 2023 |
| 2,000.0 | | 3.550 | | April 1, 2025 |
| 571.6 | * | 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 $1,057.0 million outstanding as of December 31, 2018.

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, 2018. We also have other available uncommitted credit facilities totaling $55.0 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, 2018, $386.1 million of our cash and cash equivalents were held in jurisdictions outside of the U.S. Of this amount, $89.8 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 $5.1 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 and certain other commitments (in millions):

| Contractual Obligations | Total | 2019 | 2020 and 2021 | 2022 and 2023 | 2024 and Thereafter |
|---|---|---|---|---|---|
| Long-term debt | $ 8,966.8 | $ 525.0 | $ 2,985.0 | $ 1,918.6 | $ 3,538.2 |
| Interest payments | 1,869.5 | 251.9 | 374.5 | 286.4 | 956.7 |
| Operating leases | 309.6 | 67.1 | 101.0 | 59.9 | 81.6 |
| Purchase obligations | 385.6 | 197.5 | 148.0 | 29.7 | 10.4 |
| Toll charge tax liability | 302.4 | 26.3 | 52.6 | 75.6 | 147.9 |
| Other long-term liabilities | 276.3 | - | 193.3 | 16.9 | 66.1 |
| Total contractual obligations | $ 12,110.2 | $ 1,067.8 | $ 3,854.4 | $ 2,387.1 | $ 4,800.9 |

$67.1 million of the other long-term liabilities on our balance sheet as of December 31, 2018 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 2019. 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 have a $302.4 million toll charge liability for the one-time deemed repatriation of unremitted foreign earnings. This amount was recorded in current and non-current income tax liabilities on our consolidated balance sheet as of December 31, 2018. We have elected 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 payments could range from $0 to $58 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. an d 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.

*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 and risk-adjusted discount rates . As such, these fair value measurements use significant unobservable inputs. Changes to these assumptions could require us to record impairment charges on these assets.

Prior to our annual impairment test in the fourth quarter of 2018, we had six reporting units with goodwill assigned to them. Our annual impairment test determined our EMEA and Spine reporting units' carrying values were in excess of their estimated fair values. 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 units. Fair value under the market approach utilized the guideline public company methodology, which uses valuation indicators determined from other businesses that are similar to our EMEA and Spine reporting units. As a result of its carrying value being in excess of its estimated fair value, we recorded a goodwill impairment charge for the EMEA reporting unit of $567.0 million. As of December 31, 2018, $755.2 million of goodwill remains for this reporting unit. The goodwill impairment charge for the Spine reporting unit was $401.2 million in 2018. No goodwill balance remains for this reporting unit.

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.

Since the carrying value of the EMEA reporting unit was written down to its estimated fair value, future impairment could occur if the estimates used in the income and market approaches change. If our estimates of profitability in the reporting unit decline, the fair value estimate under the income approach will decline. Additionally, changes in the broader economic environment could cause changes to our estimated discount rates, foreign currency exchange rates used to translate cash flows and comparable company valuation indicators, which may impact our estimated fair values.

Additionally, in our annual impairment test in the fourth quarter of 2018, our Dental reporting unit's fair value exceeded its carrying value by less than 5 percent. The goodwill balance of our Dental reporting unit was $387.2 million at December 31, 2018. If our future operating results are below the estimations used for our impairment

assessment, or there are negative impacts from the broader economic environment, then we may have to recognize goodwill impairment charges on this reporting unit in the future.

For our other three reporting units that have goodwill assigned to them, their estimated fair value exceeded their carrying value by more than 25 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. Qu antitative 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 with major financial institutions. These forward contracts 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 that qualify as cash flow hedges are temporarily recorded in accumulated other comprehensive income, then recognized in cost of products sold when the hedged item affects net earnings.

For contracts outstanding at December 31, 2018, 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 2019 through June 2021. The notional amounts of outstanding forward contracts entered into with third parties to purchase U.S. Dollars at December 31, 2018 were $1,547.7 million. The notional amounts of outstanding forward contracts entered into with third parties to purchase Swiss Francs at December 31, 2018 were $267.6 million. The weighted average contract rates outstanding at December 31, 2018 were Euro:USD 1.23, USD:Swiss Franc 0.93, USD:Japanese Yen 105.55, British Pound:USD 1.35, USD:Canadian Dollar 1.28, Australian Dollar:USD 0.76, USD:Korean Won 1,096, USD:Swedish Krona 8.26, USD:Czech Koruna 21.61, USD:Thai Baht 33.21, USD:Taiwan Dollar 29.36, USD:South African Rand 13.82, USD:Russian Ruble 64.53, USD:Indian Ruppee 71.64, USD:Turkish Lira 5.11, USD:Polish Zloty 3.64, USD:Danish Krone 6.09, and USD:Norwegian Krone 7.99.

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 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, 2018 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 dec rease earnings before income taxes in periods through June 2021, depending on the direction of the change, by the following average approximate amounts (in millions):

| Currency | Average Amount |
|---|---|
| Euro | $ 22.3 |
| Swiss Franc | 7.8 |
| Japanese Yen | 3.9 |
| British Pound | 1.5 |
| Canadian Dollar | 7.1 |
| Australian Dollar | 10.8 |
| Korean Won | 0.2 |
| Swedish Krona | 0.9 |
| Czech Koruna | 0.4 |
| Thai Baht | 0.2 |
| Taiwan Dollars | 0.7 |
| South African Rand | 0.7 |
| Russian Rubles | 1.7 |
| Indian Rupees | - |
| Turkish Lira | - |
| Polish Zloty | 0.7 |
| Danish Krone | 1.2 |
| Norwegian Krone | 1.2 |

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 and intangible assets, in legal entities with non-U.S. Dollar functional currencies of $1,138.5 million at December 31, 2018, 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.

The majority of our debt is fixed-rate debt and therefore is not exposed to changes in interest rates. Based upon our overall interest rate exposure as of Decembe r 31, 2018, a change of 10 percent in interest rates, assuming the principal amount outstanding remains constant, would not have a material effect on interest expense, net. This analysis does not consider the effect of the change in the level of overall e conomic 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 and accounts receivable.

We place our cash and cash equivalents and enter into derivative transactions with highly-rated financial institutions 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 or derivative instruments.

Our concentrations of credit risks with respect to trade accounts receivable is limited 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 trade 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, economic 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 to 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

**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 (the "Company") as of December 31, 2018 and 2017 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, 2018, including the related notes and financial statement schedule of valuation and qualifying accounts for each of the three years in the period ended December 31, 2018 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, 2018, 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, 2018 and 2017 **,** and the results of its operations and its cash flows for each of the three years in the period ended December 31, 2018 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, 2018, 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 26, 2019

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, | | |
|---|---|---|---|
| | **2018** | **2017** | **2016** |
| **Net Sales** | $ 7,932.9 | $ 7,803.3 | $ 7,668.4 |
| Cost of products sold, excluding intangible asset amortization | 2,271.9 | 2,132.9 | 2,381.8 |
| Intangible asset amortization | 595.9 | 603.9 | 565.9 |
| Research and development | 391.7 | 369.9 | 365.6 |
| Selling, general and administrative | 3,379.3 | 3,104.7 | 2,944.6 |
| Goodwill and intangible asset impairment | 979.7 | 331.5 | 31.1 |
| Acquisition, integration and related | 133.7 | 279.8 | 504.9 |
| Quality remediation | 146.9 | 181.3 | 53.4 |
| Operating expenses | 7,899.1 | 7,004.0 | 6,847.3 |
| **Operating Profit** | 33.8 | 799.3 | 821.1 |
| Other expense, net | (15.6) | (9.4) | (66.5) |
| Interest expense, net | (289.3) | (325.3) | (355.0) |
| (Loss) earnings before income taxes | (271.1) | 464.6 | 399.6 |
| Provision (benefit) for income taxes | 108.2 | (1,348.8) | 95.0 |
| Net (Loss) Earnings | (379.3) | 1,813.4 | 304.6 |
| Less: Net loss attributable to noncontrolling interest | (0.1) | (0.4) | (1.3) |
| **Net (Loss) Earnings of Zimmer Biomet Holdings, Inc.** | $ (379.2) | $ 1,813.8 | $ 305.9 |
| **(Loss) Earnings Per Common Share - Basic** | $ (1.86) | $ 8.98 | $ 1.53 |
| **(Loss) Earnings Per Common Share - Diluted** | $ (1.86) | $ 8.90 | $ 1.51 |
| **Weighted Average Common Shares Outstanding** | | | |
| Basic | 203.5 | 201.9 | 200.0 |
| Diluted | 203.5 | 203.7 | 202.4 |

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, | | |
|---|---|---|---|
| | 2018 | 2017 | 2016 |
| Net (Loss) Earnings | $ (379.3) | $ 1,813.4 | $ 304.6 |
| Other Comprehensive (Loss) Income: | | | |
| Foreign currency cumulative translation adjustments, net of tax | (135.4) | 445.0 | (130.0) |
| Unrealized cash flow hedge gains/(losses), net of tax | 68.2 | (95.0) | 28.3 |
| Reclassification adjustments on cash flow hedges, net of tax | 23.6 | (3.8) | (25.8) |
| Unrealized gains on securities, net of tax | - | - | 0.5 |
| Adjustments to prior service cost and unrecognized actuarial assumptions, net of tax | (17.7) | 4.6 | 22.0 |
| Total Other Comprehensive (Loss) Income | (61.3) | 350.8 | (105.0) |
| Comprehensive (Loss) Income | (440.6) | 2,164.2 | 199.6 |
| Comprehensive Loss Attributable to Noncontrolling Interest | (0.1) | (1.3) | (0.5) |
| Comprehensive (Loss) Income Attributable to Zimmer Biomet Holdings, Inc. | $ (440.5) | $ 2,165.5 | $ 200.1 |

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

**ZIMMER BIOMET HOLDINGS, INC. AND SUBSIDIARIES**
**CONSOLIDATED BALANCE SHEETS**
**(in millions, except share amounts)**

| | As of December 31, | |
|---|---|---|
| | **2018** | **2017** |
| **ASSETS** | | |
| **Current Assets:** | | |
| Cash and cash equivalents | $ 542.8 | $ 524.4 |
| Accounts receivable, less allowance for doubtful accounts | 1,275.8 | 1,544.1 |
| Inventories | 2,256.5 | 2,068.3 |
| Prepaid expenses and other current assets | 352.3 | 428.0 |
| Total Current Assets | 4,427.4 | 4,564.8 |
| Property, plant and equipment, net | 2,015.4 | 2,038.6 |
| Goodwill | 9,594.4 | 10,668.4 |
| Intangible assets, net | 7,684.6 | 8,353.4 |
| Other assets | 405.0 | 388.8 |
| **Total Assets** | $ 24,126.8 | $ 26,014.0 |
| **LIABILITIES AND STOCKHOLDERS' EQUITY** | | |
| **Current Liabilities:** | | |
| Accounts payable | $ 362.6 | $ 330.2 |
| Income taxes payable | 142.4 | 165.2 |
| Other current liabilities | 1,391.3 | 1,349.3 |
| Current portion of long-term debt | 525.0 | 1,225.0 |
| Total Current Liabilities | 2,421.3 | 3,069.7 |
| Deferred income taxes, net | 999.5 | 1,101.5 |
| Long-term income tax payable | 666.2 | 744.0 |
| Other long-term liabilities | 350.0 | 445.8 |
| Long-term debt | 8,413.7 | 8,917.5 |
| **Total Liabilities** | 12,850.7 | 14,278.5 |
| **Commitments and Contingencies (Note 19)** | | |
| **Stockholders' Equity:** | | |
| Common stock, $0.01 par value, one billion shares authorized, 307.9 million (306.5 million in 2017) issued | 3.1 | 3.1 |
| Paid-in capital | 8,686.1 | 8,514.9 |
| Retained earnings | 9,491.2 | 10,022.8 |
| Accumulated other comprehensive loss | (187.4) | (83.2) |
| Treasury stock, 103.9 million shares (103.9 million shares in 2017) | (6,721.7) | (6,721.8) |
| Total Zimmer Biomet Holdings, Inc. stockholders' equity | 11,271.3 | 11,735.8 |
| Noncontrolling interest | 4.8 | (0.3) |
| **Total Stockholders' Equity** | 11,276.1 | 11,735.5 |
| **Total Liabilities and Stockholders' Equity** | $ 24,126.8 | $ 26,014.0 |

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 | Retained | Accumulated Other Comprehensive | Treasury Shares | | Noncontrolling | Total Stockholders' |
| | Number | Amount | Capital | Earnings | (Loss) Income | Number | Amount | Interest | Equity |
| **Balance January 1, 2016** | 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 ($0.96 per share) | - | - | - | (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 ($0.96 per share) | - | - | - | (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 |
| Net loss | - | - | - | (379.2) | - | - | - | (0.1) | (379.3) |
| Other comprehensive loss | - | - | - | - | (61.3) | - | - | - | (61.3) |
| Cash dividends declared ($0.96 per share) | - | - | - | (195.5) | - | - | - | - | (195.5) |
| Adoption of new accounting standard | - | - | - | 42.9 | (42.9) | - | - | - | - |
| Sale of shares in a subsidiary without loss of control | - | - | - | - | - | - | - | 5.2 | 5.2 |
| Stock compensation plans | 1.4 | - | 171.2 | 0.2 | - | - | 0.1 | - | 171.5 |
| **Balance December 31, 2018** | 307.9 | $ 3.1 | $ 8,686.1 | $ 9,491.2 | $ (187.4) | (103.9) | $ (6,721.7) | $ 4.8 | $ 11,276.1 |

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, | | |
|---|---|---|---|
| | **2018** | **2017** | **2016** |
| Cash flows provided by (used in) operating activities: | | | |
| Net (loss) earnings | $ (379.3) | $ 1,813.4 | $ 304.6 |
| Adjustments to reconcile net earnings to net cash provided by operating activities: | | | |
| Depreciation and amortization | 1,040.5 | 1,062.7 | 1,039.3 |
| Share-based compensation | 65.5 | 53.7 | 57.3 |
| Goodwill and intangible asset impairment | 979.7 | 331.5 | 31.1 |
| Inventory step-up | - | 32.8 | 323.3 |
| Debt extinguishment | - | - | 53.3 |
| Deferred income tax benefit (provision) | 13.4 | (1,776.0) | (153.2) |
| Changes in operating assets and liabilities, net of acquired assets and liabilities | | | |
| Income taxes | (150.8) | 150.2 | (10.9) |
| Receivables | 213.6 | 161.7 | (141.6) |
| Inventories | (199.5) | (120.1) | 77.9 |
| Accounts payable and accrued liabilities | 155.9 | (133.3) | 32.6 |
| Other assets and liabilities | 8.4 | 5.7 | 18.5 |
| Net cash provided by operating activities | 1,747.4 | 1,582.3 | 1,632.2 |
| Cash flows provided by (used in) investing activities: | | | |
| Additions to instruments | (276.3) | (337.0) | (345.5) |
| Additions to other property, plant and equipment | (162.7) | (156.0) | (184.7) |
| Purchases of investments | - | - | (1.5) |
| Sales of investments | - | - | 286.2 |
| Net investment hedge settlements | 69.2 | - | - |
| LDR acquisition, net of acquired cash | - | - | (1,021.1) |
| Business combination investments, net of acquired cash | (15.3) | (4.0) | (421.9) |
| Investments in other assets | (31.5) | (13.8) | (3.0) |
| Net cash used in investing activities | (416.6) | (510.8) | (1,691.5) |
| Cash flows provided by (used in) financing activities: | | | |
| Proceeds from senior notes | 749.5 | - | 1,073.5 |
| Proceeds from multicurrency revolving facility | 400.0 | 400.0 | - |
| Payments on multicurrency revolving facility | (400.0) | (400.0) | - |
| Redemption of senior notes | (1,150.0) | (500.0) | (1,250.0) |
| Proceeds from term loans | 675.0 | 192.7 | 750.0 |
| Payments on term loans | (1,425.0) | (940.0) | (800.0) |
| Net payments on other debt | (3.9) | (0.9) | (33.1) |
| Dividends paid to stockholders | (195.2) | (193.6) | (188.4) |
| Proceeds from employee stock compensation plans | 107.9 | 145.5 | 136.6 |
| Net cash flows from unremitted collections from factoring programs | (36.7) | 103.5 | - |
| Business combination contingent consideration payments | (19.8) | (9.1) | - |
| Other financing activities | (4.0) | (8.6) | (16.3) |
| Repurchase of common stock | - | - | (415.5) |
| Net cash used in financing activities | (1,302.2) | (1,210.5) | (743.2) |
| Effect of exchange rates on cash and cash equivalents | (10.2) | 29.3 | (22.7) |
| Increase (decrease) in cash and cash equivalents | 18.4 | (109.7) | (825.2) |
| Cash and cash equivalents, beginning of year | 524.4 | 634.1 | 1,459.3 |
| Cash and cash equivalents, end of period | $ 542.8 | $ 524.4 | $ 634.1 |

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

## 1. Business

We design, manufacture and market orthopedic 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.

We have reclassified expenses that were previously recognized in a financial statement line item labeled "Acquisition, quality remediation and other" (and prior to that, labeled "Special items") to the financial statement line items of "Research and development," "Selling, general and administrative," "Goodwill and intangible asset impairment," "Acquisition, integration and related" and "Quality remediation". Prior periods have been reclassified to conform to the current year presentation. Please refer to Note 2 for additional details on the reclassified items, "Acquisition, integration and related" and "Quality remediation". We made this change to provide additional transparency and better reflect the nature of these expenses.

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. In 2015, we completed our merger with LVB Acquisition, Inc. ("LVB"), the parent company of Biomet, Inc. ("Biomet") (which merger is sometimes referred to herein as the "Biomet merger"). In 2016, we acquired LDR Holding Corporation ("LDR") and other individually immaterial companies.

## 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.

*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 loss 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, 2018, 2017 and 2016 were not significant.

*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 SG&A expenses and were $290.2 million, $263.6 million and $231.7 million for the years ended December 31, 2018, 2017 and 2016, 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.

*Acquisition, integration and related* – We use the financial statement line item, "Acquisition, integration and related" to recognize expenses resulting from the consummation of business mergers and acquisitions and the related int egration of those businesses. Acquisition, integration and related expenses are primarily composed of:

- Consulting and professional fees related to third-party integration consulting performed in a variety of areas, such as tax, compliance, logistics and human resources, and legal fees related to the consummation of mergers and acquisitions.
- Employee termination benefits related to terminating employees with overlapping responsibilities in various areas of our business.
- Dedicated project personnel expenses which include the salary, benefits, travel expenses and other costs directly associated with employees who are 100 percent dedicated to our integration of acquired businesses and employees who have been notified of termination, but are continuing to work on transferring their responsibilities.
- Contract termination expenses related to terminated contracts, primarily with sales agents and distribution agreements.
- Other various expenses to relocate facilities, integrate information technology, losses incurred on assets resulting from the applicable acquisition, and other various expenses.

*Quality remediation* - We use the financial statement line item "Quality remediation" to recognize expenses related to addressing inspectional observations on Form 483 and a warning letter issued by the FDA following its inspections of our Warsaw North Campus facility, among other matters. See Note 19 for additional information about the Form 483 and warning letter. The majority of these expenses are related to consultants who are helping us to update previous documents and redesign certain processes.

*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 $65.7 million and $60.2 million as of December 31, 2018 and 2017, respectively.

We also have receivables purchase arrangements with unrelated third parties to transfer portions of our trade accounts receivable balance. Funds received from the transfers are recorded as an increase to cash and a reduction to accounts receivable outstanding in our 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 SG&A expense. Net expenses include any resulting gains or losses from the sales of receivables, credit insurance and factoring fees. Any collections that we make that are unremitted to the third parties are recognized on our consolidated balance sheets under other current liabilities and in our consolidated statements of cash flows in financing activities.

*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 that have been deployed to be used in surgeries 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 SG&A 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 amount 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 in-process research and development ("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 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 or contractual life, which may range 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.

*Accumulated Other Comprehensive (Loss) Income* – Accumulated other comprehensive (loss) income ("AOCI") 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 AOCI is comprised of foreign currency translation adjustments, including unrealized gains and losses on net investments hedges, unrealized gains and losses on cash flow hedges 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 investments in other companies in which we have a controlling financial interest, but not 100 percent of the equity. Further information related to the noncontrolling interests of those investments have not been provided as it is not significant to our consolidated financial statements.

*Accounting Pronouncements Recently Adopted*

In August 2017, the Financial Accounting Standards Board ("FASB") issued Accounting Standard Update ("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 early adopted this ASU in the first quarter of 2018. Based upon our hedging portfolio that existed prior to adoption, the adoption of this ASU did not have any impact on our financial position, results of operations or cash flows. However, after adoption we entered into cross-currency interest rate swaps that we designated as net investment hedges. Under this ASU, we have made a policy election for changes in the fair value of the cross-currency component of the cross-currency interest rate swaps to be recorded in AOCI. Therefore, all changes in the fair value of the cross-currency interest rate swaps are recorded as a component of AOCI in our consolidated balance sheet. The portion of this change related to the excluded component will be amortized into earnings over the life of the derivative while the remainder will be recorded in AOCI until the hedged net investment

is sold or substantially liquidated. Under previous guidance, the fair value change related to the cross-currency component was recognized in earnings. See Note 13 for additional information.

In February 2018, the FASB issued ASU 2018-02 – Reclassification of Certain Tax Effects from Accumulated Other Comprehensive Income. Under GAAP, when there is a change in tax rates, it requires remeasurement of deferred tax assets and liabilities to be recognized as part of income, even if the deferred tax asset or liability had been recorded and recognized in AOCI. As a result, a portion of the amount recognized in AOCI at the previous tax rate would remain stranded in AOCI permanently. ASU 2018-02 allows the stranded tax effects in AOCI related only to the Tax Cuts and Jobs Act of 2017 ("2017 Tax Act") to be reclassified from AOCI to retained earnings. The only stranded tax effects in AOCI we had related to the 2017 Tax Act were due to changes in the U.S. federal corporate income tax rate. We early adopted this ASU in the first quarter of 2018 and elected to use the beginning of period transition method, which means we recognized the reclassification as of January 1, 2018. As a result, we reclassified $42.9 million from AOCI to retained earnings.

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 are required to report the other components of net benefit costs in other income (expense) in the statements of earnings. This ASU was effective for us as of January 1, 2018. This ASU must be applied retrospectively for the presentation of the service cost component and the other components of net periodic pension cost in the statements 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. This ASU provides a practical expedient that allows companies to use the amounts disclosed in prior financial statements as the basis for the retrospective application. We elected to use this practical expedient. The impacts of this ASU on our consolidated financial statements for the years ended December 31, 2017 and 2016 are included in the tables below. See Note 14 for further information on the components of our net benefit cost.

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 was effective for us as of January 1, 2018. Entities were 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 adopted this new standard using the retrospective method, which resulted in us restating prior reporting periods presented. This ASU did not result in a change to the timing of our revenue recognition. Accordingly, we did not recognize a cumulative adjustment to retained earnings upon adoption. However, we were required to reclassify certain immaterial costs from SG&A expense to net sales, which resulted in a reduction of net sales, but had no impact on operating profit. This ASU also required us to reclassify our estimated refund liability for products expected to be returned from a reduction of accounts receivable to other current liabilities and the related right to receive products from the return from inventories to prepaid expenses and other current assets. The impacts of this ASU on our consolidated financial statements for the years ended December 31, 2017 and 2016 and as of December 31, 2017 are included in the tables below.

| (in millions) | As Previously Reported | New Revenue Standard Adjustment | New Pension Standard Adjustment | Reclassifications | As Restated |
|---|---|---|---|---|---|
| **Statement of Earnings** | | | | | |
| **Year Ended December 31, 2017** | | | | | |
| **Net Sales** | $ 7,824.1 | $ (20.8) | $ - | $ - | $ 7,803.3 |
| Research and development | 367.4 | - | - | 2.5 | 369.9 |
| Selling, general and administrative | 2,973.9 | (20.8) | 8.9 | 142.7 | 3,104.7 |
| Goodwill and intangible asset impairment | 304.7 | - | - | 26.8 | 331.5 |
| Acquisition, integration and related | - | - | - | 279.8 | 279.8 |
| Quality remediation | - | - | - | 181.3 | 181.3 |
| Special items | 633.1 | - | - | (633.1) | - |
| Operating expenses | 7,015.9 | (20.8) | 8.9 | - | 7,004.0 |
| **Operating Profit** | 808.2 | - | (8.9) | - | 799.3 |
| Other expense, net | (18.3) | - | 8.9 | - | (9.4) |

| (in millions) | As Previously Reported | New Revenue Standard Adjustment | New Pension Standard Adjustment | Reclassifications | As Restated |
|---|---|---|---|---|---|
| **Statement of Earnings** | | | | | |
| **Year Ended December 31, 2016** | | | | | |
| **Net Sales** | $ 7,683.9 | $ (15.5) | $ - | $ - | $ 7,668.4 |
| Selling, general and administrative | 2,932.9 | (15.5) | 4.8 | 22.4 | 2,944.6 |
| Goodwill and intangible asset impairment | - | - | - | 31.1 | 31.1 |
| Acquisition, integration and related | - | - | - | 504.9 | 504.9 |
| Quality remediation | - | - | - | 53.4 | 53.4 |
| Special items | 611.8 | - | - | (611.8) | - |
| Operating expenses | 6,858.0 | (15.5) | 4.8 | - | 6,847.3 |
| **Operating Profit** | 825.9 | - | (4.8) | - | 821.1 |
| Other expense, net | (71.3) | - | 4.8 | - | (66.5) |

| (in millions) | As Previously Reported | New Revenue Standard Adjustment | As Restated |
|---|---|---|---|
| **Balance Sheet** | | | |
| **December 31, 2017** | | | |
| Accounts receivable, less allowance for doubtful accounts | $ 1,494.6 | $ 49.5 | $ 1,544.1 |
| Inventories | 2,081.8 | (13.5) | 2,068.3 |
| Prepaid expenses and other current assets | 414.5 | 13.5 | 428.0 |
| Other current liabilities | 1,299.8 | 49.5 | 1,349.3 |

*Accounting Pronouncements Not Yet Adopted*

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. This ASU requires a modified retrospective transition method that can either be applied at the earliest comparative period in the financial statements or the period of adoption. We plan to use the period of adoption (January 1, 2019) transition method and therefore will not restate prior periods. This ASU allows for certain practical expedients to make the adoption of the ASU less burdensome. We have elected the practical expedients upon transition which permits us to not reassess lease identification, classification, and initial direct costs under the new standard for leases that commenced prior to the effective date. We have also elected not to recognize a right-of-use asset nor a lease liability for leases with an initial term of twelve months or less. Finally, we have elected not to separate non-lease components from the leased components in the valuation of our right-of-use asset and lease liability.

We own most of our manufacturing facilities, but lease various office space, vehicles and other less significant assets throughout the world. We have collected all of our lease agreements from across the organization that were entered into as of December 31, 2018 and completed our analysis of the key terms of these lease agreements to determine the appropriate accounting treatment. We have also reviewed other various agreements for potential embedded leases. We are in our final reviews of this implementation. We expect the right-of-use asset and corresponding lease liability that we recognize as of January 1, 2019 will be in a range of $265 million to $295 million. We do not expect the adoption of this ASU will require us to recognize a significant cumulative-effect adjustment in retained earnings. Since substantially all of our leases are considered operating leases, we do not expect this ASU will have a material effect on our consolidated statements of earnings.

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. Revenue Recognition**

We recognize revenue when our performance obligations under the terms of a contract with our customer are satisfied. This happens when we transfer control of our products to the customer, which generally occurs upon implantation or when title passes upon shipment. Revenue is measured as the amount of consideration we expect to receive in exchange for transferring our product. Taxes collected from customers and remitted to governmental authorities are excluded from revenues.

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. In direct channel accounts and with some healthcare dealers, 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 the ability to control the inventory. Upon implantation, we issue an invoice and revenue is recognized. Consignment sales represented approximately 80 percent of our net sales in 2018. 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. Payment terms vary by customer, but are typically less than 90 days.

With sales to stocking distributors, some healthcare dealers, dental practices and dental laboratories, revenue is generally recognized when control of our product passes to the customer, which is typically upon shipment of the product. We estimate sales recognized in this manner represented approximately 20 percent of our net sales in 2018. It is our accounting policy to account for shipping and handling activities as a fulfillment cost rather than as an additional promised service. We have contracts with these customers or orders may be placed from available price lists. Payment terms vary by customer, but are typically less than 90 days.

We offer standard warranties to our customers that our products are not defective. These standard warranties are not considered separate performance obligations. In limited circumstances, we offer extended warranties that are separate performance obligations. We have very few contracts that have multiple performance obligations. Since we do not have significant multiple element arrangements and essentially all of our sales are recognized upon implantation of a product or when title passes, very little judgment is required to allocate the transaction price of a contract or determine when control has passed to a customer. Our costs to obtain contracts consist primarily of sales commissions to employees or third party agents that are earned when control of our product passes to the customer.

Therefore, sales commissions are expensed as part of SG&A expenses at the same time revenue is recognized. Accordingly, we do not have significant contract assets, liabilities or future performance obligations.

We offer volume-based discounts, rebates, prompt pay discounts, right of return and other various incentives which we account for under the variable consideration model. If sales incentives may be earned by a customer for purchasing a specified amount of our product, we estimate whether such incentives will be achieved and recognize these incentives as a reduction in revenue in the same period the underlying revenue transaction is recognized. We primarily use the expected value method to estimate incentives. Under the expected value method, we consider the historical experience of similar programs as well as review sales trends on a customer-by-customer basis to estimate what levels of incentives will be earned. Occasionally, products are returned and, accordingly, we maintain an estimated refund liability based upon the expected value method that is recorded as a reduction in revenue.

We analyze sales by three geographies, the Americas, Europe, Middle East and Africa ("EMEA") and Asia Pacific, and by the following product categories: Knees; Hips; Surgical, Sports Medicine, Biologics, Foot and Ankle, Extremities and Trauma ("S.E.T."); Dental; Spine & Craniomaxillofacial and Thoracic ("CMF"); and Other. As discussed in Note 17, we have seven operating segments that are based upon geography and product categories. The geographic segments include sales of all product categories exclusive of the specific product category operating segments. The geographic operating segments are the Americas, EMEA and Asia Pacific. These three operating segments are our reporting segments. The product category operating segments are Spine, less Asia Pacific; Office Based Technologies; CMF; and Dental. The product operating segments do not constitute a reporting segment because they are, individually and on a combined basis, insignificant to our consolidated results.

Our sales analysis differs from our reporting operating segments because the underlying market trends in any particular geography tend to be similar across product categories, we primarily sell the same products in all geographies and the product category operating segments are not individually significant to our consolidated results.

Net sales by geography are as follows (in millions):

| | For the Years Ended December 31, | | |
|---|---|---|---|
| | 2018 | 2017 | 2016 |
| Americas | $ 4,837.2 | $ 4,844.8 | $ 4,786.7 |
| EMEA | 1,801.9 | 1,745.2 | 1,730.4 |
| Asia Pacific | 1,293.8 | 1,213.3 | 1,151.3 |
| Total | $ 7,932.9 | $ 7,803.3 | $ 7,668.4 |

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

| | For the Years Ended December 31, | | |
|---|---|---|---|
| | 2018 | 2017 | 2016 |
| Knees | $ 2,773.7 | $ 2,734.0 | $ 2,751.2 |
| Hips | 1,921.4 | 1,871.8 | 1,861.8 |
| S.E.T | 1,751.8 | 1,701.8 | 1,639.1 |
| Dental | 411.2 | 418.6 | 427.9 |
| Spine & CMF | 763.9 | 757.9 | 660.7 |
| Other | 310.9 | 319.2 | 327.7 |
| Total | $ 7,932.9 | $ 7,803.3 | $ 7,668.4 |

## 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, | | |
|---|---|---|---|
| | 2018 | 2017 | 2016 |
| Total expense, pre-tax | $ 65.5 | $ 53.7 | $ 57.3 |
| Tax benefit related to awards | 14.6 | 12.5 | 31.5 |
| Total expense, net of tax | $ 50.9 | $ 41.2 | $ 25.8 |

We had two equity compensation plans in effect at December 31, 2018: 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"). No further awards have been granted under the 2006 Plan since 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 remained outstanding as of December 31, 2018. 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 comm on 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 o ur practice to issue shares of common stock upon exercise of stock options from previously unissued shares, except in limited circumstances where they are issued from treasury stock. The total number of awards which may be granted in a given year and/or o ver the life of the plan under each of our equity compensation plans is limited. At December 31, 2018, an aggregate of 9 .8 million shares were available for future grants and awards under these plans.

Stock Options

Stock options granted to date under our plans vest over two or 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, 2018 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, 2018 | 7,257 | $ 93.83 | | |
| Options granted | 2,027 | 116.23 | | |
| Options exercised | (1,136) | 82.80 | | |
| Options forfeited | (326) | 115.11 | | |
| Options expired | (59) | 108.97 | | |
| Outstanding at December 31, 2018 | 7,763 | $ 100.29 | 6.6 | $ 82.0 |
| Vested or expected to vest as of December 31, 2018 | 7,503 | $ 99.76 | 6.5 | $ 81.9 |
| Exercisable at December 31, 2018 | 4,159 | $ 87.57 | 5.0 | $ 80.9 |

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 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 op tions exercised in the indicated year:

| | For the Years Ended December 31, | | |
|---|---|---|---|
| | 2018 | 2017 | 2016 |
| Dividend yield | 0.8% | 0.8% | 0.9% |
| Volatility | 22.1% | 21.6% | 21.9% |
| Risk-free interest rate | 2.7% | 2.0% | 1.4% |
| Expected life (years) | 5.2 | 5.3 | 5.3 |
| Weighted average fair value of options granted | $ 26.66 | $ 26.09 | $ 21.30 |
| Intrinsic value of options exercised (in millions) | $ 46.6 | $ 67.6 | $ 73.0 |
| Tax benefit of options exercised (in millions) | $ 6.8 | $ 27.7 | $ 30.1 |

As of December 31, 2018, there was $53.6 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 2.3 years.

RSUs

We have awarded RSUs to certain of our employees. The terms of the awards have been from five months to four years. Some of the awards have only service conditions while some have performance and market conditions in addition to service conditions. 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 five months to four years.

A summary of nonvested RSU activity for the year ended December 31, 2018 is as follows (RSUs in thousands):

| | RSUs | Weighted Average Grant Date Fair Value |
|---|---|---|
| Outstanding at January 1, 2018 | 1,361 | $ 107.56 |
| Granted | 542 | 120.85 |
| Vested | (160) | 102.71 |
| Forfeited | (396) | 110.28 |
| Outstanding at December 31, 2018 | 1,347 | 112.81 |

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, 2018, we estimate that approximately 672,307 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, 2018 was $47.7 million and is expected to be recognized over a weighted-average period of 2.2 years. The fair value of RSUs vesting during the years ended December 31, 2018, 2017 and 2016 based upon our stock price on the date of vesting was $18.7 million, $31.2 million, and $25.5 million, respectively.

## 5. Inventories

Inventories consisted of the following (in millions):

| | As of December 31, | |
|---|---|---|
| | 2018 | 2017 |
| Finished goods | $ 1,797.7 | $ 1,618.7 |
| Work in progress | 230.4 | 200.0 |
| Raw materials | 228.4 | 249.6 |
| Inventories | $ 2,256.5 | $ 2,068.3 |

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, 2018, 2017 and 2016 were $226.1 million, $128.4 million and $195.4 million, respectively.

**6. Property, Plant and Equipment**

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

| | As of December 31, | |
|---|---|---|
| | 2018 | 2017 |
| Land | $ 28.0 | $ 29.0 |
| Building and equipment | 1,885.6 | 1,838.5 |
| Capitalized software costs | 425.8 | 421.6 |
| Instruments | 2,950.5 | 2,683.9 |
| Construction in progress | 147.2 | 110.7 |
| | 5,437.1 | 5,083.7 |
| Accumulated depreciation | (3,421.7) | (3,045.1) |
| Property, plant and equipment, net | $ 2,015.4 | $ 2,038.6 |

Depreciation expense was $442.6 million, $454.1 million and $466.7 million for the years ended December 31, 2018, 2017 and 2016, respectively.

**7 . Transfers of Financial Assets**

In the fourth quarter of 2016, we executed receivables purchase arrangements with unrelated third parties to liquidate portions of our trade accounts receivable balance. 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, 2018 of $400 million combined. 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. As a result, our risk of loss is 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 $33.0 million and $22.9 million as of December 31, 2018 and 2017, respectively.

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

For the years ended December 31, 2018, 2017 and 2016, we sold receivables having an aggregate face value of $2,706.4 million, $1,456.9 million and $103.1 million to third parties in exchange for cash proceeds of $2,704.9 million, $1,455.6 million and $103.1 million, respectively. Expenses recognized on these sales during the years ended December 31, 2018, 2017 and 2016 were not significant. For the years ended December 31, 2018 and 2017, under the U.S. and Japan programs, we collected $2,273.5 million and $1,031.2 million, respectively, from our customers and remitted that amount to the third party, and we effectively repurchased $208.9 million and $96.3 million, respectively, of previously sold accounts receivable from the third party due to the programs' revolving nature. In the year ended December 31, 2016, we did not collect any amounts from our customers or repurchase any

accounts receivable from the third party as we executed the program at the end of the year. At December 31, 2018 and 2017, we had collected $66.8 million and $103.5 million, respectively, that were unremitted to the third party. We estimate the incremental operating cash inflows related to all of our programs were approximately $3 3 million, $174 million and $103 million for the years ended December 31, 2018, 2017 and 2016, respectively.

At December 31, 2018 and 2017, the outstanding principal amount of receivables that has been derecognized under the U.S. and Japan revolving arrangements combined amounted to $365.9 million and $261.2 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, 2018 | | | |
|---|---|---|---|---|
| | | 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 | $ 45.7 | $ - | $ 45.7 | $ - |
| Interest rate swaps | 17.9 | - | 17.9 | - |
| | $ 63.6 | $ - | $ 63.6 | $ - |
| **Liabilities** | | | | |
| Derivatives, current and long-term | | | | |
| Foreign currency forward contracts | $ 0.5 | $ - | $ 0.5 | $ - |
| Interest rate swaps | 2.5 | - | 2.5 | - |
| Contingent payments related to acquisitions | 17.2 | - | - | 17.2 |
| | $ 20.2 | $ - | $ 3.0 | $ 17.2 |

| | 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 |

We value our foreign currency forward contracts 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, foreign currency exchange rates 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 expectations 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 revenue 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 following table provides a reconciliation of the beginning and ending balances of items measured at fair value on a recurring basis in the 2018 table above that used significant unobservable inputs (Level 3) (in millions):

| | Level 3 - Liabilities |
|---|---|
| Contingent payments related to acquisitions | |
| Beginning balance December 31, 2017 | $ 41.0 |
| Changes in estimates | (2.9) |
| Settlements | (20.9) |
| Ending balance December 31, 2018 | $ 17.2 |

Changes in estimates are recognized in Acquisition, integration and related on our consolidated statements of earnings.

## 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, 2017 | | | | | |
| 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 |
| Currency translation | (12.4) | (57.6) | 6.7 | (34.8) | (98.1) |
| Impairment | - | (567.0) | - | (408.9) | (975.9) |
| Balance at December 31, 2018 | | | | | |
| Goodwill | 7,712.4 | 1,322.2 | 507.2 | 1,706.2 | 11,248.0 |
| Accumulated impairment losses | - | (567.0) | - | (1,086.6) | (1,653.6) |
| | $ 7,712.4 | $ 755.2 | $ 507.2 | $ 619.6 | $ 9,594.4 |

During the year ended December 31, 2018, we recorded goodwill impairment charges related to our Spine reporting unit, our EMEA reporting unit and an insignificant reporting unit of $401.2 million, $567.0 million and $7.7 million, respectively. During the year ended December 31, 2017, we recorded goodwill impairment charges related to our Office Based Technologies and Spine reporting units of $32.7 million and $272.0 million, respectively.

In our annual impairment tests, we determined our Spine reporting unit's carrying value was in excess of its estimated fair value in each of the last two years. This resulted in impairment charges of $401.2 million and $272.0 million in the years ended December 31, 2018 and 2017, respectively. There is no goodwill balance remaining in this reporting unit as of December 31, 2018. This reporting unit included goodwill from both the Biomet merger in 2015 and the LDR merger in 2016, as well as goodwill that existed prior to those 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 would enable the reporting unit to grow faster than the overall spine market. In 2017, the primary drivers of impairment were lower than expected sales due to sales force integration issues and additional complexities of combining the Zimmer, Biomet and LDR spine product supply chains. As a result, in our 2017 forecasts we estimated it would take longer than originally anticipated to realize the benefits of the mergers of the Biomet and LDR spine product categories. In 2018, our Spine reporting unit's performance did not significantly improve as we continued to work through integration and supply issues. We estimate our Spine sales are currently growing below overall market growth. Consequently, we lowered our expectations of future sales growth.

The impairment charge of $567.0 million in our EMEA reporting unit in 2018 was driven by a combination of operational and non-operational factors. We believe sales growth in the EMEA knees and hips overall market has softened in the past two years to low single digits. Accordingly, we have tempered our sales growth estimates for this reporting unit. Also, higher interest rates as well as increased volatility in our stock price compared to the overall market resulted in us utilizing a higher risk-adjusted discount rate compared to prior year tests to discount

our future estimated cash flows to present value. In addition, our anticipated costs in the near term to comply with the European Union Medical Device Regulation ("MDR") will be higher than previously anticipated. MDR, which will be effective beginning in 2020, will require us to update clinical data, technical documentation and labelling on our products that we sell in EMEA. As a result, in the next few years we expect to incur incremental costs to comply with the standards to update previously approved products. Additionally, in the future we expect to incur increased costs on new product development to comply with the standard. Lastly, the weakening of European forei gn currencies against the U.S. Dollar and other factors has contributed to the impairment charge.

We estimated the fair value of the Spine and EMEA reporting units 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 and EMEA reporting units and considers differences between our reporting unit and the comparable companies.

In estimating the future cash flows of the reporting units, we utilized a combination of market and company specific inputs that a market participant would use in assessing the fair value of the reporting units. 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 units 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.

In 2018, we also recognized an impairment charge of $7.7 million for an insignificant reporting unit that we acquired in 2016. The $7.7 million represented the entire goodwill balance of this reporting unit.

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 had 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 have four other reporting units with goodwill assigned to them. The estimated fair value of our Dental reporting unit only exceeded its carrying value by less than 5 percent. The estimated fair value of each of the other three reporting units exceeded its carrying value by more than 25 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 EMEA and Dental reporting units as well as our other three 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, foreign currency exchange rates used to translate cash flows and comparable company valuation indicators, which may impact our estimated fair values.

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

| | Technology | Intellectual Property Rights | Trademarks and Trade Names | Customer Relationships | IPR&D | Other | Total |
|---|---|---|---|---|---|---|---|
| **As of December 31, 2018:** | | | | | | | |
| Intangible assets subject to amortization: | | | | | | | |
| Gross carrying amount | $ 3,638.5 | $ 180.7 | $ 664.2 | $ 5,384.4 | $ - | $ 128.3 | $ 9,996.1 |
| Accumulated amortization | (1,282.7) | (177.6) | (169.3) | (1,194.5) | - | (80.0) | (2,904.1) |
| Intangible assets not subject to amortization: | | | | | | | |
| Gross carrying amount | - | - | 457.1 | - | 135.5 | - | 592.6 |
| Total identifiable intangible assets | $ 2,355.8 | $ 3.1 | $ 952.0 | $ 4,189.9 | $ 135.5 | $ 48.3 | $ 7,684.6 |
| **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 |

We recognized intangible asset impairment charges of $3.8 million, $26.8 million and $31.1 million in the years ended December 31, 2018, 2017 and 2016, respectively, in Acquisition, integration and related on our consolidated statements of earnings. The impairment charges were primarily related to the abandonment of IPR&D projects that were recognized as part of the Biomet merger purchase accounting.

Estimated annual amortization expense based upon intangible assets recognized as of December 31, 2018 for the years ending December 31, 2019 through 2023 is (in millions):

| For the Years Ending December 31, | |
|---|---|
| 2019 | $ 604.5 |
| 2020 | 598.3 |
| 2021 | 595.0 |
| 2022 | 589.3 |
| 2023 | 584.0 |

## 10. Other Current Liabilities

Other current liabilities consisted of the following (in millions):

| | As of December 31, | |
|---|---|---|
| | 2018 | 2017 |
| Other current liabilities: | | |
| License and service agreements | $ 181.8 | $ 171.4 |
| Salaries, wages and benefits | 260.3 | 255.2 |
| Litigation and product liability | 278.6 | 147.7 |
| Accrued liabilities | 670.6 | 775.0 |
| Total other current liabilities | $ 1,391.3 | $ 1,349.3 |

**11. Debt**

Our debt consisted of the following (in millions):

| | As of December 31, | |
|---|---|---|
| | 2018 | 2017 |
| Current portion of long-term debt | | |
| 2.000% Senior Notes due 2018 | $ - | $ 1,150.0 |
| 4.625% Senior Notes due 2019 | 500.0 | - |
| U.S. Term Loan B | 25.0 | 75.0 |
| Total short-term debt | $ 525.0 | $ 1,225.0 |
| Long-term debt | | |
| 4.625% Senior Notes due 2019 | $ - | $ 500.0 |
| 2.700% Senior Notes due 2020 | 1,500.0 | 1,500.0 |
| Floating Rate Notes due 2021 | 450.0 | - |
| 3.375% Senior Notes due 2021 | 300.0 | 300.0 |
| 3.150% Senior Notes due 2022 | 750.0 | 750.0 |
| 3.700% Senior Notes due 2023 | 300.0 | - |
| 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 | 571.6 | 600.4 |
| 2.425% Euro Notes due 2026 | 571.6 | 600.4 |
| U.S. Term Loan A | - | 835.0 |
| U.S. Term Loan B | 200.0 | 600.0 |
| U.S. Term Loan C | 535.0 | - |
| Japan Term Loan A | 105.3 | 103.2 |
| Japan Term Loan B | 191.7 | 187.9 |
| Other long-term debt | - | 4.1 |
| Debt discount and issuance costs | (42.7) | (53.2) |
| Adjustment related to interest rate swaps | 14.6 | 23.1 |
| Total long-term debt | $ 8,413.7 | $ 8,917.5 |

At December 31, 2018, our total debt balance consisted of $7.9 billion aggregate principal amount of senior notes, which included $1.1 billion of Euro-denominated senior notes (“Euro notes”), $225.0 million outstanding under a U.S. term loan (“U.S. Term Loan B”) that will mature on September 30, 2019, $535.0 million outstanding under a U.S. term loan (“U.S. Term Loan C”) that will mature on December 14, 2020, 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 $14.6 million, partially offset by debt discount and issuance costs of $42.7 million.

On December 14, 2018, we entered into a credit agreement (the “2018 Credit Agreement”) that provides for U.S. Term Loan C, which is a two-year unsecured multi-draw term loan facility for the Company in the principal amount of $900.0 million, with a maturity date of December 14, 2020. On December 14, 2018, we borrowed $675.0 million under U.S. Term Loan C and utilized those borrowings: (i) to repay the full $295.0 million balance of a U.S. term loan (“U.S. Term Loan A”), (ii) to repay $375.0 million of the $600.0 million balance of U.S. Term Loan B; and (iii) for general corporate purposes and transaction costs. In January 2019, we borrowed an additional $200.0 million under U.S. Term Loan C and used those proceeds, along with cash on hand, to repay the remaining $225.0 million outstanding under U.S. Term Loan B. Under the applicable accounting rules, since $200.0 million of U.S. Term Loan B was refinanced on a long-term basis before the issuance of these consolidated financial statements, we classified the refinanced portion of U.S. Term Loan B as long-term as of December 31, 2018.

On March 19, 2018, we completed the offering of $450.0 million aggregate principal amount of our floating rate senior notes due March 19, 2021 and $300.0 million aggregate principal amount of our 3.700% senior notes due March 19, 2023. Interest on the floating rate senior notes is equal to three-month LIBOR plus 0.750% and is payable quarterly, commencing on June 19, 2018, until maturity. Interest is payable on the 3.700% senior notes semi-annually, commencing on September 19, 2018, until maturity. We received net proceeds of $749.5 million

from this offering. On A pril 2, 2018, these proceeds, together with borrowings under the Multicurrency Revolving Facility (as defined below) and cash on hand, were used to repay the 2.000% Senior Notes due 2018 .

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 2016, we used a portion of the funds 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 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 provided for U.S. Term Loan A, which was repaid in full with borrowings under U.S. Term Loan C in December 2018.

Borrowings under the 2018 Credit Agreement bear interest at floating rates based upon, for Eurodollar-indexed loans, LIBOR for the applicable interest period plus a margin of 0.875% per annum, or for non-Eurodollar-indexed loans, an alternate base rate plus a margin of 0.0%. Under the terms of U.S. Term Loan C, the remaining balance is due on the maturity date of December 14, 2020. We have paid $140.0 million in principal under U.S. Term Loan C, resulting in $535.0 million outstanding on the U.S. Term Loan C as of December 31, 2018. The interest rate at December 31, 2018 was 3.4 percent on U.S. Term Loan C. We borrowed an additional $200.0 million under U.S. Term Loan C in January 2019.

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 2018 Credit Agreement, the 2016 Credit Agreement and the 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 2018, 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 2018, 2016 and 2014 Credit Agreements as of December 31, 2018. As of December 31, 2018, there were no borrowings outstanding under the Multicurrency Revolving Facility.

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, except that the Floating Rate Notes due 2021 may not be redeemed until on or after March 20, 2019 and such notes do not have any applicable make-whole premium. 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 3.700% Senior Notes due 2023, 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, 2018, based on quoted prices for the specific securities from transactions in over-the-counter markets (Level 2), was $7,798.9 million. The estimated fair value of Japan Term Loan A and Japan Term Loan B, in the aggregate, as of December 31, 2018, based upon publicly available market yield curves and the terms of the debt (Level 2), was $294.7 million. The carrying values of U.S. Term Loan B and U.S. Term Loan C 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. In 2018, we entered into cross-currency interest rate swaps that we designated as net investment hedges. The excluded component of these net investment hedges is recorded in interest expense, net. See Note 13 for additional information regarding our interest rate swap agreements.

We also have available uncommitted credit facilities totaling $55.0 million.

At December 31, 2018 and 2017, the weighted average interest rate for our borrowings was 3.1 percent and 2.9 percent, respectively. We paid $282.8 million, $317.5 million, and $363.1 million in interest during 2018, 2017, and 2016, respectively.

## 12. Accumulated Other Comprehensive (Loss) Income

AOCI 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 AOCI may be reclassified to net earnings upon the occurrence of certain events.

Our AOCI is comprised of foreign currency translation adjustments, including unrealized gains and losses on net investment hedges, unrealized gains and losses on cash flow hedges, 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. Amounts related to defined benefit plans that are in AOCI are reclassified over the service periods of employees in the plan. See Note 14 for more information on our defined benefit plans.

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

| | Foreign Currency Translation | Cash Flow Hedges | Defined Benefit Plan Items | Total AOCI |
|---|---|---|---|---|
| Balance December 31, 2017 | $ 121.5 | $ (66.5) | $ (138.2) | $ (83.2) |
| AOCI before reclassifications | (135.4) | 68.2 | (29.7) | (96.9) |
| Reclassifications to retained earnings (Note 2) | (17.4) | (4.4) | (21.1) | (42.9) |
| Reclassifications | - | 23.6 | 12.0 | 35.6 |
| Balance December 31, 2018 | $ (31.3) | $ 20.9 | $ (177.0) | $ (187.4) |

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

| Component of AOCI | Amount of Gain / (Loss) Reclassified from AOCI For the Years Ended December 31, 2018 | 2017 | 2016 | Location on Statement of Earnings |
|---|---|---|---|---|
| *Cash flow hedges* | | | | |
| Foreign exchange forward contracts | $ (26.2) | $ 5.1 | $ 87.7 | Cost of products sold |
| Forward starting interest rate swaps | - | - | (66.4) | Other expense, net |
| Forward starting interest rate swaps | (0.6) | (0.5) | (1.7) | Interest expense, net |
| | (26.8) | 4.6 | 19.6 | Total before tax |
| | (3.2) | 0.8 | (6.2) | Provision (benefit) for income taxes |
| | $ (23.6) | $ 3.8 | $ 25.8 | Net of tax |
| *Defined benefit plans* | | | | |
| Prior service cost | $ 9.9 | $ 10.3 | $ 7.8 | Other expense, net |
| Unrecognized actuarial (loss) | (26.2) | (22.1) | (22.9) | Other expense, net |
| | (16.3) | (11.8) | (15.1) | Total before tax |
| | (4.3) | (4.5) | (5.2) | Benefit for income taxes |
| | $ (12.0) | $ (7.3) | $ (9.9) | Net of tax |
| Total reclassifications | $ (35.6) | $ (3.5) | $ 15.9 | Net of tax |

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

| | For the Years Ended December 31, | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|
| | Before Tax | | | Tax | | | Net of Tax | | |
| | 2018 | 2017 | 2016 | 2018 | 2017 | 2016 | 2018 | 2017 | 2016 |
| Foreign currency cumulative translation adjustments | $ (148.7) | $ 396.8 | $ (128.2) | $ (13.3) | $ (48.2) | $ 1.8 | $ (135.4) | $ 445.0 | $ (130.0) |
| Unrealized cash flow hedge gains | 81.1 | (116.0) | 29.7 | 12.9 | (21.0) | 1.4 | 68.2 | (95.0) | 28.3 |
| Reclassification adjustments on foreign currency hedges | 26.8 | (4.6) | (19.6) | 3.2 | (0.8) | 6.2 | 23.6 | (3.8) | (25.8) |
| Unrealized gains on securities | - | - | 0.5 | - | - | - | - | - | 0.5 |
| Adjustments to prior service cost and unrecognized actuarial assumptions | (22.7) | 6.6 | 27.3 | (5.0) | 2.0 | 5.3 | (17.7) | 4.6 | 22.0 |
| Total Other Comprehensive Income (Loss) | $ (63.5) | $ 282.8 | $ (90.3) | $ (2.2) | $ (68.0) | $ 14.7 | $ (61.3) | $ 350.8 | $ (105.0) |

## 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 our 4.625% Senior Notes due 2019 and all of our 3.375% 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, 2018 was $14.6 million, which will be recognized using the effective interest rate method over the remaining maturity period of the hedged notes. As of December 31, 2018 and 2017, the following amounts were recorded on our consolidated balance sheets related to cumulative basis adjustments for fair value hedges (in millions):

| | Carrying Amount of the Hedged Liabilities | | Cumulative Amount of Fair Value Hedging Adjustment Included in the Carrying Amount of the Hedged Liabilities | |
|---|---|---|---|---|
| Balance Sheet Line Item | December 31, 2018 | December 31, 2017 | December 31, 2018 | December 31, 2017 |
| Long-term debt | $ 564.4 | $ 572.8 | $ 14.6 | $ 23.1 |

*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, and the remaining loss to be recognized at December 31, 2018 was $27.1 million, which will be recognized using the effective interest rate method over the remaining maturity period of the hedged notes.

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 0.89 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 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 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 o f the hedging instrument designated as a net investment hedge are recorded as a component of AOCI in our consolidated balance sheets.

In 2018, we initiated receive-fixed-rate, pay-fixed-rate cross-currency interest rate swaps with a notional amount of €1,250.0 million. These transactions further hedged our net investment in certain wholly-owned foreign subsidiaries that have a functional currency of Euro. All changes in the fair value of a derivative instrument designated as a net investment hedge are recorded as a component of AOCI in our consolidated balance sheets. The portion of this change related to the excluded component will be amortized into earnings over the life of the derivative while the remainder will be recorded in AOCI until the hedged net investment is sold or substantially liquidated. We recognize the excluded component in interest expense, net on our consolidated statements of earnings. The net cash received related to the receive-fixed-rate, pay-fixed-rate component of the cross-currency interest rate swap is reflected in investing cash flows in our consolidated statements of cash flows. In 2018, we terminated certain of these cross-currency interest rate swaps with a notional amount of €675.0 million and replaced them with new cross-currency interest rate swaps for the same notional amount at the current market rates. We received proceeds of $50.2 million related to the terminated swaps, which are reflected in investing activities in our consolidated statements of cash flows. Accordingly, cross-currency interest rate swaps with a notional amount of €1,250.0 million remained outstanding as of December 31, 2018.

In 2016, 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.

*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 AOCI and then recognized in cost of products sold when the hedged item affects net earnings. On our consolidated statements 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, 2018, 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 2019 through June 2021. As of December 31, 2018, the notional amounts of outstanding forward contracts entered into with third parties to purchase U.S. Dollars were $1,547.7 million. As of December 31, 2018, the notional amounts of outstanding forward contracts entered into with third parties to purchase Swiss Francs were $267.6 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. The net amount of these offsetting gains/losses is recorded in Other expense, net. 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 Cash Flow Hedges*

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

| Derivative Instrument | Amount of Gain / (Loss) Recognized in AOCI Years Ended December 31, 2018 | 2017 | 2016 | Location on Statement of Earnings | Amount of Gain / (Loss) Reclassified from AOCI Years Ended December 31, 2018 | 2017 | 2016 |
|---|---|---|---|---|---|---|---|
| Foreign exchange forward contracts | $ 82.8 | $ (116.5) | $ 25.7 | Cost of products sold | $ (26.2) | $ 5.1 | $ 87.7 |
| Interest rate swaps | (1.7) | 0.5 | 4.0 | Interest expense, net | - | - | - |
| Forward starting interest rate swaps | - | - | - | Interest expense, net | (0.6) | (0.5) | (1.7) |
| Forward starting interest rate swaps | - | - | - | Other expense, net | - | - | (66.4) |
| | $ 81.1 | $ (116.0) | $ 29.7 | | $ (26.8) | $ 4.6 | $ 19.6 |

The fair value of outstanding derivative instruments designated as cash flow hedges and recorded on the balance sheet at December 31, 2018, together with settled derivatives where the hedged item has not yet affected earnings, was a net unrealized gain of $23.4 million, or $20.9 million after taxes, which is deferred in AOCI. A gain of $24.7 million, or $21.0 million after taxes, is expected to be reclassified to earnings in cost of products sold and a loss of $0.6 million, or $0.5 million after taxes, is expected to be reclassified to earnings in interest expense, net over the next twelve months.

The following table presents the effects of fair value, cash flow and net investment hedge accounting on our consolidated statements of earnings (in millions):

| | Years Ended December 31, 2018 Cost of Goods Sold | 2018 Interest Expense, Net | 2017 Cost of Goods Sold | 2017 Interest Expense, Net | 2016 Cost of Goods Sold | 2016 Other Expense, Net | 2016 Interest Expense, Net |
|---|---|---|---|---|---|---|---|
| **Total amounts of income and expense line items presented in the statements of earnings in which the effects of fair value, cash flow and net investment hedges are recorded** | $ 2,271.9 | $ (289.3) | $ 2,132.9 | $ (325.3) | $ 2,381.8 | $ (66.5) | $ (355.0) |
| The effects of fair value, cash flow and net investment hedging: | | | | | | | |
| **Gain on fair value hedging relationships** | | | | | | | |
| Discontinued interest rate swaps | - | 8.5 | - | 8.3 | - | - | 10.7 |
| **Gain (loss) on cash flow hedging relationships** | | | | | | | |
| Forward starting interest rate swaps | - | (0.6) | - | (0.5) | - | (66.4) | (1.7) |
| Foreign exchange forward contracts | (26.2) | - | 5.1 | - | 87.7 | - | - |
| **Gain on net investment hedging relationships** | | | | | | | |
| Cross-currency interest rate swaps | - | 25.5 | - | - | - | - | - |

*Derivatives Not Designated as Hedging Instruments*

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

| Derivative Instrument | Location on Statement of Earnings | Years Ended December 31, 2018 | 2017 | 2016 |
|---|---|---|---|---|
| Foreign exchange forward contracts | Other expense, net | $ 24.7 | $ (62.3) | $ 2.5 |

These gains/(losses) do not reflect offsetting losses of $41.2 million and $15.5 million in 2018 and 2016, respectively, and offsetting gains of $45.5 million in 2017 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, 2018 and December 31, 2017, 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, 2018 | | As of December 31, 2017 | |
|---|---|---|---|---|
| | Balance Sheet Location | Fair Value | Balance Sheet Location | Fair Value |
| ***Asset Derivatives*** | | | | |
| Foreign exchange forward contracts | Other current assets | $ 37.9 | Other current assets | $ 14.5 |
| Foreign exchange forward contracts | Other assets | 20.9 | Other assets | 4.8 |
| Interest rate swaps | Other assets | 2.8 | Other assets | 4.5 |
| Cross-currency interest rate swaps | Other assets | 15.1 | Other assets | - |
| **Total asset derivatives** | | $ 76.7 | | $ 23.8 |
| | | | | |
| ***Liability Derivatives*** | | | | |
| Foreign exchange forward contracts | Other current liabilities | $ 9.9 | Other current liabilities | $ 45.8 |
| Foreign exchange forward contracts | Other long-term liabilities | 3.7 | Other long-term liabilities | 22.8 |
| Cross-currency interest rate swaps | Other long-term liabilities | 2.5 | Other long-term liabilities | - |
| **Total liability derivatives** | | $ 16.1 | | $ 68.6 |

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

| | | As of December 31, 2018 | | | As of December 31, 2017 | | |
|---|---|---|---|---|---|---|---|
| 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 | $ 37.9 | $ 9.6 | $ 28.3 | $ 14.5 | $ 13.4 | $ 1.1 |
| Cash flow hedges | Other assets | 20.9 | 3.5 | 17.4 | 4.8 | 4.3 | 0.5 |
| | | | | | | | |
| ***Liability Derivatives*** | | | | | | | |
| Cash flow hedges | Other current liabilities | 9.9 | 9.6 | 0.3 | 45.8 | 13.4 | 32.4 |
| Cash flow hedges | Other long-term liabilities | 3.7 | 3.5 | 0.2 | 22.8 | 4.3 | 18.5 |

The following net investment hedge gains (losses) were recognized on our consolidated sta tements of comprehensive income (loss) (in millions):

| Derivative Instrument | Amount of Gain / (Loss) Recognized in AOCI Years Ended December 31, 2018 | 2017 | 2016 |
|---|---|---|---|
| Euro Notes | $ 57.6 | $ (146.0) | $ 9.4 |
| Cross-currency interest rate swaps | 62.8 | - | - |
| Foreign exchange forward contracts | - | - | 9.4 |
| | $ 120.4 | $ (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 2018 | 2017 | 2016 | Foreign 2018 | 2017 | 2016 |
|---|---|---|---|---|---|---|
| Service cost | $ 8.0 | $ 8.7 | $ 9.6 | $ 20.0 | $ 17.7 | $ 19.0 |
| Interest cost | 14.2 | 14.0 | 13.8 | 8.1 | 8.4 | 10.0 |
| Expected return on plan assets | (32.9) | (32.4) | (32.2) | (14.0) | (12.2) | (13.7) |
| Curtailment gain | - | - | - | - | - | (0.5) |
| Settlements | 1.2 | 0.4 | 2.6 | 0.2 | 1.1 | - |
| Amortization of prior service cost | (5.7) | (5.9) | (5.9) | (4.2) | (4.4) | (1.9) |
| Amortization of unrecognized actuarial loss | 23.7 | 17.9 | 16.5 | 2.5 | 4.2 | 6.4 |
| Net periodic benefit cost | $ 8.5 | $ 2.7 | $ 4.4 | $ 12.6 | $ 14.8 | $ 19.3 |

In our consolidated statements of earnings, service cost is reported in the same location as other compensation costs arising from services rendered by the pertinent employees while the other components of net pension expense are reported in other expense, net.

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 2018 | 2017 | 2016 | Foreign 2018 | 2017 | 2016 |
|---|---|---|---|---|---|---|
| Discount rate | 3.79% | 4.33% | 4.32% | 1.18% | 1.38% | 1.41% |
| Rate of compensation increase | 3.29% | 3.29% | 3.29% | 2.09% | 2.20% | 2.08% |
| Expected long-term rate of return on plan assets | 7.75% | 7.75% | 7.75% | 2.19% | 2.30% | 2.40% |

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.

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

| | For the Years Ended December 31, | | | |
|---|---|---|---|---|
| | U.S. and Puerto Rico | | Foreign | |
| | 2018 | 2017 | 2018 | 2017 |
| Projected benefit obligation - beginning of year | $ 420.7 | $ 376.9 | $ 623.6 | $ 568.6 |
| Service cost | 8.0 | 8.7 | 20.0 | 17.7 |
| Interest cost | 14.2 | 14.0 | 8.1 | 8.4 |
| Plan amendments | - | - | 2.2 | 0.6 |
| Employee contributions | - | - | 18.1 | 17.0 |
| Benefits paid | (20.3) | (14.9) | (36.9) | (34.5) |
| Actuarial (gain) loss | (21.1) | 36.9 | 6.0 | 15.6 |
| Expenses paid | - | - | (0.3) | (0.2) |
| Settlement | (5.5) | (0.9) | - | (0.8) |
| Translation (loss) gain | - | - | (9.7) | 31.2 |
| Projected benefit obligation - end of year | $ 396.0 | $ 420.7 | $ 631.1 | $ 623.6 |

| | For the Years Ended December 31, | | | |
|---|---|---|---|---|
| | U.S. and Puerto Rico | | Foreign | |
| | 2018 | 2017 | 2018 | 2017 |
| Plan assets at fair market value - beginning of year | $ 433.6 | $ 389.4 | $ 574.9 | $ 507.0 |
| Actual return on plan assets | (25.7) | 58.2 | 7.5 | 42.7 |
| Employer contributions | 6.4 | 1.8 | 31.7 | 16.5 |
| Employee contributions | - | - | 18.1 | 17.0 |
| Settlements | (5.5) | (0.9) | - | - |
| Benefits paid | (20.3) | (14.9) | (36.9) | (34.5) |
| Expenses paid | - | - | (0.3) | (0.2) |
| Translation (loss) gain | - | - | (9.2) | 26.4 |
| Plan assets at fair market value - end of year | $ 388.5 | $ 433.6 | $ 585.8 | $ 574.9 |
| Funded status | $ (7.5) | $ 12.9 | $ (45.3) | $ (48.7) |

| | For the Years Ended December 31, | | | |
|---|---|---|---|---|
| | U.S. and Puerto Rico | | Foreign | |
| | 2018 | 2017 | 2018 | 2017 |
| Amounts recognized in consolidated balance sheet: | | | | |
| Prepaid pension | $ - | $ 22.8 | $ 15.3 | $ 14.9 |
| Short-term accrued benefit liability | (0.2) | (5.6) | (0.8) | (0.8) |
| Long-term accrued benefit liability | (7.3) | (4.3) | (59.8) | (62.8) |
| Net amount recognized | $ (7.5) | $ 12.9 | $ (45.3) | $ (48.7) |

We estimate the following amounts recorded as part of AOCI will be recognized as part of our net pension expense during 2019 (in millions):

| | U.S. and Puerto Rico | Foreign |
|---|---|---|
| Unrecognized prior service cost | $ (3.4) | $ (4.1) |
| Unrecognized actuarial loss | 17.9 | 2.5 |
| | $ 14.5 | $ (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 | | |
| | 2018 | 2017 | 2016 | 2018 | 2017 | 2016 |
| Discount rate | 4.38% | 3.78% | 4.32% | 1.41% | 1.27% | 1.41% |
| Rate of compensation increase | 3.29% | 3.29% | 3.29% | 2.13% | 2.19% | 2.08% |

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 | |
| | 2018 | 2017 | 2018 | 2017 |
| Projected benefit obligation | $ 396.0 | $ 55.1 | $ 451.4 | $ 598.8 |
| Plan assets at fair market value | 388.5 | 45.2 | 394.4 | 544.2 |

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 | |
| | 2018 | 2017 | 2018 | 2017 |
| Total accumulated benefit obligations | $ 392.0 | $ 412.1 | $ 618.0 | $ 609.1 |
| Plans with accumulated benefit obligations in excess of plan assets: | | | | |
| Accumulated benefit obligation | 47.1 | 54.7 | 434.8 | 417.4 |
| Plan assets at fair market value | 41.6 | 45.2 | 388.8 | 375.5 |

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 |
|---|---|---|
| 2019 | $ 18.8 | $ 25.0 |
| 2020 | 19.7 | 25.5 |
| 2021 | 20.8 | 25.4 |
| 2022 | 21.9 | 25.8 |
| 2023 | 23.3 | 26.5 |
| 2024-2028 | 126.1 | 140.8 |

The U.S. and Puerto Rico defined benefit retirement plans' overall investment strategy is to balance 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 0 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, 2018 | | | |
|---|---|---|---|---|
| | | 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 | $ 3.1 | $ 3.1 | $ - | $ - |
| Equity securities | 231.7 | - | 231.7 | - |
| Intermediate fixed income securities | 153.7 | - | 153.7 | - |
| Total | $ 388.5 | $ 3.1 | $ 385.4 | $ - |

| | 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 | $ - |

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

| | As of December 31, 2018 | | | |
|---|---|---|---|---|
| | | 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 | $ 14.6 | $ 14.6 | $ - | $ - |
| Equity securities | 138.6 | 109.3 | 29.3 | - |
| Fixed income securities | 226.9 | - | 226.9 | - |
| Other types of investments | 96.8 | - | 96.8 | - |
| Real estate | 108.9 | - | - | 108.9 |
| Total | $ 585.8 | $ 123.9 | $ 353.0 | $ 108.9 |

| Asset Category | As of December 31, 2017 | | | |
|---|---|---|---|---|
| | | 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 | $ 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 |

As of December 31, 2018 and 2017, 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, 2018 |
|---|---|
| Beginning Balance | $ 91.0 |
| Loss on assets sold | (0.4) |
| Change in fair value of assets | 6.9 |
| Net purchases and sales | 11.7 |
| Translation loss | (0.3) |
| Ending Balance | $ 108.9 |

We expect that we will have minimal legally required funding requirements in 2019 for the qualified U.S. and Puerto Rico defined benefit retirement plans, and we do not expect to voluntarily contribute to these plans during 2019. Contributions to foreign defined benefit plans are estimated to be $18.7 million in 2019. 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 $48.9 million, $47.9 million and $42.5 million related to these plans for the years ended December 31, 2018, 2017 and 2016, respectively.

## 15. Income Taxes

The 2017 Tax Act was enacted on December 22, 2017 and contained 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.

In March 2018, the FASB issued ASU 2018-05, "Income Taxes - Amendments to SEC Paragraphs Pursuant to SEC Staff Accounting Bulletin No. 118." The guidance provided for a provisional one-year measurement period for entities to finalize their accounting for certain tax effects related to the 2017 Tax Act. In 2017, we recorded a $1,272.4 million income tax benefit related to provisional amounts for which the accounting had not been finalized. In 2018, we completed our calculation of the post-1986 E&P and related foreign taxes of our foreign subsidiaries, as well as the classification of the E&P as cash or non-cash and the finalization of all provisional items. Based on the completed calculations related to the effects of the 2017 Tax Act, and consideration of proposed regulations and other guidance issued during 2018, we recorded additional income tax expense of $8.3 million. The additional $8.3 million of tax expense consists of an adjustment to the toll charge or transition tax provision of $11.3 million and a benefit of $3.0 million related to the remeasurement of our deferred tax assets and liabilities.

The 2017 Tax Act created a provision known as GILTI that imposes a U.S. tax on certain earnings of foreign subsidiaries that are subject to foreign tax below a certain threshold. The Company has made an accounting policy election to reflect GILTI taxes, if any, as a current income tax expense in the period incurred.

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

| | For the Years Ended December 31, | | |
|---|---|---|---|
| | 2018 | 2017 | 2016 |
| United States operations | $ (382.8) | $ (114.0) | $ (251.8) |
| Foreign operations | 111.7 | 578.6 | 651.4 |
| Total | $ (271.1) | $ 464.6 | $ 399.6 |

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

| | | | |
|---|---|---|---|
| Current: | | | |
| Federal | $ (46.2) | $ 438.5 | $ 134.2 |
| State | 24.4 | 2.4 | 12.4 |
| Foreign | 116.6 | (13.7) | 101.6 |
| | 94.8 | 427.2 | 248.2 |
| Deferred: | | | |
| Federal | 37.9 | (1,728.5) | (108.5) |
| State | (8.8) | (95.5) | 2.3 |
| Foreign | (15.7) | 48.0 | (47.0) |
| | 13.4 | (1,776.0) | (153.2) |
| Provision (benefit) for income taxes | $ 108.2 | $ (1,348.8) | $ 95.0 |
| Net income taxes paid | $ 237.1 | $ 266.9 | $ 269.6 |

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

| | For the Years Ended December 31, | | |
|---|---|---|---|
| | 2018 | 2017 | 2016 |
| U.S. statutory income tax rate | 21.0 % | 35.0 % | 35.0 % |
| State taxes, net of federal deduction | (2.5) | 1.8 | 2.0 |
| Tax impact of foreign operations, including U.S. taxes on international income and foreign tax credits | 54.3 | (32.0) | (11.0) |
| Change in valuation allowance | (4.9) | 0.8 | - |
| Non-deductible expenses | 1.7 | 2.7 | 0.9 |
| Goodwill impairment | (75.2) | 22.5 | - |
| Tax rate change | (12.2) | (24.0) | - |
| Tax impact of certain significant transactions | - | - | 1.6 |
| Tax benefit relating to foreign derived intangible income and U.S. manufacturer's deduction | (0.2) | (1.7) | (4.7) |
| R&D tax credit | 6.0 | (1.2) | (1.9) |
| Share-based compensation | 0.1 | (2.6) | (2.9) |
| Net uncertain tax positions, including interest and penalties | (25.5) | (17.0) | 4.2 |
| U.S. tax reform | (3.1) | (273.8) | - |
| Other | 0.6 | (0.8) | 0.6 |
| Effective income tax rate | (39.9) % | (290.3) % | 23.8 % |

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.

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

| | As of December 31, | |
|---|---|---|
| | 2018 | 2017 |
| Deferred tax assets: | | |
| Inventory | $ 271.5 | $ 246.8 |
| Net operating loss carryover | 374.3 | 165.1 |
| Tax credit carryover | 29.2 | 163.8 |
| Capital loss carryover | 7.9 | 6.9 |
| Product liability and litigation | 92.6 | 55.9 |
| Accrued liabilities | 35.3 | 46.6 |
| Share-based compensation | 27.3 | 26.8 |
| Accounts receivable | 15.2 | 17.3 |
| Other | 48.8 | 84.9 |
| Total deferred tax assets | 902.1 | 814.1 |
| Less: Valuation allowances | (390.9) | (140.6) |
| Total deferred tax assets after valuation allowances | 511.2 | 673.5 |
| Deferred tax liabilities: | | |
| Fixed assets | $ 94.4 | $ 85.6 |
| Intangible assets | 1,301.3 | 1,423.0 |
| Other | 14.1 | 18.2 |
| Total deferred tax liabilities | 1,409.8 | 1,526.8 |
| Total net deferred income taxes | $ (898.6) | $ (853.3) |

Net operating loss carryovers are available to reduce future federal, state and foreign taxable earnings. At December 31, 2018, $240.3 million of these net operating loss carryovers expire within a period of 1 to 20 years and $134.0 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 $348.9 million and $105.0 million at December 31, 2018 and 2017, respectively.

Deferred tax assets related to tax credit carryovers are available to offset future federal and state tax liabilities. At December 31, 2018, $29.2 million of these tax credit carryovers generally expire within a period of 2 to 16 years. Valuation allowances for certain tax credit carryovers have been established in the amount of $25.2 million and $18.5 million at December 31, 2018 and 2017, respectively.

Deferred tax assets related to capital loss carryovers are also available to reduce future federal and foreign capital gains. At December 31, 2018, $1.5 million of these capital loss carryovers expire within 1 year and $6.4 million of these capital loss carryovers have an indefinite life. Valuation allowances for certain capital loss carryovers have been established in the amount of $7.9 million and $5.5 million at December 31, 2018 and 2017, respectively. The remaining valuation allowances booked against deferred tax assets of $8.9 million and $11.6 million at December 31, 2018 and 2017, 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. We intend to repatriate at least $5.1 billion of unremitted earnings and any tax cost related to the remittance of these earnings has been accounted for in the financial statements as of December 31, 2018. We have an estimated $2.6 billion of cash and intercompany notes available to repatriate and the remainder is invested in the operations of our foreign entities. The remaining amounts earned overseas are expected to be permanently reinvested outside of the United States, and therefore, no accrual for U.S. taxes has been recorded. It is not practical for us to determine the additional tax related to remitting the earnings in excess of $5.1 billion. A portion of these earnings has already been taxed as toll tax or GILTI and is not subject to further U.S. federal tax. Some of the additional tax would be offset by the allowable foreign tax credits.

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

| | For the Years Ended December 31, | | |
|---|---|---|---|
| | 2018 | 2017 | 2016 |
| Balance at January 1 | $ 626.8 | $ 649.3 | $ 591.9 |
| Increases related to business combinations | 4.5 | 70.2 | 70.2 |
| Increases related to prior periods | 34.6 | 172.8 | 36.7 |
| Decreases related to prior periods | (14.4) | (262.2) | (94.7) |
| Increases related to current period | 41.9 | 24.8 | 53.0 |
| Decreases related to settlements with taxing authorities | (3.8) | (21.7) | (3.2) |
| Decreases related to lapse of statute of limitations | (4.1) | (6.4) | (4.6) |
| Balance at December 31 | $ 685.5 | $ 626.8 | $ 649.3 |
| Amounts impacting effective tax rate, if recognized balance at December 31 | $ 549.1 | $ 499.6 | $ 511.5 |

We recognize accrued interest and penalties related to unrecognized tax benefits as income tax expense. During 2018, we accrued interest and penalties of $18.5 million, and as of December 31, 2018, had a recognized liability for interest and penalties of $94.2 million.

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 $3.0 million of increase related to the Biomet merger. During 2016, we accrued interest and penalties of $19.3 million, and as of December 31, 2016, had a recognized 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.

We operate on a global basis and are subject to numerous and complex tax laws and regulations. Additionall y, 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 a re 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 compa ny 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 $125 million decrease to a $25 million increase.

Our U.S. Federal income tax returns have been audited through 2012 and are currently under audit for years 2013-2015. The IRS has proposed adjustments for years 2005-2012, primarily related to 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 will be filing a petition with the U.S. Tax Court. For years 2010-2012, 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 2011 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, 2018.

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, | | |
|---|---|---|---|
| | 2018 | 2017 | 2016 |
| Weighted average shares outstanding for basic net earnings per share | 203.5 | 201.9 | 200.0 |
| Effect of dilutive stock options and other equity awards | - | 1.8 | 2.4 |
| Weighted average shares outstanding for diluted net earnings per share | 203.5 | 203.7 | 202.4 |

Since we incurred a net loss in the year ended December 31, 2018, no dilutive stock options or other equity awards were included as diluted shares. For the years ended December 31, 2017 and 2016, an average of 1.0 million and 0.9 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 orthopedic reconstructive products; sports medicine, biologics, extremities and trauma products; spine, craniomaxillofacial and thoracic products ("CMF"); office based technologies; dental implants; and related surgical products. Our chief operating decision maker ("CODM") allocates 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 geographic o perating 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. The product category operating segments are Spine, Office Based Technologies, CMF and Dental. The geographic operating segments include results 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, our CODM evaluates performance based upon segment operating profit exclusive of operating expenses pertaining to inventory and manufacturing-related charges, intangible asset amortization, goodwill and intangible asset impairment, acquisition, integration and related, quality remediation, litigation, certain European Union Medical Device Regulation expenses, other charges, 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.

Our CODM does not review asset information by operating segment. Instead, our CODM reviews 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. Prior period reportable segment financial information has been restated to reflect the impact of the adoption of ASU 2017-07 and ASU 2014-09, as described in Note 2 .

In November 2018 we hired a new Group President, Orthopedics. This new position has different responsibilities than any previous leadership team member. As of December 31, 2018, our operating segments have not changed. However, it is likely in 2019 that there will be changes in either our operating segments or the composition of operating profit in our current operating segments. We cannot determine at this time what those changes may be.

Net sales and ot her 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, 2018 | | | | | | |
| Net sales | $ 3,932.6 | $ 1,576.1 | $ 1,236.9 | $ 1,187.3 | $ - | $ 7,932.9 |
| Depreciation and amortization | 120.4 | 70.3 | 66.6 | 45.0 | 738.2 | 1,040.5 |
| Segment operating profit | 2,055.9 | 478.4 | 427.3 | 208.6 | (959.9) | 2,210.3 |
| Inventory and manufacturing-related charges | | | | | | (32.5) |
| Intangible asset amortization | | | | | | (595.9) |
| Goodwill and intangible asset impairment | | | | | | (979.7) |
| Acquisition, integration and related | | | | | | (133.7) |
| Quality remediation | | | | | | (165.4) |
| Litigation | | | | | | (186.0) |
| European Union Medical Device Regulation | | | | | | (3.7) |
| Other charges | | | | | | (79.6) |
| Operating profit | | | | | | 33.8 |
| For the Year Ended December 31, 2017 | | | | | | |
| Net sales | $ 3,928.9 | $ 1,523.4 | $ 1,158.3 | $ 1,192.7 | $ - | $ 7,803.3 |
| Depreciation and amortization | 127.6 | 71.7 | 60.2 | 45.7 | 757.5 | 1,062.7 |
| Segment operating profit | 2,126.8 | 478.3 | 417.6 | 262.9 | (860.0) | 2,425.6 |
| Inventory and manufacturing-related charges | | | | | | (70.8) |
| Intangible asset amortization | | | | | | (603.9) |
| Goodwill and intangible asset impairment | | | | | | (331.5) |
| Acquisition, integration and related | | | | | | (279.8) |
| Quality remediation | | | | | | (195.1) |
| Litigation | | | | | | (104.0) |
| Other charges | | | | | | (41.2) |
| Operating profit | | | | | | 799.3 |
| For the Year Ended December 31, 2016 | | | | | | |
| Net sales | $ 3,927.9 | $ 1,512.7 | $ 1,095.6 | $ 1,132.2 | $ - | $ 7,668.4 |
| Depreciation and amortization | 135.5 | 69.6 | 53.3 | 38.1 | 742.8 | 1,039.3 |
| Segment operating profit | 2,133.3 | 498.2 | 431.8 | 272.6 | (811.1) | 2,524.8 |
| Inventory and manufacturing-related charges | | | | | | (468.3) |
| Intangible asset amortization | | | | | | (565.9) |
| Intangible asset impairment | | | | | | (31.1) |
| Acquisition, integration and related | | | | | | (504.9) |
| Quality remediation | | | | | | (54.3) |
| Litigation | | | | | | (33.3) |
| Other charges | | | | | | (45.9) |
| Operating profit | | | | | | 821.1 |

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, | |
|---|---|---|
| | 2018 | 2017 |
| United States | $ 1,235.1 | $ 1,151.6 |
| Other countries | 780.3 | 887.0 |
| Property, plant and equipment, net | $ 2,015.4 | $ 2,038.6 |

U.S. sales were $4,560.0 million, $4,582.2 million, and $4,525.8 million for the years ended December 31, 2018, 2017 and 2016, 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.

**18. Leases**

Total rent expense for the years ended December 31, 2018, 2017 and 2016 aggregated $72.2 million, $87.2 million, and $74.0 million, respectively.

Future minimum rental commitments under non-cancelable operating leases in effect as of December 31, 2018 were (in millions):

| For the Years Ending December 31, | |
|---|---|
| 2019 | $ 67.1 |
| 2020 | 56.9 |
| 2021 | 44.1 |
| 2022 | 32.2 |
| 2023 | 27.7 |
| Thereafter | 81.6 |

**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 the majority 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* ). Litigation activity in the MDL is stayed pending finalization of 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, and the period for class members to submit a claim for compensation under the settlement closed in September 2017. All claims under the Canadian class settlement have been paid. The majority of claims in the UK, which were consolidated in a Group Litigation Order, were recently discontinued.

In 2018, we lowered our estimate of the number of Durom Cup-related claims we expect to settle. Therefore, we recognized a $37.2 million gain in SG&A expense in the year ended December 31, 2018. We recognized $10.3 million in expense for Durom Cup-related claims in 2017, with no expense recorded in 2016. Since 2008, we have recognized net expense of $452.5 million for Durom Cup-related claims.

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, 2018 for any possible futu re insurance recoveries for these claims.

Our estimate as of December 31, 2018 of the remaining liability for all Durom Cup-related claims is $91.6 million, of which $19.5 million is classified as short-term in "Other current liabilities" and $72.1 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.

*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 an 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 dismissed following the court's grant of summary judgment in our favor in October 2016. That decision was appealed by the plaintiff and subsequently affirmed by the Seventh Circuit Court of Appeals in March 2018. 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, at which a settlement in principle was reached that would resolve all MDL cases and all state court cases that involved MDL products. On February 11, 2019, we informed the MDL court of our intention to consummate a confidential settlement that resolves 273 of the remaining 279 cases.

*Zimmer M/L Taper, M/L Taper with Kinectiv Technology, and Versys Femoral Head-related claims* : We are a defendant in a number of product liability lawsuits relating to our M/L Taper and M/L Taper with Kinectiv Technology hip stems, and Versys Femoral Head implants. The plaintiffs seek damages for personal injury, alleging that defects in the products lead to corrosion at the head/stem junction resulting in, among other things, pain, inflammation and revision surgery. The majority of the cases are consolidated in an MDL in the United States District Court for the Southern District of New York ( *In Re: Zimmer M/L Taper Hip Prosthesis or M/L Taper Hip Prosthesis with Kinectiv Technology and Versys Femoral Head Products Liability Litigation* ). Other related cases are pending in various state courts, with the majority of state court cases pending in Oregon, New Mexico, Indiana and Florida. Additional lawsuits are likely to be filed. 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, most of which involve the M2a-Magnum hip system. The majority of the cases are currently consolidated in an MDL 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, with the majority of domestic state court cases pending in Indiana and Florida.

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, or are in the process of being remanded to their originating jurisdictions. 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. In light of recent litigation developments, our estimate as of December 31, 2018 of the remaining liability for all Biomet metal-on-metal hip implant claims has increased to $70.4 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,

2018, 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.

Germany: 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, which it later increased to € 125.9 million. In September 2017, Heraeus filed an enforcement action in the Darmstadt court against Biomet Europe, requesting that a fine be imposed against Biomet Europe for failure to disclose the amount of the European Cements which Biomet Orthopaedics Switzerland had ordered to be manufactured in Germany (e.g., for the Chinese market). In June 2018, the Darmstadt court dismissed Heraeus' request. Heraeus appealed the decision. 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. On June 29, 2018, the court in Freiberg, Germany dismissed Heraeus' request for an injunction prohibiting the marketing of the European Cements under their current names on the grounds that the same request had already been decided upon by the Frankfurt Decision which became final and binding. Heraeus has appealed this decision to the Court of Appeals in Karlsruhe, Germany.

United States: On September 8, 2014, Heraeus filed a complaint against a Biomet supplier, Esschem, Inc. ("Esschem"), in the U.S. 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 Uniform 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 court entered an order granting Esschem's motion for summary judgment and dismissed all of Heraeus' claims with prejudice. On February 21, 2018, Heraeus filed a notice of appeal to the U.S. Court of Appeals for the Third Circuit, which heard oral argument on the appeal on October 23, 2018.

On December 7, 2017, Heraeus filed a complaint against Zimmer Biomet Holdings, Inc. and Biomet, Inc. in the U.S. District Court for the Eastern District of Pennsylvania alleging a single claim of trade secret misappropriation under the Pennsylvania Uniform Trade Secrets Act based on the same factual allegations as the Esschem litigation. On March 5, 2018, Heraeus filed an amended complaint adding a second claim of trade secret misappropriation under Pennsylvania common law. Heraeus seeks to enjoin the Zimmer Biomet parties from future use of the allegedly misappropriated trade secrets and recovery of unspecified damages for alleged past use. On April 18, 2018, the Zimmer Biomet parties filed a motion to dismiss both claims.

Other European Countries: 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. On October 2, 2018, the Belgian Court of Appeal of Mons issued a judgment in favor of Heraeus relating

to its request for past damages caused by the alleged misappropriation of its trade secrets, and an injunction preventing future sales of certain European Cements in Belgiu m (the "Belgian Decision"). We have appealed this judgment to the Belgian Supreme Court. Heraeus subsequently filed a suit in Belgium concerning the continued sale of the European Cements with certain changed materials. Like its suit in Germany, 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.

On February 13, 2019, a Norwegian court of first instance issued a judgment in favor of Heraeus on its claim for misappropriation of trade secrets. The court awarded damages of 19,500,000 NOK or approximately $2.3 million plus attorneys' fees, and issued an injunction, which is not final and thus not currently being enforced, preventing Zimmer Biomet Norway from marketing in Norway bone cements identified with the current product names and bone cements making use of the trade secrets which were acknowledged in the Frankfurt Decision. We intend to appeal this judgment.

Heraeus is pursuing damages and injunctive relief in France in an effort to prevent us from manufacturing, marketing and selling the European Cements (the "France Litigation"). The European Cements are manufactured at our facility in Valence, France. On December 11, 2018, a hearing was held in the France Litigation before the commercial court in Romans-sur-Isère, and the court's decision in this matter is expected in the second quarter of 2019. Although we are vigorously defending the France Litigation, the ultimate outcome is uncertain. An adverse ruling in the France Litigation could have a material adverse effect on our business, financial condition and results of operations.

We have accrued an estimated loss relating to the collective European trade secret litigation, including estimated legal costs to defend. Damages relating to the Frankfurt Decision are subject to separate proceedings, and the Belgian court appointed an expert to determine the amount of damages related to the Belgian Decision. Thus, 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 lost profits 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 attorneys' 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. Oral argument before the Federal Circuit took place on December 3, 2018 and the Federal Circuit affirmed the trial court's ruling in full on December 10, 2018. Although we filed a petition with the Federal Circuit for a rehearing *en banc* which remains pending, it is probable that we will be required to pay approximately $168 million related to the award of treble damages and attorneys' fees in 2019, and we accrued an estimated loss of this amount in the three month period ended December 31, 2018.

*Putative Securities Class Action:* On December 2, 2016, a complaint was filed in the U.S. District Court for the Northern District o f Indiana ( *Shah v. Zimmer Biomet Holdings, Inc. et al.)* , naming us, one of our officers and two 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 prev iously 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 volunta rily 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. We and our current and former officers and Board members named as defendants are sometimes hereinafter referred to as the "Zimmer Biomet Defendant group". The former stock holders of ours who sold shares of our common stock in secondary public offerings in 2016 are sometimes hereinafter referred to as the "Private Equity Fund Defendant group". The second amended complaint relates to a putative class action on behalf of pers ons who purchased our common stock between June 7, 2016 and November 7, 2016. The second amended complaint generally alleges that the defendants violated federal securities laws by making materially false and/or misleading statements and/or omissions abou t 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, plaintiffs filed their omnibus respo nse to the motions to dismiss on March 13, 2018 and the defendants filed their respective reply briefs on May 18, 2018. On September 27, 2018, the court denied the Zimmer Biomet Defendant group's motion to dismiss in its entirety. The court granted the P rivate Equity Fund Defendant group's motion to dismiss, without prejudice. On October 9, 2018, the Zimmer Biomet Defendant group filed a motion to amend the court's order on the motion to certify two issues for interlocutory appeal, and a motion to stay p roceedings pending appeal. That motion remains pending. 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 vigoro usly.

Regulatory Matters, Government Investigations and Other Matters

*FDA warning letters* : In August 2018, we received a warning letter from the FDA related to observed non-conformities with current good manufacturing practice requirements of the QSR at our Warsaw North Campus 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. In September 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. 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 Warsaw, Montreal and Ponce. As of February 15, 2019, 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 QSR 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, (i) 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 are subject to oversight by an independent compliance monitor. 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)**

| | 2018 Quarter Ended | | | | 2017 Quarter Ended | | | |
|---|---|---|---|---|---|---|---|---|
| | Mar | Jun | Sep | Dec | Mar | Jun | Sep | Dec |
| Net sales | $ 2,017.6 | $ 2,007.6 | $ 1,836.7 | $ 2,071.0 | $ 1,972.4 | $ 1,949.5 | $ 1,813.1 | $ 2,068.3 |
| Gross profit | 1,291.0 | 1,274.4 | 1,160.1 | 1,339.6 | 1,307.5 | 1,274.1 | 1,159.5 | 1,325.4 |
| Net earnings (loss) of Zimmer Biomet Holdings, Inc. | 174.7 | 185.0 | 162.2 | (901.1) | 299.4 | 184.2 | 98.8 | 1,231.4 |
| Earnings (loss) per common share | | | | | | | | |
| Basic | 0.86 | 0.91 | 0.80 | (4.42) | 1.49 | 0.91 | 0.49 | 6.08 |
| Diluted | 0.85 | 0.90 | 0.79 | (4.42) | 1.47 | 0.90 | 0.48 | 6.03 |

In the three month period ended December 31, 2018, we recorded goodwill impairment charges of $975.9 million.

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.

**Item 9. Changes in and Disagreements with Accountants 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, 2018, 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 Exchange Act, 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 principles 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, 2018. 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, 2018, 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, 2018, as stated in its report which appears in Item 8 of this Annual Report on Form 10-K.

*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, 2018 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 2018, the Audit Committee of our Board of Directors was not asked to, and did not, approve the engagement of PricewaterhouseCoopers LLP, our independent registered public accounting firm, to perform any non-audit services. This disclosure is made pursuant to Section 10A(i)(2) of the Exchange Act.

**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 10, 2019 (the "2019 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 2019 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 2019 Proxy Statement.

**Item 13. Certain Relationships and Related Transactions and Director Independence**

Information required by this item is incorporated by reference from our 2019 Proxy Statement.

**Item 14. Principal Accountant Fees and Services**

Information required by this item is incorporated by reference from of our 2019 Proxy Statement.

**PART IV**

**Item 15. Exhibits and 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, 2018, 2017 and 2016

Consolidated Statements of Comprehensive Income (Loss) for the Years Ended December 31, 2018, 2017 and 2016

Consolidated Balance Sheets as of December 31, 2018 and 2017

Consolidated Statements of Stockholders' Equity for the Years Ended December 31, 2018, 2017 and 2016

Consolidated Statements of Cash Flows for the Years Ended December 31, 2018, 2017 and 2016

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 / Other Additions to Reserve | Effects of Foreign Currency | Acquired Allowances | Balance at End of Period |
|---|---|---|---|---|---|---|
| Allowance for Doubtful Accounts: | | | | | | |
| 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 |
| Year Ended December 31, 2018 | 60.2 | 10.7 | (3.6) | (1.6) | - | 65.7 |
| Deferred Tax Asset Valuation Allowances: | | | | | | |
| 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 |
| Year Ended December 31, 2018 | 140.6 | 48.2 | 206.2 (1) | (4.1) | - | 390.9 |

(1) Primarily relate to amounts generated by tax rate changes or current year activity which have offsetting changes to the associated attribute and therefore there is no resulting impact on tax expense in the consolidated financial statements.

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† |
|---|---|
| 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 2.700% Notes due 2020 (incorporated by reference to Exhibit 4.8 above) |
| 4.10 | Form of 3.150% Notes due 2022 (incorporated by reference to Exhibit 4.8 above) |
| 4.11 | Form of 3.550% Notes due 2025 (incorporated by reference to Exhibit 4.8 above) |
| 4.12 | Form of 4.250% Notes due 2035 (incorporated by reference to Exhibit 4.8 above) |
| 4.13 | Form of 4.450% Notes due 2045 (incorporated by reference to Exhibit 4.8 above ) |
| 4.14 | 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) |
| 4.15 | Form of 1.414% Notes due 2022 (incorporated by reference to Exhibit 4.14 above) |
| 4.16 | Form of 2.425% Notes due 2026 (incorporated by reference to Exhibit 4.14 above) |
| 4.17 | 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) |
| 4.18 | 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) |
| 4.19 | Fifth Supplemental Indenture, dated as of March 19, 2018, 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 March 19, 2018) |
| 4.20 | Form of Floating Rate Notes due 2021 (incorporated by reference to Exhibit 4.19 above) |
| 4.21 | Form of 3.700% Notes due 2023 (incorporated by reference to Exhibit 4.19 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) |
| 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* | 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) |
| 10.8* | 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) |
| 10.9* | 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) |
| 10.10* | Offer Letter by and between Zimmer Biomet Holdings, Inc. and Ivan Tornos dated as of October 11, 2018 |
| 10.11* | Form of Change in Control Severance Agreement with Ivan Tornos |
| 10.12* | Form of Confidentiality, Non-Competition and Non-Solicitation Agreement with Ivan Tornos |
| 10.13* | Swiss Employment Agreement by and between Zimmer GmbH and Didier Deltort dated as of June 28, 2018 (incorporated by reference to Exhibit 10.1 to the Quarterly Report on Form 10-Q filed November 1, 2018) |
| 10.14* | Offer Letter by and between Zimmer Biomet Holdings, Inc. and Didier Deltort dated as of June 28, 2018 (incorporated by reference to Exhibit 10.2 to the Quarterly Report on Form 10-Q filed November 1, 2018) |
| 10.15* | Change in Control Severance Agreement by and between Zimmer GmbH and Didier Deltort dated as of October 9, 2018 (incorporated by reference to Exhibit 10.4 to the Quarterly Report on Form 10-Q filed November 1, 2018) |
| 10.16* | Confidentiality, Non-Competition and Non-Solicitation Agreement by and between Zimmer GmbH and Didier Deltort dated as of June 28, 2018 (incorporated by reference to Exhibit 10.3 to the Quarterly Report on Form 10-Q filed November 1, 2018) |
| 10.17* | Form of Change in Control Severance Agreement with Daniel P. Florin (incorporated by reference to Exhibit 10.1 to the Registrant's Quarterly Report on Form 10-Q filed August 10, 2015) |
| 10.18* | 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) |
| 10.19* | 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) |
| 10.20* | Form of Change in Control Severance Agreement with Aure Bruneau (incorporated by reference to Exhibit 10.11 to the Registrant's Annual Report on Form 10-K filed February 27, 2018) |
| 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 Sang Yi (incorporated by reference to Exhibit 10.2 to the Registrant's Quarterly Report on Form 10-Q filed November 9, 2015) |
| 10.23* | Form of Confidentiality, Non-Competition and Non-Solicitation Agreement with Chad F. Phipps (incorporated by reference to Exhibit 10.3 to the Registrant's Current Report on Form 8-K filed June 26, 2015) |
| 10.24* | Form of Confidentiality, Non-Competition and Non-Solicitation Agreement with Aure Bruneau (incorporated by reference to Exhibit 10.18 to the Registrant's Annual Report on Form 10-K filed February 27, 2018) |
| 10.25* | 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) |

| | |
|---|---|
| 10.26* | 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) |
| 10.27* | 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) |
| 10.28* | 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) |
| 10.29* | 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) |
| 10.30* | Restated Zimmer Biomet Holdings, Inc. Executive Severance Plan (incorporated by reference to Exhibit 10.1 to the Registrant's Quarterly Report on Form 10-Q filed August 6, 2018) |
| 10.31* | 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) |
| 10.32* | Form of Nonqualified Stock Option Award Agreement (four-year vesting) under the Zimmer Biomet Holdings, Inc. 2009 Stock Incentive Plan |
| 10.33* | Form of Nonqualified Stock Option Award Agreement (two-year vesting) under the Zimmer Biomet Holdings, Inc. 2009 Stock Incentive Plan (incorporated by reference to Exhibit 10.37 to the Registrant's Annual Report on Form 10-K filed February 27, 2018) |
| 10.34* | 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) |
| 10.35* | Form of Performance-Based Restricted Stock Unit Award Agreement (2018) under the Zimmer Biomet Holdings, Inc. 2009 Stock Incentive Plan (incorporated by reference to Exhibit 10.1 to the Registrant's Quarterly Report on Form 10-Q filed May 8, 2018) |
| 10.36* | Form of Performance-Based Restricted Stock Unit Award Agreement (2019) under the Zimmer Biomet Holdings, Inc. 2009 Stock Incentive Plan |
| 10.37* | Form of Restricted Stock Unit Award Agreement (four-year vesting) under the Zimmer Biomet Holdings, Inc. 2009 Stock Incentive Plan |
| 10.38* | Form of Restricted Stock Unit Award Agreement (two-year cliff vesting) under the Zimmer Biomet Holdings, Inc. 2009 Stock Incentive Plan (incorporated by reference to Exhibit 10.2 to the Quarterly Report on Form 10-Q filed August 6, 2018) |
| 10.39* | 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) |
| 10.40* | 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) |
| 10.41* | 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) |
| 10.42* | 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) |
| 10.43* | Form of Restricted Stock Unit Award Agreement (Tornos one-time award) under the Zimmer Biomet Holdings, Inc. 2009 Stock Incentive Plan |
| 10.44* | 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) |
| 10.45* | 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) |
| 10.46* | Aircraft Time Sharing Agreement by and between Zimmer, Inc. and Bryan C. Hanson (incorporated by reference to Exhibit 10.40 to the Registrant's Annual Report on Form 10-K filed February 27, 2018) |
| 10.47* | Zimmer Biomet Holdings, Inc. Executive Physical Sub Plan |

| | |
|---|---|
| 10.48 | 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) |
| 10.49 | 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) |
| 10.50 | 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) |
| 10.51 | Assumption Agreement, dated as of October 29, 2018, by and among Zimmer Biomet Holdings, Inc., Zimmer Luxembourg II S.à.r.l. and JPMorgan Chase Bank, N.A., as General Administrative Agents |
| 10.52 | 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) |
| 10.53 | 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) |
| 10.54 | 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) |
| 10.55 | Credit Agreement, dated as of December 14, 2018, among Zimmer Biomet Holdings, Inc., Bank of America, N.A., as Administrative Agent, and the lenders from time to time party thereto (incorporated by reference to Exhibit 10.1 to the Registrant's Current Report on Form 8-K filed December 20, 2018) |
| 10.56 | 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) |
| 10.57 | 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) |
| 10.58 | 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 26, 2019

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<br>Bryan C. Hanson | President, Chief Executive Officer and Director<br>(Principal Executive Officer) | February 26, 2019 |
| /s/ Daniel P. Florin<br>Daniel P. Florin | Executive Vice President and Chief Financial Officer<br>(Principal Financial and Accounting Officer) | February 26, 2019 |
| /s/ Christopher B. Begley<br>Christopher B. Begley | Director | February 26, 2019 |
| /s/ Betsy J. Bernard<br>Betsy J. Bernard | Director | February 26, 2019 |
| /s/ Gail K. Boudreaux<br>Gail K. Boudreaux | Director | February 26, 2019 |
| /s/ Michael J. Farrell<br>Michael J. Farrell | Director | February 26, 2019 |
| /s/ Larry C. Glasscock<br>Larry C. Glasscock | Director | February 26, 2019 |
| /s/ Robert A. Hagemann<br>Robert A. Hagemann | Director | February 26, 2019 |
| /s/ Arthur J. Higgins<br>Arthur J. Higgins | Director | February 26, 2019 |
| /s/ Maria Teresa Hilado<br>Maria Teresa Hilado | Director | February 26, 2019 |
| /s/ Syed Jafry<br>Syed Jafry | Director | February 26, 2019 |
| /s/ Michael W. Michelson<br>Michael W. Michelson | Director | February 26, 2019 |

ZIMMER BIOMET

***Confidential***

Revised October 11, 2018

Ivan Tornos

Dear Ivan:

It is a pleasure to offer you the position of Group, President Orthopedics of Zimmer Biomet Holdings, Inc. (Zimmer Biomet or the Company) reporting to me. In this role, you will be paid an initial biweekly salary of $26,923.08, which is $700,000 annualized. Your start date will be November 1, 2018.

We have received the approval of the Compensation and Management Development Committee of the Board of Directors of Zimmer Biomet (Compensation Committee) of your compensation package as President of Global Orthopaedics. We expect that this role will be designated as a Section 16 Officer by the Board of Directors, as described more fully below. The Board will take separate action to officially make that designation.

**Annual Merit Adjustment**

Zimmer Biomet's annual merit review process involves base pay adjustments consistent with job performance. Merit adjustments are based on performance during the calendar year. You will be eligible for a merit increase beginning in 2020.

**Executive Performance Incentive Plan (EPIP)**

You will be eligible to participate in the 2018 EPIP upon your hire date. Your target bonus incentive will be 90% of your eligible earnings (which will consist primarily of base salary payments) for the year.

Your bonus payout under the EPIP will be based 90% on financial Corporate metric group results and 10% on evaluated accomplishment of your individual goals and objectives. The metrics include Consolidated Operating Earnings (35%), Consolidated Revenue (35%), Consolidated Free Cash Flow (10%) and Adjusted Earnings per Share (20%). Your 2018 bonus will be prorated for a partial year of service by applying the earned bonus percentage to your eligible Zimmer Biomet earnings for the year. Your 2019 financial metric group will be re-evaluated given your role in the organization.

You must remain employed by Zimmer Biomet at the time of bonus payout to be eligible to receive any bonus for the prior calendar year. Payout will occur around March of the year following the year for which the bonus is paid.

Your estimated annualized Total Cash Compensation is $1,330,000.

**2019 Long-Term Incentive (LTI) Plan Award**
For 2019, your estimated LTI grant date fair value in this role will be approximately $2,300,000.

Zimmer Biomet LTI Plan grants currently have two components:

- Stock options and
- Performance-based Restricted Stock Units (PRSUs).

This LTI structure offers participants a diversified award of 50% stock options and 50% PRSUs that can provide more consistent value than an award of stock options alone. Further, we believe this structure helps the Company remain competitive within the global labor market and creates a compelling and valuable long-term incentive for participants. For 2019 we anticipate two Company performance metrics for the PRSUs, with payouts determined based 50% on Zimmer Biomet's relative total shareholder return against the S&P 500 Health Care Index constituents and 50% on Zimmer Biomet's constant currency revenue growth.

LTI grant values are based upon our compensation philosophy, which is reviewed annually by the Compensation Committee and adjusted as warranted. We will provide additional details and information on this PRSU design in or around March 2019. After reviewing performance metrics, equity award types and value mix to finalize terms of the 2019 annual grant, we will communicate Compensation Committee determinations. Thereafter, applicable performance metrics, equity award types and value mix will remain subject to annual review and approval by the Compensation Committee.

We anticipate the grant date of the 2019 award will be in or around March 2019, subject to the Compensation Committee's approval. Please keep in mind that your job responsibilities, performance against your goals and objectives, the overall financial results of the Company and peer group / market compensation practices also impact LTI grant values each year.

Your estimated annualized total direct compensation is $3,630,000.

**Former Employer Bonus Forfeiture**
Since you will forfeit eligibility to receive a bonus payment for this fiscal year from your current employer due to your separation to accept this role with Zimmer Biomet, we will pay you a one-time bonus forfeiture amount to approximate your foregone bonus at your former company. We estimate your bonus forfeiture at $163,000. Please provide the appropriate documentation to support this amount as soon as you are able. Upon acceptance of the documentation and your commencement of employment, we will process payment within 60 days of your start date. This bonus forfeiture payment will not be included as income for purposes of calculating any other bonus or determining compensation for any benefit plan purposes, and will be subject to applicable tax withholdings. As a condition of payment, you must agree by your signature below that you will repay to Zimmer Biomet the entire gross amount paid to you if you voluntarily leave employment with Zimmer Biomet prior to the one-year anniversary of the payment date.

**Sign-On and Equity Replacement Grant s**

In connection with your commencement of employment, Zimmer Biomet will provide you a one-time long-term incentive grant with a grant date fair value of approximately $3,500,000. This will consist of (1) a sign-on/inducement equity grant with a grant date fair value of approximately $1,000,000; and (2) an equity replacement grant with a grant date fair value of approximately $2,500,000, subject to Zimmer Biomet's receipt of appropriate documentation to substantiate the value of the equity being replaced, including vesting schedule and type of equity vehicle.

- The sign-on/inducement equity grant ($1,000,000 grant date fair value) will consist of 50% stock options and 50% time-vested restricted stock units (RSUs), based on the grant date fair value of such awards. The grant date will be the first business day of the month following your commencement of employment. The stock options will vest at the rate of 25% per year over four years beginning on the first anniversary of the grant date, assuming your continued employment with Zimmer Biomet, and will expire on the tenth anniversary of the grant date. The RSUs will vest at the rate of 25% per year over four years beginning on the first anniversary of the grant date, again assuming your continued employment with Zimmer Biomet.

- The equity replacement grant ($2,500,000 grant date fair value) will be divided into three grants, one with a grant date fair value of $850,000, another one with a grant date fair value of $700,000 and the final one with a grant date fair value of $950,000.

    - The $850,000 grant will consist of 50% stock options and 50% time-vested RSUs, based on the grant date fair value of such awards. The grant date will be the first business day of the month following your commencement of employment. The stock options will vest at the rate of 25% per year over four years, beginning on the first anniversary of the grant date assuming your continued employment with Zimmer Biomet, and will expire on the tenth anniversary of the grant date. The RSUs will vest at the rate of 25% per year over four years beginning on the first anniversary of the grant date, again assuming your continued employment with Zimmer Biomet.

    - The $700,000 grant will consist of 100% time-vested RSUs, based on the grant date fair value of such award. The RSUs will vest at the rate of 25% per year over four years beginning on the first anniversary of the grant date, again assuming your continued employment with Zimmer Biomet. The grant date will be the first business day of the month following your commencement of employment.

    - The $950,000 grant will consist of 100% time-vested RSUs, based on the grant date fair value of such award. This award will vest in five months, subject to continued employment with Zimmer Biomet. The grant date will be the first business day of the month following your commencement of employment.

All equity awards (including the sign-on and equity replacement grants and the 2019 Long-Term Incentive Plan Award described above) are subject to the terms and conditions of the 2009

Stock Incentive Plan , as amended from time to time; award agreements ; and your execution of a n on- d isclosure, intellectual property and restrictive covenant a greement in the form provided by the Company .

**Former Employer Repayment Obligations**

It is our understanding that upon your resignation you will owe your former employer approximately $600,000. We understand this amount is from relocation expenses related to your expat assignment, retention cash payments over three years and cash payments from the expat assignment. Please provide the appropriate documentation to support the amount owed to your former employer. Upon Zimmer Biomet's receipt and acceptance of the documentation and your commencement of employment, we will process payment within 60 days of your start date and will either reimburse you or send payment to your former employer directly. Again, this is subject to Zimmer Biomet's receipt and acceptance of documentation to support the payment. This payment will not be included as income for purposes of calculating any other bonus or determining compensation for any benefit plan purposes, and will be subject to applicable tax withholdings. As a condition of payment, you must agree by your signature below that you will repay to Zimmer Biomet the entire gross amount paid to you (or to your former employer) if you voluntarily leave employment with Zimmer Biomet prior to the two-year anniversary of the final payment date.

**U.S. Deferred Compensation Plan**

As a member of our Zimmer Biomet Leadership Team, you will be eligible to participate in the Zimmer Biomet Deferred Compensation Plan.

The Deferred Compensation Plan offers:

- Savings opportunities through voluntary deferrals and Company matching contributions;
- Pre-tax earnings to help your account grow faster; and
- In-service distribution options to help you plan for future events.

Key features include:

- The ability to defer up to 50% of your base salary and up to 95% of your annual bonus.
- Matching contributions of 100% of your contribution up to a maximum of 6% of base salary and bonus, minus 401(k) matching contributions.

**Change In Control (CIC) Severance Agreement**

In your role, you will be offered a CIC Severance Agreement, subject to your execution of the enclosed non-disclosure, intellectual property and restrictive covenant agreement. The CIC Severance Agreement would provide you an enhanced severance benefit opportunity for a period of time following a change in control of Zimmer Biomet should your employment be terminated by the Company without cause or by you for good reason, both as defined in the agreement. Once you return the enclosed non-disclosure, intellectual property and restrictive covenant agreement, we will prepare the CIC Severance Agreement along with a cover memo outlining the benefits under the agreement. Your continued eligibility for potential CIC severance benefits in the event of a change in control would be in accordance with the terms of the agreement.

**Executive Severance Plan**
In your role, you will be eligible to participate in our Executive Severance Plan. As an eligible Leadership Team member, in the event of your involuntary separation from employment without cause as defined under the plan, your severance benefit offer would include the sum of your final base salary and final target bonus, plus 12 months of COBRA premium subsidy (medical and dental) based on your coverage in effect immediately prior to your separation. Payment would be made in lump-sum form, less applicable tax withholdings, subject to your entering into a general release in the form provided by the Company. There would be no duplication of benefits provided under the CIC Severance Agreement or otherwise. Your continued eligibility for participation in this plan will be in accordance with the terms of the plan as defined and administered by the Company, taking into account any change in your job Z-grade, role and responsibilities in the Company.

**Business Travel**
For a period of approximately six months more or less of your start date, your primary work location will be Atlanta, Georgia for business purposes and any business travel to Warsaw, IN (Corporate Headquarters) and/or other company locations will be in accordance with our Global Travel and Entertainment Policy, as amended from time to time.

**Relocation Assistance**
Zimmer Biomet will assist you with your relocation from Atlanta to the Connecticut area by paying for reasonable moving expenses incurred within one year from the start of your employment in accordance with our Relocation Policy for executives at the level of the role we are offering you. Please advise us when you want to begin the relocation process.

**Executive Officer (Section 16)**
We expect that you will be designated by the Board of Directors as an "officer" of Zimmer Biomet for purposes of Rule 16a-1(f) and as an "executive officer" for purposes of Rule 3b-7 under the Securities Exchange Act of 1934, as amended.

As an executive officer, you will be subject to stock ownership guidelines established by the Board of Directors in order to align the interests of executive officers more closely with those of stockholders. The guidelines will require you to own shares with a value equal to at least three (3) times your base salary. You will have up to five (5) years to achieve the required level of stock ownership. Further, every executive officer must obtain clearance prior to selling any shares of Company common stock, in part to ensure that all officers remain in compliance with the stock ownership guidelines. This stock ownership guidelines are subject to annual review by the Compensation Committee.

**Section 409A**
To the extent that any payments or benefits under this letter are deemed to be subject to Section 409A of the Internal Revenue Code, this letter will be interpreted in accordance with Section 409A and Department of Treasury regulations and other interpretive guidance issued thereunder in order to (a) preserve the intended tax treatment of the benefits provided with respect to such payments and (b) comply with the requirements of Section 409A. A termination of employment shall not be deemed to have occurred for purposes of any provision of this letter providing for the payment of any amounts or benefits upon or following a termination of

employment unless such termination is also a “separation from service” within the meaning of Section 409A. Nothing in this letter shall be c onstrued as a guarantee by the C ompany of any particular tax effect. The C ompany shall not be liable to you for any tax, penalty, or interest imposed on any amount paid or payable hereunder by reason of Section 409A, or for reporting in good faith any payment made under this letter as an amount includible in gross income under Section 409A.

**Contractual Obligations**

It is our understanding that you do not have any contractual obligations (such as a non-competition or non-solicitation agreement) with a former or current employer that you would violate by accepting this role. If our understanding is incorrect, please notify me immediately. If you have a confidentiality obligation with a former or current employer, it is your responsibility to refrain from using or disclosing confidential information. If you have any questions about this responsibility, please let us know.

**Benefits**

Zimmer Biomet provides a competitive benefits program, with many of the benefits effective on your first day of active employment. Once you begin employment, you will receive an enrollment package from Zimmer Biomet Benefits Services (“ZBS”), Zimmer Biomet’s group benefits services administrator, regarding your medical, dental, and other group benefits. In addition, you will receive an enrollment package for our 401(k) plan, the Zimmer Biomet Holdings, Inc. Savings and Investment Program, from Fidelity, our 401(k) services administrator. If you do not receive these mailings within two weeks of your hire date, please contact Zimmer Biomet Benefit Services at 1-877-588-0933 or Fidelity at 1-800-835-5095. You must enroll in the various medical plans within 31 days of your start date.

**Conditions of Offer**

As a condition of and in consideration for employment with Zimmer Biomet, you must accept and sign the enclosed non-disclosure, intellectual property and restrictive covenant agreement. Our offer of employment is also contingent upon receipt of satisfactory background check and drug screen results, subject to Zimmer Biomet’s policies. After you have accepted this offer, you will be contacted to schedule the time and location of the drug screen. Zimmer Biomet considers the result to be an employment record and, while Zimmer Biomet maintains the confidentiality of this record, it is not considered protected health information under HIPAA privacy rules.

**Conflicts of Interest Policy and Reporting Requirements**

Prior to commencing employment you must, in accordance with the Company’s Conflicts of Interest Policy, disclose any Close Personal Relationship you have with any Company employee if: (1) one of the two of you would be in the reporting line of the other; (2) one of you would act as the other’s supervisor, manager or lead, whether or not the two of you would share a formal reporting line; (3) one of you is in a corporate gatekeeping function (e.g., Legal, Compliance, Finance, Internal Audit, Human Resources, Trade Compliance); or (4) one of you is on the Leadership Team or otherwise is or would be in a Senior Vice President or higher role. You must also disclose to Human Resources any such Close Personal Relationship with a leased staff person assigned to work for Zimmer Biomet or with a Zimmer Biomet contractor.

You must also disclose any Close Personal Relationship or other potential conflict (e.g., a non-Zimmer Biomet business relationship) that you have with any Healthcare Professionals or other Public Officials, or any other potential conflicts (e.g., ownership or investment in a Zimmer Biomet supplier or business partner) that might interfere or appear to interfere with your employment with Zimmer Biomet. Human Resources and/or Compliance will determine whether the disclosed relationship poses an actual or potential conflict of interest, and if so, what will be done to address the conflict.

For purposes of this policy, a "Close Personal Relationship" is defined as a parent, sibling, child, grandparent, or grandchild, whether by birth or adoption; a similar step- and half- relative or in-law; a spouse or domestic partner; or an individual with whom the Team Member is involved in a romantic and/or sexual relationship. Additionally, for purposes of this policy, a "Healthcare Professional" is defined as an individual, entity, or employee of such entity, within the continuum of care of a patient, which may purchase, lease, recommend, use, prescribe, or arrange for the purchase or lease of Zimmer Biomet products and services. For purposes of this policy, a Public Official is defined as any officer, agent, or employee or any person acting for or on behalf of: (1) a government, including any legislative, administrative, or judiciary branch of such government; (2) any department, agency, or instrumentality of a government, including wholly or majority state-owned or controlled enterprises; (3) any public international organization, such as the United Nations or World Health Organization; (4) a political party (including the political party itself); or (5) any candidate for political office.

**General Information and Additional Enclosures**

Zimmer Biomet is a federal contractor subject to Section 503 of the Rehabilitation Act of 1973 and as such, we are required to extend to applicants post-offer invitations to identify themselves as individuals with disabilities or as disabled veterans, Vietnam-era veterans, or recently-separated veterans. Providing this information is voluntary, and any information provided in response to this invitation will be kept confidential in accordance with the law. Failure or refusal to provide this information will not have an adverse effect on your employment. This information will be used only for legal purposes.

The Immigration Reform and Control Act of 1986 requires that employers verify the legal status of all individuals beginning employment. This verification process is accomplished by reviewing certain types of documents to establish identity and legal authorization to work in the United States. Enclosed is Form I-9, which lists the documents you may provide for verification of employment eligibility and for proof of birth date. Please review this list and be prepared to provide the applicable original document(s) after you accept this employment offer and no later than the third day of your employment.

Zimmer Biomet's core business hours are 8 a.m. to 5 p.m. Dress is casual, unless otherwise designated based on business needs and interests.

Please note that all benefits are subject to the terms and conditions of the plan document or insurance policy, as amended from time to time. If there is any discrepancy between this letter and the plan documents, the plan documents will govern. While Zimmer Biomet intends to

continue benefits referenced in this offer, we reserve the right to change or discontinue them at any time for any reason.

This letter does not create or constitute a contract of employment between you and Zimmer Biomet. Employment with Zimmer Biomet is "at will," which means that either you or Zimmer Biomet may terminate the employment relationship at any time for any reason, with or without cause or notice.

We are very excited to have you join us and are looking forward to receiving your signed offer letter. We believe you will make a valuable contribution and find your career with Zimmer Biomet challenging and rewarding.

**CONFIRMATION OF ACCEPTANCE**

Please indicate your acceptance of this offer by signing below and returning the signed letter to me by Friday, October 12, 2018. If you wish, you may return the signed letter in scanned form via email to dennis.cultice@zimmerbiomet.com, followed by hard copy. At the same time, please also return your signed non-disclosure, intellectual property and restrictive covenant agreement.

This written offer voids and supersedes any previous written or oral employment offers.

Sincerely,

/s/ Bryan C. Hanson

Bryan C. Hanson
President and Chief Executive Officer

**Accepted:**

/s/ Ivan Tornos 11-5-2018

_____ _____

Ivan Tornos Date

Enclosure: Non-disclosure, intellectual property and restrictive covenant agreement

**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:

At Executive's principal residence as reflected in the records of the Company

**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

_____

Dennis E. Cultice

ZIMMER BIOMET HOLDINGS, INC.

By: _____

Vice President, Global Compensation, Benefits, HRIS and HR Operations

**EXHIBIT A**

Zimmer Biomet Holdings, Inc.
GENERAL RELEASE

Name: _____ Notification Date: _____

Zimmer Biomet Holdings, Inc. (the "Company") has offered me certain severance benefits (the "Severance Benefits") pursuant to a Change in Control Severance Agreement ("Agreement") between the Company and me. I will only be able to receive the Severance Benefits in consideration for my signing this General Release.

The Company has advised me of, and I acknowledge the following:

I have (INSERT NUMBER – 21 OR 45, DEPENDING ON REASON FOR SEPARATION – IN ACCORDANCE WITH OWBPA REQUIREMENTS) calendar days (the "Review Period") from the date I receive this General Release to consider and sign it. If I do not return this signed General Release by the end of the Review Period (i.e., by INSERT DATE), the Company will consider this my refusal to sign, and I will not receive the Severance Benefits. If I choose to sign this General Release prior to expiration of the Review Period, I thereby waive my right to review for the full time period allowed. If I sign this General Release and am age 40 or older as of the date of my signing, it will not be effective for a period of seven calendar days thereafter, during which time I may change my mind and revoke my signature. To revoke my signature, I must notify the Company in writing at 345 East Main Street, Warsaw, IN, 46580, Attention: General Counsel, within seven calendar days of the date I signed this General Release.

By signing this General Release I am giving up, to the fullest extent permitted by law, my right to sue the Company and any of its affiliates, parent companies and subsidiaries, and its and their past and present officers, directors, employees, and agents (collectively, the "Released Parties") based upon any act or event occurring prior to my signing this General Release. Without limitation, and again to the fullest extent permitted by law, I specifically release the Company from any and all claims arising out of my employment and termination, up to and including the date of my signing of this General Release, including claims based on discrimination under federal anti-discrimination laws such as Title VII of the Civil Rights Act of 1964, the Age Discrimination in Employment Act of 1967, the Americans With Disabilities Act of 1990, claims for interference with my rights to benefits under section 510 or penalties under section 502(c) of the Employee Retirement Income Security Act of 1974, and any and all applicable federal, state, and local laws. I acknowledge and agree that I have received all compensation to which I am entitled from the Released Parties other than the above-referenced Severance Benefits (which remain subject to my entering into this General Release) and agree that I am not eligible to receive any additional form of compensation under any Released Party's pay, bonus, commission, or incentive policy or program. I further agree that although I am not precluded by this Agreement from filing an administrative charge with the Equal Employment Opportunity Commission or a comparable state or local civil rights commission, I specifically and expressly waive any rights to receive, directly or indirectly, any monetary damages or other monies from the filing of such charge.

I agree, as a condition of receiving the S everance B enefits, and subject to any rights and obligations I may have under applicable law (including, but not limited to, my right to file and participate in the investigation of an administrative charge of the type described above and any non-waivable rights I may have to make disclosures specifically allowed or required by applicable law), that I will not make negative comments about or otherwise disparage or try to injure the reputation of any of the Released Parties. I agree to refrain from making negative statements about any Released Party and/or its methods of doing business, management practices, policies, and the quality of its services or products. I acknowledge and agree that this restriction applies to all forms of communication including such things as oral statements, written statements, e-mail, text messages, comments on blogs or any other form of electronic or other type of communication.

For the sake of clarification, and subject to any non-waivable rights as described above, I acknowledge that this General Release shall not affect my legal obligation to protect the confidentiality of the Released Parties' information or any of my other obligations under any confidentiality, intellectual property, non-competition, and/or non-solicitation agreement that I have entered into with the Company or with any of the other Released Parties.

As a condition of receiving the Severance Benefits I agree that for a period of 90 calendar days beginning with my separation date I shall make myself reasonably available to respond to inquiries from the Released Parties related to carrying out an orderly transition of business following my termination of employment. I agree that I will provide the Company's General Counsel or his or her delegate two contact telephone numbers at which I can be reached, either in person or by message, and will update that contact information within 24 hours if it changes. I further agree that I will return such calls from any of the Released Parties no later than the end of the business day immediately following the date of the call, and will provide information responsive to the request to the best of my ability. I understand and acknowledge that my agreement to promptly and fully respond to such inquiries is a material condition of my eligibility for the Severance Benefits, and further understand and agree that in the event I do not cooperate as described herein, I will be immediately obligated to repay to the Company the entire gross amount of my Severance Benefits.

By signing this General Release, I affirm that I have provided complete and truthful information in response to all inquiries (the "Inquiries") made by any of the Released Parties and any investigating authorities in connection with any governmental investigation of any of the Released Parties or litigation involving any of the Released Parties. By signing this General Release, I further affirm that I have disclosed to the Company's General Counsel or his or her delegate any and all concerns I may have had arising from or related to my employment regarding potential material violations of applicable law and/or the Company's Code of Conduct. I agree, by signing the General Release, that if it is later determined that I knowingly provided materially misleading or untruthful information in response to any such Inquiries or failed to disclose during my employment any potential material violations of applicable law or the Company's Code of Conduct of which I was aware, I will be immediately obligated to repay to the Company the entire gross amount of my Severance Benefits.

I agree to cooperate with any of the Released Parties in response to any g overnmental i nvestigation. I acknowledge that in connection with my job responsibilities with any of the Released Parties I may have obtained or been privy to information that could be relevant to its or their defense of Company-related lawsuits currently pending or which may be asserted against it or them. I agree to make myself reasonably available for providing such information and, to the extent necessary, testimony. I understand that the Company will reimburse any reasonable out - of-pocket expenses I may incur in providing this cooperation. I further understand that the Company will compensate me for time spent on such assistance at an hourly rate based on my base salary as of my termination date, with time spent rounded to the nearest quarter hour for billing purposes. Any such payment will be reported to me on a Form 1099, and I agree that I will be responsible for any resulting tax liability.

By signing this General Release, I am NOT giving up my right to appeal a denial of a claim for benefits submitted under my medical or dental coverage, life insurance or disability program maintained by the Company. Also, I am NOT giving up my right to file for unemployment insurance benefits at the appropriate time if I so choose, and my signing of this General Release will NOT affect my rights, if any, to coverage by Workers' Compensation insurance. In addition, this General Release will not affect any benefits to which I am entitled under the Agreement or any claim arising out of the enforcement of the Agreement. I agree that this General Release shall be interpreted and enforced in accordance with the laws of the State of Indiana.

**My signature below acknowledges that I have read the above, understand what I am signing, and am acting of my own free will. The Company has advised me to consult with an attorney and any other advisors of my choice prior to signing this General Release.**

SIGNATURE _____ DATE _____

PRINT NAME _____

**Exhibit 10.12**

**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**

Zimmer Biomet Holdings, Inc. (the "Company") grants you 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(s) 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 (without any entitlement to the Common Stock equivalent) or, if not refunded, you may seek a refund from the local tax authorities. 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, consistent with the Plan ' s terms ;

(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 or amending 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 provided by the Employer or required under applicable law;

(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 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 data about you, including, but not limited to, your name, home address, 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 Fidelity Stock Plan Services, LLC ("Fidelity") 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, Fidelity 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, 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** : Depending on your country, Fidelity's country or the country in which shares of Common Stock are listed, you may be subject to insider trading restrictions and/or market abuse laws 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.

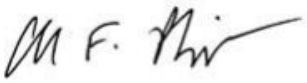
You acknowledge that you are proficient in the English language, or have consulted with an advisor who is proficient in English, so as to enable you to understand the provisions of this Agreement and the Plan. If you have received this or any other document related to the Plan translated into a language 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

**Addendum**
**ZIMMER BIOMET HOLDINGS, INC.**
**SPECIAL PROVISIONS FOR OPTIONS IN CERTAIN COUNTRIES**

This Addendum includes special country-specific terms that apply if you are residing and/or working in one of the countries listed below. This Addendum is part of the Agreement. Unless otherwise provided below, capitalized terms used but not defined herein shall have the same meanings assigned to them in the Plan and the Agreement.

This Addendum also includes information of which you should be aware with respect to your participation in the Plan. The information is based on the securities, exchange control and other laws in effect in the respective countries as of January 2019 and is provided for informational purposes. Such laws are often complex and change frequently and results may be different based on the particular facts and circumstances. As a result, the Company strongly recommends that you do not rely on the information noted herein as the only source of information relating to the consequences of your participation in the Plan because the information may be out of date at the time you exercise the Option or sell shares of Common Stock acquired under the Plan.

In addition, the information is general in nature and may not apply to your particular situation, and the Company is not in a position to assure you of any particular result. Accordingly, you should seek appropriate professional advice as to how the relevant laws in your country may apply to your situation.

Note that if you are a citizen or resident of a country other than the country in which you are residing and/or working or transfer employment after the Option is granted to you, or are considered a resident of another country for local law purposes, the information contained in this Addendum may not be applicable to you, and the Company shall, in its discretion, determine to what extent the terms and conditions or notifications contained herein shall be applicable to you. If you transfer residency and/or employment to another country or are considered a resident of another country listed in the Addendum after the Option is granted to you, the terms and/or information contained for that new country (rather than the original country) may be applicable to you.

**European Union ("EU") / European Economic Area ("EEA")**

**Data Privacy Notice.** This section replaces Section 10 of the Agreement for participants in the EU and/or EEA:

Data Collection and Usage . Pursuant to applicable data protection laws, you are hereby notified that the Company collects, processes, uses, and transfers certain personally-identifiable information about you for the exclusive legitimate purposes of implementing, administering and managing the Plan and generally administering equity awards; specifically, your name, home address, email address, telephone number, date of birth, social insurance, passport or other identification number, salary, citizenship, job title, any Shares or directorships held in the Company, and details of all Options or any other entitlement to Shares granted, canceled, exercised, vested, unvested or outstanding in your favor, which the Company receives from you or the Employer ("Data"). In order to facilitate your participation in the Plan, the Company will collect, process, use and transfer your Data for purposes of allocating Shares and implementing, administering and managing the Plan. The Company collects, processes, uses and transfers your personal data pursuant to the Company's legitimate business interests of managing the Plan and generally administering employee compensation and related benefits. Your refusal to provide Data may affect your ability to participate in the Plan. As such, by participating in the Plan, you voluntarily acknowledge the collection, use, processing and transfer of your Data as described herein.

Stock Plan Administration Service Providers . The Company transfers Data to Fidelity Stock Plan Services, LLC ("Fidelity"), an independent service provider based in the United States, which assists the Company with the implementation, administration and management of the Plan. In the future, the Company may select a different service provider and share Data with that service provider, which will serve in a similar manner. The Company's service provider will open an account for you to receive and trade Shares acquired under the Plan. The processing of Data will take place through electronic means. Data will only be accessible by those individuals requiring access to it for purposes of implementation, administration and operation of the Plan.

International Data Transfers . The Company and its service providers are based, in relevant part, in the United States, which means that it will be necessary for Data to be transferred to, and processed in, the United States. By enrolling in the Plan, you understand that the service providers will receive, possess, use, retain and transfer Data for the purposes of implementing, administering and managing your participation in the Plan. When transferring Data to these service providers, the Company provides appropriate safeguards for protecting Data, including reliance on standard contractual clauses. You may request a copy of, or information about, the safeguards used to protect Data by contacting kathryn.diller@zimmerbiomet.com .

Data Retention . The Company will use Data only as long as is necessary to implement, administer and manage your participation in the Plan or as required to comply with legal or regulatory obligations, including under tax and securities laws. When the Company no longer needs the Data, the Company will remove it from its systems. If the Company keeps the Data longer, it would be to satisfy legal or regulatory obligations and the Company's legal basis would be for compliance with relevant laws or regulations.

Data Subject Rights . To the extent provided by law, you have the right to request (i) access to or copies of Data the Company processes, (ii) rectification of Data, (iii) erasure of Data, (iv) restrictions on processing of Data, (v) portability of Data and/or to lodge complaints with competent authorities in your country, and/or (vi) request a list with the names and addresses of any potential recipients of the Data. You understand that the only consequence of refusing to provide Data is that Company may not be able to allow you to participate in the Plan, or grant other equity awards or administer or maintain such awards. For more information on the consequences of the refusal to provide Data, you may contact kathryn.diller@zimmerbiomet.com .

**All Countries**

**Labor Laws.** This provision supplements Section 8 of the Agreement.

Notwithstanding the foregoing, if the Company receives a legal opinion or advice from its counsel that there has been a legal judgment and/or legal development in your jurisdiction that likely would result in the favorable treatment that applies to the Option as a result of you retiring or reaching a certain age being deemed unlawful and/or discriminatory, the favorable treatment shall not apply and you shall be treated as set forth in the remaining provisions of Section 8 of the Agreement .

**Australia**

**Securities Law Information.** The Option grant is intended to comply with the provisions of the Corporations Act 2001, ASIC Regulatory Guide 49 and ASIC Class Order 14/1 000. Additional details are set forth in the Offer Document for the Offer of Restricted Stock Units and Stock Options to Australian Resident Employees, the Plan and the Agreement. By accepting the Options, you acknowledge and confirm that you have received these documents.

**Tax Information.** The Plan is a plan to which Subdivision 83A-C of the Income Tax Assessment Act 1997 (Cth) (the "Act") applies (subject to the conditions in that Act).

**Austria**

There are no country-specific provisions.

**Belgium**

**Tax Information.** Options granted to you must be accepted within 60 days of the offer date ( *i.e.* , the date of your offer letter). If you do not accept the Option, it will be cancelled. If accepted, you can execute and return to the Employer an undertaking not to exercise any portion of the Option prior to January 1, 2021 for favorable tax treatment.

**Brazil**

**Compliance with Law.** In accepting the Option, you agree that you will comply with applicable Brazilian laws when you exercise the Option and you sell Common Stock. You also agree to report and pay any and all taxes associated with the exercise of the Option, the receipt of any dividends and the sale of Common Stock acquired under the Plan.

**Labor Law Acknowledgement and Policy Statement.** This provision supplements Section 12 of the Agreement.

In accepting the Option, you agree that (i) you are making an investment decision by accepting the Option and (ii) the value of the underlying shares of Common Stock is not fixed an may increase or decrease in value over the vesting period without compensation to you.

**Exchange Control Information.** Remittances of your funds for the exercise of the Option and purchase of shares of Common Stock under the Plan must be made through an authorized commercial bank in Brazil.

**Canada**

**Form of Payment.** If you are a resident of Canada, you are prohibited from surrendering certificates for shares of Common Stock that you already own or from attesting to the ownership of Common Stock to pay the exercise price or any Tax-Related Items in connection with the Option.

**Labor Law Information** . This provision replaces Section 12(l) of the Agreement.

For purposes of the Option, and except as expressly required by applicable legislation, your employment or service relationship will be considered terminated as of the date you are no longer actively providing services to the Company or 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 the Agreement or determined by the Company, your right to vest in the Option under the Plan, if any, will terminate effective as of the earliest of: (1) the date upon which your employment with the Employer is terminated; (2) the date that you are no longer actively employed by or providing services to the Company or its Affiliates; or (3) at the discretion of the Committee, the date that you receive written notice of termination of employment from the Employer, regardless of any notice period or period of pay in lieu of such notice required under local law (including, but not limited to statutory law, regulatory law and/or common law). In the event that the date you are no longer actively providing services cannot be reasonably determined under the terms of the Agreement or the Plan, the Committee shall have the exclusive discretion to determine when you are no longer employed for purposes of the Option (including whether you may still be considered to be providing services while on a leave of absence).

**Securities Law Information.** You acknowledge and agree that you will only sell shares of Common Stock acquired through participation in the Plan outside of Canada through the facilities of a stock exchange on which the Common Stock is listed. Currently, the shares of Common Stock are listed on the New York Stock Exchange.

*The following provisions apply if you are a resident in Quebec:*

**Language Acknowledgment.**

The parties acknowledge that it is their express wish that this Agreement, including this Addendum, as well as all documents, notices and legal proceedings entered into, given or instituted pursuant hereto or relating directly or indirectly hereto, be provided to them in English.

*Consentement relatif à la langue utilisée. Les parties reconnaissent avoir expressément souhaité que la convention («Agreement») ainsi que cette Annexe, ainsi que tous les documents, avis et procédures judiciares, éxécutés, donnés ou intentés en vertu de, ou liés directement ou indirectement à la présente convention, soient rédigés en langue anglaise.*

**Data Privacy Consent .** This provision supplements Section 14 of the Agreement:

You hereby authorize the Company and the Company's representatives to discuss with and obtain all relevant information from all personnel, professional or non-professional, involved with the administration of the Plan. You further authorize the Company, its Affiliates, the administrator of the Plan and Fidelity to disclose and discuss the Plan with their advisors. You further authorize the Company or its Affiliates to record such information and to keep such information in your file.

**Chile**

**Securities Law Information.** The offer of the Option constitutes a private offering of securities in Chile effective as of the Grant Date. This offer of the Option is made subject to general ruling N° 336 of the Chilean Commission for the Financial Market ("CMF"). The offer refers to securities not registered at the securities registry or at the foreign securities registry of the CMF, and, therefore, such securities are not subject to oversight of the CMF. Given that the Option is not registered in Chile, the Company is not required to provide public information about the Option or the Common Stock in Chile. Unless the Option and/or the Common Stock is registered with the CMF, a public offering of such securities cannot be made in Chile.

*Esta oferta de le presente Opción constituye una oferta privada de valores en Chile y se inicia en la Fecha de la Concesión. Esta oferta de Opción se acoge a las disposiciones de la Norma de Carácter General Nº 336 ("NCG 336") de la Comisión para el Mercado ("CMF"). Esta oferta versa sobre valores no inscritos en el Registro de Valores o en el Registro de Valores Extranjeros que lleva la CMF, por lo que tales valores no están sujetos a la fiscalización de ésta. Por tratarse la Opción no registrados en Chile, no existe obligación por parte de la Compañía de entregar en Chile información pública respecto de la Opción or sus Acciones. Estos valores no podrán ser objeto de oferta pública en Chile mientras no sean inscritos en el Registro de Valores correspondiente.*

**China**

*The following provisions apply if you are subject to exchange control regulations in China, as determined by the Company in its sole discretion.*

**Cashless Exercise Restriction.** Due to exchange control laws in China, you may be required to exercise the Option using the cashless sell-all exercise method whereby all shares of Common Stock subject to the exercised Option will be sold immediately upon exercise and the proceeds of sale, less the exercise price, any Tax-Related Items and broker's fees or commissions, will be remitted to you in accordance with any applicable exchange control laws and regulations. You will not be permitted to hold shares of Common Stock after exercise. The Company reserves the right to provide additional methods of exercise to you depending on the development of local law.

Without limitation to the foregoing, the Company reserves the right to require the sale of any shares of Common Stock held upon your termination of employment with the Company or any Affiliate of the Company within six months following termination (or such other period as may be required by the PRC State Administration of Foreign Exchange ("SAFE").

**Post-Termination Exercise Period.** Notwithstanding anything in the Plan or in Section 8 of the Agreement to the contrary, in the event of your termination of employment with the Company and its Affiliates prior to exercise, you shall be permitted to exercise the Option for the shorter of the post-termination exercise period (if any) set forth in the Agreement and six months (or such other period as may be required by SAFE) after the date of termination of your employment or service relationship. At the end of the post-termination exercise period specified by SAFE, any unexercised portion of the Option shall immediately expire.

**Exchange Control Information.** You understand and agree that, to comply with exchange control requirements, you will be required to immediately repatriate to China the cash proceeds from the cashless exercise of the Option or any sale of Common Stock or receipt of cash dividends. You further understand that, under local law, such repatriation of the funds will need to be effectuated through a special exchange control account established by the Company or its Affiliates, and you hereby consent and agree that the proceeds from the sale of Common Stock acquired under the Plan or cash dividends may be transferred to such special account prior to being delivered to you.

The Company may deliver the proceeds in US dollars or local currency at the Company's discretion. If the proceeds are paid in US dollars, you understand that you may be required to set up a US dollar bank account in China so that the proceeds may be deposited into this account. If the proceeds are converted to local currency, there may be delays in delivery of the proceeds to you and, due to fluctuations in the Common Stock trading price and/or the US dollar/PRC exchange rate between the exercise/sale date and (if later) when the proceeds can be converted into local currency, the proceeds that you receive may be more or less than the market value of the Common Stock on the exercise/sale date. You agree to bear the risk of any currency fluctuation between the date the Option is exercised using the cashless sell-all exercise method, the receipt of funds and the date of conversion of any funds into local currency.

You further agree to comply with any other requirements that may be imposed by the Company in the future to facilitate compliance with exchange control requirements in China.

**Costa Rica**

There are no country-specific provisions.

**Czech Republic**

**Exchange Control Information.** The Czech National Bank may require you to fulfill certain notification duties in relation to the purchase of shares of Common Stock and the opening and maintenance of a foreign account.

Because exchange control regulations change frequently and without notice, you should consult your personal legal advisor regarding your participation in the Plan to ensure compliance with current regulations. It is your responsibility to comply with Czech exchange control laws, and neither the Company nor the Employer will be liable for any resulting fines or penalties.

**Denmark**

**Stock Option Act.** You acknowledge that you have received an Employer Statement in Danish..

**Finland**

There are no country-specific provisions.

**France**

**Language Acknowledgment** . By accepting the Agreement providing for the terms and conditions of your grant, you confirm having read and understood the documents relating to this grant (the Plan and the Agreement) which were provided in English. You accept the terms of those documents accordingly.

*En acceptant le Contrat d'Attribution décrivant les termes et conditions de votre attribution, vous confirmez ainsi avoir lu et compris les documents relatifs à cette attribution (le Plan et le Contrat d'Attribution) qui ont été communiqués en anglaise. Vous acceptez les termes en connaissance de cause.*

**Exchange Control Information.** If you transfer more than €10,000 in shares of Common Stock or cash into or out of France without the use of a financial intermediary, you must declare the transfer to the French tax and customs authorities.

**Germany**

**Exchange Control Information.** For statistical purposes, the German Federal Bank requires that you file electronic reports of any of cross-border transactions in excess of €12,500. If you make or receive a payment in excess of this amount, you are responsible for complying with applicable reporting requirements. The electronic "General Statistics Reporting Portal" ( *Allgemeines Meldeportal Statistik* ) can be accessed on the Germany Federal Bank's website: www.bundesbank.de .

**Greece**

There are no country-specific provisions.

**Hong Kong**

**Securities Law Information.** *Warning: The Option and any shares of Common Stock issued at exercise do not constitute a public offering of securities under Hong Kong law and are available only to employees of the Company or its Affiliates. The Agreement, including this Addendum, the Plan and other incidental communication materials have not been prepared in accordance with and are not intended to constitute a "prospectus" for a public offering of securities under the applicable securities legislation in Hong Kong, nor have the documents been reviewed by any regulatory authority in Hong Kong. The Option is intended only for the personal use of each eligible employee of the Employer, the Company or any Affiliate and may not be distributed to any other person. If you are in any doubt about any of the contents of the Agreement, including this Addendum, or the Plan, or any other incidental communication materials, you should obtain independent professional advice.*

**Nature of Scheme.** The Company specifically intends that the Plan will not be an occupational retirement scheme for purposes of the Occupational Retirement Schemes Ordinance.

**Sale of Common Stock.** In the event the Option vests and you exercise the Option within six months of the Grant Date and receive shares of Common Stock, you agree that you will not sell or otherwise dispose of such shares of Common Stock prior to the six-month anniversary of the Grant Date.

**Iceland**

There are no country-specific provisions.

**India**

**Cashless Sell-To-Cover Exercise Prohibited.** Due to the exchange controls in India, you must either exercise your Option using cash to pay the exercise price or by using the cashless sell-all method of exercise. You may not exercise your Option using the cashless sell-to-cover method of exercise, whereby you sell only enough Common Stock to cover the exercise price. The Company reserves the right to provide additional methods of exercise to you depending on the development of local law.

**Exchange Control Information.** Due to the exchange controls in India, you must either exercise your Options using cash or by using the cashless sell-all method of exercise. You may not exercise your Options using the cashless sell-to-cover method of exercise, whereby you sell only enough shares to cover the option price.

Regardless of what method of exercise you engage in, you must repatriate all proceeds received from your participation in the Plan to India within the period of time prescribed under applicable Indian exchange control laws, as may be amended from time to time. You will receive a foreign inward remittance certificate ("FIRC") from the bank where you deposit the proceeds. You should maintain the FIRC as evidence of the repatriation of funds in the event that the Reserve Bank of India or the Employer requests proof of repatriation.

It is your responsibility to comply with exchange control laws in India, and neither the Company nor the Employer will be liable for any fines or penalties resulting from failure to comply with applicable laws.

**Ireland**

There are no country-specific provisions.

**Israel**

**Cashless Exercise Restriction.** You will be required to exercise the Option using the cashless sell-all exercise method whereby all shares of Common Stock subject to the exercised Option will be sold immediately upon exercise and the

proceeds of sale, less the exercise price, any Tax-Related Items and broker ' s fees or commissions, will be remitted to you in accordance with any applicable exchange control laws and regulations. You will not be permitted to hold shares of Common Stock after exercise. The Company reserves the right to provide additional methods of exercise to you depending on the development of local law.

**Italy**

**Cashless Exercise Restriction.** You will be required to exercise the Option using the cashless sell-all exercise method whereby all shares of Common Stock subject to the exercised Option will be sold immediately upon exercise and the proceeds of sale, less the exercise price, any Tax-Related Items and broker's fees or commissions, will be remitted to you in accordance with any applicable exchange control laws and regulations. You will not be permitted to hold shares of Common Stock after exercise. The Company reserves the right to provide additional methods of exercise to you depending on the development of local law.

**Terms of Grant.** By accepting this Option, you acknowledge that you have received a copy of the Plan, reviewed the Plan, the Agreement and this Addendum in their entirety and fully understand and accept all provisions of the Plan, the Agreement and this Addendum.

In addition, you further acknowledge that you have read and specifically and expressly approve the following Sections of the Agreement and this Addendum: Section 8 (Termination of Employment); Section 11 (Responsibility for Taxes); Section 12 (Nature of Grant); Section 13 (No Advice Regarding Grant); Section 14 (Data Privacy, as replaced by the provision applicable to participants in the European Union ("EU") / European Economic Area ("EEA")); Section 16 (Breach of Restrictive Covenants); Section 17 ( Violation of Policies); Section 19 (Insider Trading/Market Abuse Laws); Section 21 (Addendum) and Section 23 (Imposition of Other Requirements).

**Japan**

**Exchange Control Information.** If you intend to acquire shares of Common Stock with a value exceeding ¥30,000,000 in a single transaction, you must file a Payment Report with the Ministry of Finance. If you intend to acquire shares of Common Stock with a value exceeding ¥100,000,000 in a single transaction, you must file a Securities Acquisition Report, in addition to the Payment Report, with the Ministry of Finance through the Bank of Japan within twenty days of the purchase of the shares of Common Stock.

**Korea**

**Exchange Control Information.** If you remit funds to exercise the Option and purchase shares of Common Stock, the remittance must be "confirmed" by a foreign exchange bank in Korea. To receive the confirmation, you should submit the following to the foreign exchange bank: (i) a prescribed form application, (ii) the Agreement and any other Plan documents you received, and (iii) certificate of employment with your local employer. You should check with the bank to determine whether there are any additional requirements. The Employer may remit the funds to purchase shares of Common Stock on your behalf. In this case, you have to execute a power of attorney in favor of the Employer.

**Lebanon**

**Compliance with Law.** By accepting your Option and participating in the Plan, you agree that you will comply with applicable Lebanese laws and that you will report and pay any and all tax associated with the exercise of your Option, the sale of any Common Stock and the receipt of any dividends.

**Malaysia**

**Director Notification Obligation.** If you are a director of the Company's Malaysian Affiliate, you are subject to certain notification requirements under the Malaysian Companies Act. Among these requirements is an obligation to notify the Malaysian Affiliate in writing when you receive or dispose of an interest ( *e.g.* , an Option or Common Stock) in the Company or any related company. Such notifications must be made within 14 days of receiving or disposing of any interest in the Company or any related company.

**Mexico**

**Acknowledgement of the Agreement.** By accepting the Option, you acknowledge that have received a copy of the Plan and the Agreement, including this Addendum, which you have reviewed. You further acknowledge that you accept all the provisions of the Plan and the Agreement, including this Addendum. You also acknowledge that you have read and specifically and expressly approve the terms and conditions set forth in Section 12 of the Agreement, which clearly provide as follows:

(1) Your participation in the Plan does not constitute an acquired right;

(2) The Plan and your participation in it are offered by the Company on a wholly discretionary basis;

(3) Your participation in the Plan is voluntary; and

(4) The Company and its Affiliates are not responsible for any decrease in the value of any shares of Common Stock acquired at exercise of the Option.

**Labor Law Acknowledgement and Policy Statement.** By accepting the Option, you acknowledge that Zimmer Biomet Holdings, Inc., with registered offices at 345 East Main Street, Warsaw, Indiana, 46580, United States of America, is solely responsible for the administration of the Plan. You further acknowledge your participation in the Plan, the grant of Options and any acquisition of shares of Common Stock under the Plan do not constitute an employment relationship between you and Zimmer Biomet Holdings, Inc. because you are participating in the Plan on a wholly commercial basis and your sole employer is a Mexican legal entity ("Zimmer-Mexico"). Based on the foregoing, you expressly acknowledge that the Plan and the benefits that you may derive from participation in the Plan do not establish any rights between you and your Employer, Zimmer-Mexico, and do not form part of the employment conditions and/or benefits provided by Zimmer-Mexico, and any modification of the Plan or its termination shall not constitute a change or impairment of the terms and conditions of your employment.

You further understand that your participation in the Plan is the result of a unilateral and discretionary decision of Zimmer Biomet Holdings, Inc., therefore, Zimmer Biomet Holdings, Inc. reserves the absolute right to amend and/or discontinue your participation in the Plan at any time, without any liability to you.

Finally, you hereby declares that you do not reserve to yourself any action or right to bring any claim against Zimmer Biomet Holdings, Inc. for any compensation or damages regarding any provision of the Plan or the benefits derived under the Plan, and that you therefore grant a full and broad release to Zimmer Biomet Holdings, Inc., its Affiliates, branches, representation offices, shareholders, officers, agents and legal representatives, with respect to any claim that may arise.

***Spanish Translation***

***Reconocimiento del Contrato.*** *Al aceptar la Opción, Usted reconoce que ha recibido una copia del Plan y del contrato, incluyendo este Apéndice, mismos que ha revisado. Usted reconoce, además, que acepta todas las disposiciones del Plan, y del contrato, incluyendo este Apéndice. También reconoce que ha leído y aprueba de forma expresa los términos y condiciones establecidos en la sección doce 12 del contrato que claramente dispone lo siguiente:*

*(1) Su participación en el Plan no constituye un derecho adquirido;*

*(2) El Plan su participación en el mismo son ofrecidos por la Compañía de forma totalmente discrecional;*

*(3) Su participación en el Plan es voluntaria; y*

*(4) La Compañía y sus afiliados no son responsables por cualquier disminución en el valor de las Acciones adquiridas al momento de tener derecho conforme a la Opción.*

***Reconocimiento de Ley Laboral y Declaración de la Política.*** *Al aceptar el Otorgamiento de la Opciónes, Usted reconoce que Zimmer Biomet Holdings, Inc., con oficinas registradas en 345 East Main Street, Warsaw, Indiana,*

*46580, Estados Unidos de América, es únicamente responsable de la administración del Plan. Usted además reconoce que su participación en el Plan, la concesión de Opciónes y cualquier adquisición de acciones de conformidad con el Plan no constituyen una relación de trabajo entre Usted y Zimmer Biomet Holdings, Inc., ya que Usted está participando en el Plan sobre una base totalmente comercial y su único patrón es una sociedad mercantil Mexicana ("Zimmer-México"). Derivado de lo anterior, Usted expresamente reconoce que el Plan y los beneficios que pueden derivarle de la participación en el Plan no establecen ningún derecho entre Usted y su Patrón, Zimmer-México, y no forman parte de las condiciones de trabajo y/o prestaciones otorgadas por Zimmer-México, y cualquier modificación al Plan o su terminación no constituirá un cambio o perjuicio de los términos y condiciones de su trabajo.*

*Usted además entiende que su participación en el Plan es resultado de una decisión unilateral y discrecional de Zimmer Biomet Holdings. Inc., por lo tanto Zimmer Biomet Holdings, Inc. se reserva el derecho absoluto de modificar el Plan y/o discontinuar su participación en el Plan en cualquier momento, sin responsabilidad alguna para hacia Usted.*

*Finalmente, Usted declara que no se reserva acción o derecho alguno para presentar una reclamación o demanda en contra de Zimmer Biomet Holdings., Inc. por cualquier compensación o daño o perjuicio en relación con cualquier disposición del Plan o los beneficios derivados del Plan y, por lo tanto, otorga un amplio y total finiquito a Zimmer Biomet Holdings, Inc., sus afiliados, afiliadas, sucursales, oficinas de representación, accionistas, directores, funcionarios, agentes y representantes con respecto a cualquier reclamación o demanda que pudiera surgir.*

**Netherlands**

There are no country-specific provisions.

**New Zealand**

**Securities Law Information.**

**Warning**

This is an offer of an Option over shares of Common Stock. Shares of Common Stock give you a stake in the ownership of the Company. You may receive a return if dividends are paid. Shares of Common Stock are quoted on the New York Stock Exchange ("NYSE"). This means you may be able to sell them on the NYSE if there are interested buyers. You may get less than you invested. The price will depend on the demand for the shares of Common Stock.

If the Company runs into financial difficulties and is wound up, you will be paid only after all creditors have been paid. You may lose some or all your investment.

New Zealand law normally requires people who offer financial products to give information to investors before they invest. This information is designed to help investors to make an informed decision. The usual rules do not apply to this offer because it is made under an employee share scheme. As a result, you may not be given all the information usually required. You will also have fewer other legal protections for this investment.

In compliance with applicable New Zealand securities laws, you are entitled to receive, in electronic or other form and free of cost, copies of the Company's latest annual report, relevant financial statements and the auditor's report on said financial statements (if any).

You should ask questions, read all documents carefully, and seek independent financial advice before committing yourself.

**Norway**

There are no country-specific provisions.

**Poland**

There are no country-specific provisions.

**Portugal**

**Language Consent.** You hereby expressly declare that you have full knowledge of the English language and have read, understood and fully accepted and agreed with the terms and conditions established in the Plan and the Agreement.

*Conhecimento da Lingua. Você expressamente declara ter pleno conhecimento do idioma inglês e ter lido, entendido e totalmente aceito e concordou com os termos e condições estabelecidas no plano e no acordo.*

**Puerto Rico**

There are no country-specific provisions.

**Romania**

There are no country-specific provisions.

**Saudi Arabia**

**Securities Law Information** . The Agreement and related Plan documents may not be distributed in the Kingdom of Saudi Arabia except to such persons as are permitted under the Rules on the Offers of Securities and Continuing Obligations issued by the Capital Market Authority ("CMA"). The CMA does not make any representation as to the accuracy or completeness of the Agreement, and expressly disclaims any liability whatsoever for any loss arising from, or incurred in reliance upon, any part of the Agreement. You should conduct your own due diligence on the accuracy of the information relating to the shares of Common Stock. If you do not understand the contents of the Agreement, you should consult an authorized financial adviser.

**Singapore**

**Sale of Common Stock.** You hereby agree that any shares of Common Stock received upon exercise will not be offered for sale in Singapore prior to the six (6) month anniversary of the Grant Date, unless such sale or offer is made pursuant to the exemption under Part XIII Division I Subdivision (4) (other than section 280) of the Securities and Futures Act (Chap. 289, 2006 Ed.) ("SFA") or pursuant to, and in accordance with the conditions of, any other applicable provision(s) of the SFA.

**Securities Law Information.** This Option grant is being made in reliance of section 273(1)(f) of the SFA and is not made to you with a view to the Option being subsequently offered for sale to any other party. The Plan has not been, and will not be, lodged or registered as a prospectus with the Monetary Authority of Singapore.

**Chief Executive Officer and Director Notification Obligation.** If you are the Chief Executive Officer ("CEO") or a director (including an alternative, substitute or shadow director) of the Company's Singapore Affiliate, you are subject to certain notification requirements under the Singapore Companies Act. Among these requirements is an obligation to notify the Company's Singapore Affiliate in writing within two (2) business days of any of the following events: (1) receiving an interest ( *e.g.* , an Option or Common Stock) in the Company or any Affiliate; (2) any change in a previously-disclosed interest ( *e.g.* , the sale of shares of Common Stock); or (3) becoming the CEO or a director.

**Slovakia**

There are no country-specific provisions.

**South Africa**

**Securities Law Information.** In compliance with South African securities law, you acknowledge that you have been notified that the documents listed below are available for your review at the addresses listed below:

(a) (a)Zimmer Biomet Holdings, Inc.'s most recent annual financial statements: http://investor.zimmerbiomet.com/financial-information/annual-reports ; and

(b) (b)Zimmer Biomet Holdings, Inc.'s most recent Plan prospectus, which is viewable at: https://thecircle.zimmerbiomet.com/espp/Pages/eis.aspx .

You acknowledge that you may have a copy of the above documents sent to you, without fee, on written request to Zimmer Biomet Holdings, Inc., ATTN: Kathryn Diller, Corporate Securities Senior Administrator, 345 East Main Street, Post Office Box 708, Warsaw, Indiana 46581-0708, U.S.A. or kathryn.diller@zimmerbiomet.com .

**Withholding Taxes.** By accepting the Option, you agree to notify the Company and the Employer of the amount of any gain realized upon exercise of the Option. If you fail to advise the Company and the Employer of the gain realized upon exercise of the Option, you may be liable for a fine, upon conviction. You will be responsible for paying any difference between the actual tax liability and the amount withheld. If you do not inform the Employer of the sale, transfer or other disposition of the shares of Common Stock and if the Company (or the Employer or former employer, as applicable) is required to pay any taxes on your behalf due to your failure to inform it of any disposition of shares of Common Stock, the Company (or the Employer or former employer, as applicable) may recover any such amounts from you.

**Exchange Control Information.** Under current South African exchange control regulations, if you are a South African resident, you may invest a maximum of ZAR 11,000,000 per annum in offshore investments, including in shares of Common Stock. The first ZAR 1,000,000 annual discretionary allowance requires no prior authorization. The next ZAR 10,000,000 requires tax clearance. This limit does not apply to non-resident employees and does not apply to Options that are exercised using the cashless sell-all method of exercise. It is your responsibility to ensure that you do not exceed this limit and obtain the necessary tax clearance for remittances exceeding ZAR 1,000,000. This limit is a cumulative allowance; therefore, your ability to remit funds to exercise your Options will be reduced if your foreign investment limit is utilized to make a transfer of funds offshore that is unrelated to the Plan. If the ZAR 11,000,000 limit will be exceeded as a result of an Option exercise pursuant to the Plan, you will be required to immediately sell the shares at exercise and repatriate the proceeds to South Africa. If the ZAR 11,000,000 limit is not exceeded, you will not be required to immediately repatriate the sale proceeds to South Africa.

You are solely responsible for obtaining any necessary South African exchange control approval and neither the Company nor the Employer will be responsible for obtaining exchange control approval on your behalf. Furthermore, in the event you acquire shares of Common Stock without any necessary exchange control approval, neither the Company nor the Employer will be liable in any way for any resulting fines or penalties.

**Spain**

**Nature of Grant.** This provision supplements Section 12 of the Agreement:

By accepting the Option, you consent to participation in the Plan and acknowledge that you have received a copy of the Plan.

You understand and agree that, as a condition of the grant of the Option, except as provided for in Section 8 of the Agreement, your termination of employment for any reason (including for the reasons listed below) will automatically result in the forfeiture of any Option that has not vested on the date of your termination.

In particular, you understand and agree that the Option will be forfeited in accordance with Section 8 of the Agreement without entitlement to the underlying shares of Common Stock or to any amount as indemnification in the event of a termination of your employment prior to vesting by reason of, including, but not limited to: resignation, disciplinary dismissal adjudged to be with cause, disciplinary dismissal adjudged or recognized to be without good cause ( *i.e.* ,

subject to a " despido improcedente " ), individual or collective layoff on objective grounds, whether adjudged to be with cause or adjudged or recognized to be without good cause, material modification of the terms of employment under Article 41 of the Workers ' Statute, relocation under Article 40 of the Workers ' Statute, Article 50 of the Workers ' Statute, unilateral withdrawal by the Employer, and under Article 10.3 of Royal Decree 1382/1985.

Furthermore, you understand that the Company has unilaterally, gratuitously and discretionally decided to grant Options under the Plan to individuals who may be employees of the Company or a Affiliate. The decision is a limited decision that is entered into upon the express assumption and condition that any grant will not economically or otherwise bind the Company or any Affiliate on an ongoing basis, other than as expressly set forth in the Agreement. Consequently, you understand that the Options are granted on the assumption and condition that the Options and the shares of Common Stock underlying the Options shall not become a part of any employment or service contract (either with the Company, the Employer or any Affiliate) and shall not be considered a mandatory benefit, salary for any purposes (including severance compensation) or any other right whatsoever. In addition, you understand that the Options would not be granted to you but for the assumptions and conditions referred to above; thus, you acknowledge and freely accept that, should any or all of the assumptions be mistaken or should any of the conditions not be met for any reason, then any award of Options shall be null and void.

**Securities Law Information.** In connection with the grant of the Option, no "offer of securities to the public," as defined under Spanish law, has taken place or will take place in the Spanish territory. The Agreement (including this Addendum) has not been nor will it be registered with the Comisión Nacional del Mercado de Valores, and does not constitute a public offering prospectus.

**Sweden**

There are no country-specific provisions.

**Switzerland**

**Securities Law Information.** The grant is not intended to be publicly offered in or from Switzerland. Neither this document nor any other materials relating to the grant (i) constitutes a prospectus as such term is understood pursuant to article 652a of the Swiss Code of Obligations, (ii) may be publicly distributed nor otherwise made publicly available in Switzerland or (iii) has been or will be filed with, approved or supervised by any Swiss regulatory authority, including the Swiss Financial Market Supervisory Authority.

**Taiwan**

**Securities Law Information.** The Option and the shares of Common Stock to be issued pursuant to the Plan are available only to employees of the Company and its Affiliates. The grant of the Option does not constitute a public offer of securities.

**Thailand**

**Exchange Control Information.** Under current exchange control regulations, if you exercise your Options by paying cash, you may remit funds up to US$1,000,000 per year to invest in securities abroad through an authorized agent, *i.e.* , a commercial bank authorized by the Bank of Thailand to engage in the purchase, exchange and withdrawal of foreign currency. Thus, you may be required to execute certain documents relating to the Plan and submit them to an authorized commercial Bank. If the amount outwardly remitted is at least US$50,000 but does not exceed US$1,000,000 per year, you also must submit a Foreign Exchange Transaction Form together with certain Plan documents.

If you exercise your Options using a cashless method of exercise, you will not need to make a submission to a commercial bank.

As an individual resident in Thailand, you must repatriate any cash proceeds if the amount of the funds realized is US$50,000 or more in a single transaction. The repatriated proceeds must either be converted into Thai Baht or deposited into a foreign currency deposit account opened with any commercial bank in Thailand within 360 days of

repatriation. Any such commercial bank must be duly authorized by the Bank of Thailand to engage in the purchase, exchange and withdrawal of foreign currency. Further, you must report the inward remittance of any proceeds into Thailand by submitting a completed Foreign Exchange Transaction Form.

If you do not comply with the above obligations, you may be subject to penalties assessed by the Bank of Thailand. Because exchange control regulations change frequently and without notice, you should consult your legal advisor before exercising your Option or selling shares of Common Stock to ensure compliance with current regulations. It is your responsibility to comply with exchange control laws in Thailand, and neither the Company nor the Employer will be liable for any fines or penalties resulting from failure to comply with applicable laws.

**Turkey**

**Securities Law Information.** The Option is made available only to employees of the Company and its Affiliates, and the offer of participation in the Plan is a private offering. The grant of the Option and any issuance of shares of Common Stock at exercise takes place outside Turkey.

**Exchange Control Information.** In certain circumstances, Turkish residents are permitted to purchase ( *i.e* ., exercise Options) and sell shares of Common Stock traded on a non-Turkish stock exchange only through a financial intermediary licensed in Turkey. Therefore, you may be required to appoint a Turkish broker to assist with the exercise and/or and sale of the shares of Common Stock acquired under the Plan. You should consult your personal legal advisor before exercising or selling any shares of Common Stock acquired under the Plan to confirm the applicability of this requirement.

**United Arab Emirates**

**Securities Law Information.** The Agreement, including this Addendum, and any other documents related to the Plan are intended for distribution only to eligible employees of the Company and any Affiliate and relate to the grant of Options in the United Arab Emirates.

The Emirates Securities and Commodities Authority has no responsibility for reviewing or verifying any documents in connection with the Plan. Neither the Ministry of Economy nor the Dubai Department of Economic Development have approved the documents related to the Plan or taken steps to verify the information set out therein, and have no responsibility for them.

The securities to which the grant under the Plan relates may be illiquid and/or subject to restrictions on their resale. Prospective purchasers of the securities offered should conduct their own due diligence on the securities.

Employees who do not understand the contents of the Agreement, including this Addendum, or any other documents related to the Plan, should consult an authorized financial advisor.

**United Kingdom**

**Responsibility for Taxes.** This provision supplements Section 11 of the Agreement:

Without limitation to this Section 11, you hereby agree that you are liable for all Tax-Related Items and hereby covenant to pay all such Tax-Related Items, as and when requested by the Company or the Employer or by Her Majesty's Revenue & Customs ("HMRC") (or any other tax authority or any other relevant authority). You also hereby agree to indemnify and keep indemnified the Company and the Employer against any Tax-Related Items that they are required to pay or withhold or have paid or will pay on your behalf to HMRC (or any other tax authority or any other relevant authority).

Notwithstanding the foregoing, if you are an executive officer or director (within the meaning of Section 13(k) of the Exchange Act) and income tax that is due is not collected from or paid by you within 90 days after the end of the U.K. tax year in which the exercise of the Option, the release or assignment of the Option for consideration, or the receipt of any other benefit in connection with the Option occurs, the amount of any uncollected income tax may constitute a benefit to you on which additional income tax and national insurance contributions may be payable. You understand

that you will be responsible for reporting and paying any income tax due on this additional benefit directly to the HMRC under the self-assessment regime and for reimbursing the Company or the Employer (as appropriate) for the value of any employee national insurance contributions due on this additional benefit, which the Company or the Employer may recover from you by an y means referred to in Section 11 of the Agreement.

# ZIMMER BIOMET HOLDINGS, INC.

**2009 STOCK INCENTIVE PLAN**
**THREE-YEAR PERFORMANCE-BASED RESTRICTED STOCK UNIT AWARD**

Zimmer Biomet Holdings, Inc. (the "Company") grants you this restricted stock unit ("RSU") award ("Award") pursuant to the Company's 2009 Stock Incentive Plan ("Plan"). Each RSU represents an unfunded, unsecured promise by the Company to deliver one share of Common Stock ("Share") to you, subject to the fulfillment of the vesting requirements set forth in this agreement and in Annex A to this agreement (collectively, the "Agreement") and all other restrictions, terms and conditions contained in this Agreement and in the Plan. Except as may be required by law, you are not required to make any payment (other than payments for Tax-Related Items pursuant to Section 7 hereof) or provide any consideration other than the satisfaction of the vesting requirements. Capitalized terms that are not defined in this Agreement have the meanings given to them in the Plan.

**Important Notice.** If you do not wish to receive the RSUs and/or do not consent and agree to the terms and conditions on which the RSUs are offered, as set forth in this Agreement and the Plan, then you must reject the RSUs no later than 60 days following the Grant Date specified in Section 1 hereof. If you reject the Award, any right to the underlying RSUs will be cancelled. Your failure to reject the Award within this 60-day period will constitute your acceptance of the RSUs and your agreement with all terms and conditions of the Award, as set forth in this Agreement and the Plan.

**1. Grant Date** February 26, 2019 the "Grant Date").

**2. Number of RSUs Subject to this Award** The target number of RSUs subject to this Award was communicated to you separately and is posted to your online Zimmer Biomet long-term incentive plan account (administered as of the Grant Date by Fidelity Stock Plan Services, LLC ("Fidelity")).

**3. Vesting Schedule** This Award is based on a three-year performance period from January 1, 2019 to December 31, 2021 (the "Performance Period") and includes three measurement periods within that Performance Period as set forth in Annex A. No RSUs will be earned with respect to any measurement period unless and until the Committee determines the extent to which the performance criteria set forth in Annex A have been met with respect to such measurement period. As soon as practicable following the availability of audited results of the Company for the last year in each measurement period, the Committee will determine whether and the extent to which the performance criteria in Annex A have been satisfied and the number of RSUs earned with respect to that measurement period ("Earned RSUs"). Except as otherwise set forth in Sections 6, 15 and 16 below, provided that you have been continuously employed by the Company or its Affiliates since the Grant Date, (i) the Earned RSUs, if any, with respect to the first measurement period will become vested and nonforfeitable on the first anniversary of the Grant Date (or, if later, the date the Committee makes its determination) (the "First Scheduled Vest Date"); (ii) the Earned RSUs, if any, with respect to the second measurement period will become vested and nonforfeitable on the second anniversary of the Grant Date (or, if later, the date the Committee makes its determination) (the "Second Scheduled Vest Date"); and (iii) the Earned RSUs, if any, with respect to the third measurement period will become vested and nonforfeitable on the third anniversary of the Grant Date (or, if later, the date the Committee makes its determination) (the "Third Scheduled Vest Date"). The period from the Grant Date until the Third Scheduled Vest Date is referred to in this Agreement as the "Restriction Period".

**4. Stockholder Rights** You will have none of the rights of a holder of Common Stock (including any voting rights, rights with respect to cash dividends paid by the Company on its Common Stock or any other rights whatsoever) until the Award is settled by the issuance of Shares to you.

**5. Conversion of Earned RSUs and Issuance of Shares** Subject to the terms and conditions of this Agreement and the Plan, the Company will issue and deliver Shares to you within 60 days after each of the First Scheduled Vest Date, the Second Scheduled Vest Date and the Third Scheduled Vest Date for Earned RSUs . No fractional Shares will be issued under this Agreement. The Company will not be required to issue or deliver any Shares prior to (a) the admission of such Shares to listing on any stock exchange on which the stock may then be listed, (b) the completion of any registration or other qualification of such Shares under any state or federal law or rulings or regulations of any governmental regulatory body, or (c) 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. The Company reserves the right to determine the manner in which the Shares are

delivered to you, including but not limited to delivery by direct registration with the Company ' s transfer agent.

**6. Termination of Employment**

(a) For all purposes of this Agreement, the term "Employment Termination Date" shall mean the earlier of (i) the date, as determined by the Company, that you are no longer actively employed by the Company or an Affiliate of the Company, and in the case of an involuntary termination, such date shall not be extended by any notice period mandated under local law ( *e.g* ., active employment 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); or (ii) the date, as determined by the Company, that your employer is no longer an Affiliate of the Company.

(b) (i) A transfer of your employment from the Company to an Affiliate, or vice versa, or from one Affiliate to another, (ii) a leave of absence, duly authorized in writing by the Company, for military service or sickness or for any other purpose approved by the Company if the period of such leave does not exceed ninety (90) days, and (iii) a leave of absence in excess of ninety (90) days, duly authorized in writing by the Company, provided your right to reemployment is guaranteed either by a statute or by contract, shall not be deemed a termination of employment. However, your failure to return to the employ of the Company at the end of an approved leave of absence shall be deemed a termination. During a leave of absence as defined in (ii) or (iii), you will be considered to have been continuously employed by the Company.

(c) Except as set forth below, if your Employment Termination Date occurs before the Third Scheduled Vest Date, RSUs subject to this Award that are not already vested as of your Employment Termination Date shall be forfeited and immediately cancelled.

(d) If after you have been continuously employed by the Company or its Affiliates for one year or more from the Grant Date, you terminate employment on account of Retirement or death, all time-based restrictions imposed under this Award will lapse as of your Employment Termination Date, but this Award will continue to be subject to the satisfaction of the performance criteria set forth in Annex A; the number of Earned RSUs, if any, for each measurement period, as determined by the Committee, will vest and become nonforfeitable on the Scheduled Vest Date applicable to such measurement period (subject to any applicable requirements described in the definition of "Retirement" in the Plan).

In the event of your death prior to the delivery of Shares issuable pursuant to Earned RSUs under this Agreement, such Shares shall be delivered to the duly appointed legal representative of your estate or to the proper legatees or distributees thereof, upon presentation of documentation satisfactory to the Committee.

**7. Responsibility for Taxes**

(a) You acknowledge that, regardless of any action taken by the Company or, i your actual employer (the "Employer"), the ultimate liability for all income tax (including federal, state and local taxes), 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 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 (i) make no representations or undertakings regarding the treatment of any Tax-Related Items in connection with any aspect of the RSUs, including the grant of the Award, the vesting or settlement of the RSUs, the conversion of the RSUs into Shares, the subsequent sale of any Shares acquired at vesting or the receipt of any dividends; and (ii) do not commit to, and are under no obligation to, structure the terms or any aspect of the Award to reduce or eliminate your liability for Tax-Related Items or achieve any particular result. Further, if you are subject to Tax-Related Items in more than one jurisdiction, you acknowledge that the Company or the Employer (or former Employer, as applicable) may be required to withhold or account for Tax-Related Items in more than one jurisdiction.

(b) Prior to any relevant taxable or tax withholding event, as applicable, you ag make adequate arrangements satisfactory to the Company or to the Employer (in their sole discretion) to satisfy all Tax-Related Items. In this regard and, if permissible under local law, you authorize the Company and/or the Employer, at their discretion, to satisfy any applicable obligations with respect to all Tax-Related Items in one or a combination of the following: (i) requiring you to pay an amount necessary to pay the Tax-Related Items directly to the Company (or the Employer) in the form of cash, check or other cash equivalent; (ii) withholding such

amount from wages or other cash compensation payable to you by the Company and/or the Employer; (iii) withholding from proceeds of the sale of S hares acquired upon settlement of the RSU s either through a voluntary sale or through a mandatory sale arranged by the Company (on your behalf pursuant to this authorization or such other authorization , without further consent, as you may be required to provide to the Company or Fidelity (or any other designated broker)); or (iv) withholding in S hares to be issued upon settlement of the RSU s . If you are a Section 16 officer of the Company under the Exchange Act ("Section 16 officer") who is primarily providing services in the U.S., withholding obligations for Tax-Related Items shall be satisfied by the mandatory withholding in Shares. If you are a Section 16 officer who is primarily providing services outside the U.S., any withholding in Shares to satisfy applicable withholding obligations shall be determined by the Committee prior to the applicable withholding event.

(c) 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 (without any entitlement to the Shares) or, if not refunded, you may seek a refund from the local tax authorities. You agree that the amount withheld may exceed your actual liability. If the obligation for Tax-Related Items is satisfied by withholding in Shares, for tax purposes, you are deemed to have been issued the full number of Shares subject to the vested RSUs, notwithstanding that a number of the Shares are held back solely for the purpose of paying the Tax-Related Items.

(d) 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, if you fail to comply with your obligations in connection with the Tax-Related Items.

**8. Nature of Grant** In accepting the RSUs, you acknowledge, understand and agree that:

(a) the Plan is established voluntarily by the Company, it is discretionary in nature and may be modified, amended, suspended or terminated by the Company at any time, consistent with the Plan's terms ;

(b) the Award is exceptional, discretionary, voluntary and occasional and does not create any contractual or other right to receive future awards of RSUs, or benefits in lieu of RSUs even if RSUs have been awarded in the past;

(c) all decisions with respect to future RSU or other awards , if any, will be at the sole discretion of the Company;

(d) the Award and your participation in the Plan shall not create a right to employment or be interpreted as forming or amending an employment or service contract with the Company, the Employer or any Affiliate of the Company and shall not interfere with the ability of the Company, the Employer or any Affiliate of the Company, as applicable to terminate your employment or service relationship (if any);

(e) your participation in the Plan is voluntary;

(f) the Award, the Shares subject to the RSUs, and the income from and value of same are not intended to replace any pension rights or compensation provided by the Employer or required under applicable law ;

(g) the Award and the Shares subject to the RSUs, and the income from and value of same are not part of normal or expected compensation for purposes of calculation of any severance, resignation, termination, redundancy, dismissal, end-of-service payments, holiday pay, bonuses, long-service awards, pension or retirement benefits or similar mandatory payments;

(h) the future value of the Shares underlying the RSUs is unknown, indeterminable and cannot be predicted with certainty;

(i) no claim or entitlement to compensation arises from forfeiture of RSUs resulting from termination of your employment or other service relationship with the Company or the Employer (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 15 or Section 16 below;

(j) unless otherwise provided in the Plan or by the Company in its discretion, the RSUs and the benefits evidenced by this Agreement do not create any entitlement to have the RSUs or any such

benefits transferred to, or assumed by, another company , nor to be exchanged, cashed out or substituted for, in connection with any corporat e transaction affecting t he S hares of the C ompany; and

(k) the following provisions apply only if you are providing services outside the United States: (i) the Award and the Shares subject to the RSUs are not part of normal or expected compensation or salary for any purpose; (ii) neither the Company, the Employer nor any other Affiliate of the Company 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 RSUs or of any amounts due to you pursuant to the settlement of the RSUs or the subsequent sale of any Shares acquired upon settlement.

**9. 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. 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.

**10. 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 RSU Award materials ("Data") by and among, as applicable, the Company, the Employer and any other Affiliate s 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 data about you, including, but not limited to, your name, home address, 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 or directorships held in the Company, details of all RSUs or any other stock-based awards, 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 Fidelity or such other stock plan service provider as may be selected by the Company to assist 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 recipients' country may have different data privacy laws and protections than your country. You understand that if you reside outside the United States, 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, Fidelity 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 purpose 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 if you reside outside the United States, 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 RSUs or any 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*** .

**11. Change in Control** Under certain circumstances, if your employment with the Company or its Affiliates terminates during the three year period following a Change in Control of the

Company, this Award may be deemed vested. Please refer to the Plan for more information.

**12. Changes in Capitalization** If prior to the expiration of the Restriction Period 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 number and class of Shares subject to this Award will be appropriately adjusted by the Committee, whose determination will be conclusive. If as a result of any adjustment under this paragraph you should become entitled to a fractional Share of stock, you will have the right only to the adjusted number of full Shares and no payment or other adjustment will be made with respect to the fractional Share so disregarded.

**13. Notice** Until you are advised otherwise by the Committee, all notices and other correspondence with respect to this Award 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.

**14. No Additional Rights** Except as explicitly provided in this Agreement, this Agreement will not confer any rights upon you, including any right with respect to continuation of employment by the Company or any of its Affiliates or any right to future awards under the Plan. In no event shall the value, at any time, of this Agreement, the Shares covered by this Agreement or any other benefit provided under this Agreement be included as compensation or earnings for purposes of any other compensation, retirement, or benefit plan offered to employees of the Company or its Affiliates unless otherwise specifically provided for in such plan.

**15. Breach of Restrictive Covenants** As a condition of receiving this Award, you have entered into a non-disclosure, non-solicitation and/or non-competition agreement with the Company or its Affiliates. 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 Award. Should you decline to sign such a restated agreement as required by the Company and, therefore, forego receiving the Award, 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 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 covered by the Award or any cash proceeds you received upon the sale of such Shares.

**16. 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 covered by the Award or any cash proceeds you received upon the sale of such Shares. 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.

**17. Consent to Electronic Delivery** The Company may, in its sole discretion, 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.

**18. Code Section 409A Compliance** To the extent applicable, it is intended that the Plan and this Agreement comply with the requirements of Section 409A of the U.S. Internal Revenue Code of 1986, as amended, and any related regulations or other guidance promulgated with respect to such Section by the U.S. Department of the Treasury or the Internal Revenue Service. The RSUs granted in this Award are intended to be short-term deferrals exempt from Section 409A, but in the event that any portion of this Award constitutes deferred compensation within the meaning of Section 409A, then the issuance of Shares covered by an RSU award shall conform to the Section 409A standards, including, without limitation, the requirement that no payment on account of separation from service will be made to any specified employee (within the meaning of Section 409A) until six months after the separation from service occurs, and the prohibition against acceleration of payment, which means that the

Committee does not have the authority to accelerate settlement of this Award in the event that any portion of it constitutes deferred compensation within the meaning of Section 409A. Any provision of the Plan or this A greement that would cause this Award to fail to satisfy any applicable requirement of Section 409A shall have no force or effect until amended to comply with Section 409A, which amendment may be retroactive to the extent permitted by Section 409A.

**19. Construction and Interpretation** The Board of Directors of the Company (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 and the Plan contain the entire understanding of the parties and this Agreement may not be modified or amended except in writing duly signed by the parties. You acknowledge that a waiver by the Company of breach of any provision of this Agreement shall not operate or be construed as a waiver of any other provision of this Agreement, or of any subsequent breach by you or any other party to this Agreement. The various provisions of this Agreement are severable and in the event any provision of this Agreement shall be held illegal or invalid for any reason, the illegality or invalidity shall not affect the remaining provisions of this Agreement, and this Agreement shall be construed and enforced as if such illegal or invalid provision had not been included. 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 pro ficient in the English language, or have consulted with an advisor who is proficient in English, so as to enable you to understand the provisions of this Agreement and the Plan. If you have received this Agreement or any other document related to the Plan translated into a language other than English and if meaning of the translated version is different from the English version, the English version will control .

**20. Insider Trading/Market Abuse Laws** Depending on your country, Fidelity's country or the country in which Shares are listed, you may be subject to insider trading restrictions and/or market abuse laws 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, rights to Shares ( *e.g.* , RSUs) or rights linked to the value of Shares 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.

**21. 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 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) 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.

**22. Compliance with Laws and Regulations** Notwithstanding any other provisions of this Agreement, you understand that the Company will not be obligated to issue any Shares pursuant to the vesting of the RSUs if the issuance of such Shares

shall constitute a violation by you or the Company of any provision of law or regulation of any governmental authority. Any determination by the Company in this regard shall be final, binding and conclusive.

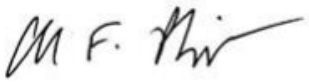
**23. Addendum** Your Award shall be subject to any special provisions set forth in the Addendum to this Agreement for your country, if any. If you relocate to one of the countries included in the Addendum during the Restriction Period, the special provisions for such country shall apply to you, to the extent the Company determines that the application of such provisions is necessary or advisable for legal or administrative reasons. The Addendum, if any, constitutes part of this Agreement.

**24. Imposition of Other Requirements** The Company reserves the right to impose other requirements on your participation in the Plan, on the Award and on any Shares 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.

**25. 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 .

**26. Acceptance** If you do not agree with the terms of this Agreement and the Plan, you must reject the Award no later than 60 days following the Grant Date; non-rejection of the Award will constitute your acceptance of the Award on the terms on which they are offered, as set forth in this Agreement and the Plan.

ZIMMER BIOMET HOLDINGS, INC.

By: 

Chad F. Phipps
Senior Vice President,
General Counsel and Secretary

**ANNEX A**

## PERFORMANCE CRITERIA

Performance will be measured 50% on revenue growth and 50% on relative total shareholder return (TSR), as described further below.

- Performance on each metric will be measured over a one-year (2019), two-year (2019-2020) and three-year (2019-2021) period relative to 2018
- There is a possible payout following each of the three measurement periods
- The revenue and TSR component payouts will be determined independently and then added together for the total payout for each of the three measurement periods, subject to the cumulative maximum defined in the payout range below
- As illustrated in the below table, RSUs not earned in an earlier measurement period due to below-target performance may be earned in a later measurement period as a result of improved performance. Further, above-target performance in the third measurement period will result in RSUs being earned above target on the entire award; however, the cumulative payout over the three measurement periods may not exceed 200% of the target award

| **Possible Payouts as a Cumulative Percentage of Target Award** | | | |
|---|---|---|---|
| Measurement Period | 1 | 2 | 3 |
| | **2019** | **2019-2020** | **2019-2021** |
| Payout Range* | 0% - 33% | 0% - 67% | 0% - 200% |
| Scheduled Vest Date | February 26, 2020 | February 26, 2021 | February 26, 2022 |

*Payout as a cumulative percentage of target number of RSUs subject to this award; the grand total of the three payouts may not exceed 200% of the target award
** Scheduled Vest Date is later of date indicated or the date the Committee determines whether and the extent to which the performance criteria have been satisfied and the number of RSUs earned with respect to that measurement period

| **Revenue Growth Component (50%)** | | | | |
|---|---|---|---|---|
| • Constant currency, compound annual growth rate (CAGR) | | | | |
| Revenue CAGR Over 2018 | | | | |
| Measurement Period | 1 | 2 | 3 | |
| | **2019** | **2019-2020** | **2019-2021** | **Payout*** |
| Stretch | % | % | % | 200% |
| | % | % | % | 150% |
| **Target** | **%** | **%** | **%** | **100%** |
| Threshold | % | % | % | 50% |
| Below Threshold | % | % | % | 0% |

*Period 1 Payout = (Payout percentage) x (1/2 of RSUs subject to this award) x (1/3)
Period 2 Payout = Excess, if any, of [(Payout percentage) x (1/2 of RSUs subject to this award) x (2/3)] over Period 1 Payout
Period 3 Payout = Excess, if any, of [(Payout percentage) x (1/2 of RSUs subject to this award)] over [Period 1 Payout + Period 2 Payout]

| **Relative Total Shareholder Return (TSR) Component (50%)** | | | | |
|---|---|---|---|---|
| • TSR measured against the S&P 500 Health Care Index constituents | | | | |
| • Payout under this component will be capped at target if Zimmer Biomet's TSR is negative | | | | |
| Relative TSR (%ile ) | | | | |
| Measurement Period | 1 | 2 | 3 | |
| | **2019** | **2019-2020** | **2019-2021** | **Payout*** |
| Stretch | % | % | % | 200% |
| | % | % | % | 150% |
| **Target** | **%** | **%** | **%** | **100%** |
| Threshold | % | % | % | 50% |
| Below Threshold | % | % | % | 0% |

*Period 1 Payout = (Payout percentage) x (1/2 of RSUs subject to this award) x (1/3)
Period 2 Payout = Excess, if any, of [(Payout percentage) x (1/2 of RSUs subject to this award) x (2/3)] over Period 1 Payout
Period 3 Payout = Excess, if any, of [(Payout percentage) x (1/2 of RSUs subject to this award)] over [Period 1 Payout + Period 2 Payout]

**Addendum**
**ZIMMER BIOMET HOLDINGS, INC.**
**SPECIAL PROVISIONS FOR RESTRICTED STOCK UNITS IN CERTAIN COUNTRIES**

This Addendum includes special country-specific terms that apply if you are residing and/or working in one of the countries listed below. This Addendum is part of the Agreement. Unless otherwise provided below, capitalized terms used but not defined herein shall have the same meanings assigned to them in the Plan and the Agreement.

This Addendum also includes information of which you should be aware with respect to your participation in the Plan. The information is based on the securities, exchange control and other laws in effect in the respective countries as of January 2019 and is provided for informational purposes. Such laws are often complex and change frequently and results may be different based on the particular facts and circumstances. As a result, the Company strongly recommends that you do not rely on the information noted herein as the only source of information relating to the consequences of your participation in the Plan because the information may be out of date at the time the RSUs vest or you sell Shares acquired under the Plan.

In addition, the information is general in nature and may not apply to your particular situation, and the Company is not in a position to assure you of any particular result. Accordingly, you should seek appropriate professional advice as to how the relevant laws in your country may apply to your situation.

Note that if you are a citizen or resident of a country other than the country in which you are residing and/or working, or transfer employment after the RSUs are granted to you, or are considered a resident of another country for local law purposes, the information contained in this Addendum may not be applicable to you, and the Company shall, in its discretion, determine to what extent the terms and conditions or notifications contained herein shall be applicable to you. If you transfer residency and/or employment to another country or are considered a resident of another country listed in the Addendum after the RSUs are granted to you, the terms and/or information contained for that new country (rather than the original grant country) may be applicable to you.

**European Union ("EU") / European Economic Area ("EEA")**

**Data Privacy Notice.** This section replaces Section 10 of the Agreement for participants in the EU and/or EEA:

Data Collection and Usage . Pursuant to applicable data protection laws, you are hereby notified that the Company collects, processes, uses, and transfers certain personally-identifiable information about you for the exclusive legitimate purposes of implementing, administering and managing the Plan and generally administering equity awards; specifically, your name, home address, email address, telephone number, date of birth, social insurance, passport or other identification number, salary, citizenship, job title, any Shares or directorships held in the Company, and details of all RSUs or any other entitlement to Shares granted, canceled, exercised, vested, unvested or outstanding in your favor, which the Company receives from you or the Employer ("Data"). In order to facilitate your participation in the Plan, the Company will collect, process, use and transfer your Data for purposes of allocating Shares and implementing, administering and managing the Plan. The Company collects, processes, uses and transfers your personal data pursuant to the Company's legitimate business interests of managing the Plan and generally administering employee compensation and related benefits. Your refusal to provide Data may affect your ability to participate in the Plan. As such, by participating in the Plan, you voluntarily acknowledge the collection, use, processing and transfer of your Data as described herein.

Stock Plan Administration Service Providers . The Company transfers Data to Fidelity, an independent service provider based in the United States, which assists the Company with the implementation, administration and management of the Plan. In the future, the Company may select a different service provider and share Data with that service provider, which will serve in a similar manner. The Company's service provider will open an account for you to receive and trade Shares acquired under the Plan. The processing of Data will take place through electronic means. Data will only be accessible by those individuals requiring access to it for purposes of implementation, administration and operation of the Plan.

International Data Transfers . The Company and its service providers are based, in relevant part, in the United States, which means that it will be necessary for Data to be transferred to, and processed in, the United States. By enrolling

in the Plan, you understand that the service providers will receive, possess, use, retain and transfer Data for the purposes of implementing, administering and managing your participation in the Plan. When transferring Data to these service providers, the Company provides appropriate safeguards for protecting Data, including reliance on standard contractual clauses. You may request a copy of, or information about, the safeguards used to protect Data by contacting kathryn.diller@zimmerbiomet.com .

Data Retention . The Company will use Data only as long as is necessary to implement, administer and manage your participation in the Plan or as required to comply with legal or regulatory obligations, including under tax and securities laws. When the Company no longer needs the Data, the Company will remove it from its systems. If the Company keeps the Data longer, it would be to satisfy legal or regulatory obligations and the Company's legal basis would be for compliance with relevant laws or regulations.

Data Subject Rights . To the extent provided by law, you have the right to request (i) access to or copies of Data the Company processes, (ii) rectification of Data, (iii) erasure of Data, (iv) restrictions on processing of Data, (v) portability of Data and/or to lodge complaints with competent authorities in your country, and/or (vi) request a list with the names and addresses of any potential recipients of the Data. You understand that the only consequence of refusing to provide Data is that Company may not be able to allow you to participate in the Plan, or grant other equity awards or administer or maintain such awards. For more information on the consequences of the refusal to provide Data, you may contact kathryn.diller@zimmerbiomet.com .

**All Countries**

**Labor Laws** . This provision supplements Section 6(d) of the Agreement.

Notwithstanding the foregoing, if the Company receives a legal opinion that there has been a legal judgment and/or legal development in your jurisdiction that likely would result in the favorable treatment that applies to the RSUs as a result of you retiring or reaching a certain age being deemed unlawful and/or discriminatory, the favorable treatment shall not apply and you shall be treated as set forth in the remaining provisions of Section 6(d) of the Agreement .

**Argentina**

**Labor Law Acknowledgement and Policy Statement.** This provision supplements Section 8 of the Agreement.

In accepting the RSUs, you acknowledge and agree that the grant of RSUs is made by the Company (not the Employer) in its sole discretion and that the value of the RSUs or any Shares acquired under the Plan shall not constitute salary or wages for any purpose under Argentine labor law, including, but not limited to, the calculation of (i) any labor benefits including, but not limited to, vacation pay, thirteenth salary, compensation in lieu of notice, annual bonus, disability, and leave of absence payments, etc., or (ii) any termination or severance indemnities or similar payments.

If, notwithstanding the foregoing, any benefits under the Plan are considered for any purpose under Argentine labor law, you acknowledge and agree that such benefits shall not accrue more frequently than on each vesting date.

**Securities Law Information.** Neither the RSUs nor the underlying Shares are publicly offered or listed on any stock exchange in Argentina and, as a result, have not been and will not be registered with the Argentine Securities Commission ( *Comisión Nacionale de Valores* ). The offer is private and not subject to the supervision of any Argentine governmental authority. Neither this nor any other document relating to the Plan or the Shares underlying the RSUs may be utilized in connection with any general offering to the public in Argentina. Argentine residents who acquire RSUs under the Plan do so according to the terms of a private offering made from outside Argentina.

**Australia**

**Securities Law Information.** The RSU grant is intended to comply with the provisions of the Corporations Act 2001, ASIC Regulatory Guide 49 and ASIC Class Order 14/1 000. Additional details are set forth in the Offer Document for the Offer of Restricted Stock Units and Stock Options to Australian Resident Employees, the Plan and the Agreement. By accepting the RSUs, you acknowledge and confirm that you have received these documents.

Tax Information. The Plan is a plan to which Subdivision 83A-C of the Income Tax Assessment Act 1997 (Cth) (the "Act") applies (subject to the conditions in that Act).

**Austria**

There are no country-specific provisions.

**Belgium**

There are no country-specific provisions.

**Brazil**

**Compliance with Law.** In accepting the RSUs, you agree that you will comply with applicable Brazilian laws when the RSUs vest and you sell Shares. You also agree to report and pay any and all taxes associated with the vesting of the RSUs, the receipt of any dividends and the sale of Shares acquired under the Plan.

**Labor Law Acknowledgement and Policy Statement.** This provision supplements Section 8 of the Agreement.

In accepting the RSUs, you agree that (i) you are making an investment decision by accepting the RSUs and (ii) the value of the underlying Shares is not fixed an may increase or decrease in value over the vesting period without compensation to you.

**Canada**

**Settlement of RSUs.** RSUs will be settled in Shares only, not cash.

**Labor Law Information** . This provision replaces Section 6(a) of the Agreement.

For all purposes of this Agreement, and except as expressly required by applicable legislation, the term "Employment Termination Date" shall mean the earliest of: (1) the date upon which your employment with the Employer is terminated; (2) the date you are no longer employed by or providing services to the Company or its Affiliates; or (3) at the discretion of the Committee, the date you receive written notice of termination of employment from the Employer, regardless of any notice period or period of pay in lieu of such notice required under local law (including, but not limited to statutory law, regulatory law and/or common law). In the event that the date you are no longer actively providing services cannot be reasonably determined under the terms of the Agreement or the Plan, the Committee shall have the exclusive discretion to determine when you are no longer employed for purposes of the RSUs (including whether you still may be considered to be providing services while on a leave of absence).

**Securities Law Information.** You acknowledge and agree that you will only sell Shares acquired through participation in the Plan outside of Canada through the facilities of a stock exchange on which the Shares are listed. Currently, the Shares are listed on the New York Stock Exchange.

*The following provisions apply if you are a resident in Quebec:*

**Language Acknowledgment.**

The parties acknowledge that it is their express wish that this Agreement, including this Addendum, as well as all documents, notices and legal proceedings entered into, given or instituted pursuant hereto or relating directly or indirectly hereto, be provided to them in English.

*Consentement relatif à la langue utilisée. Les parties reconnaissent avoir expressément souhaité que la convention («Agreement») ainsi que cette Annexe, ainsi que tous les documents, avis et procédures judiciares, éxécutés, donnés ou intentés en vertu de, ou liés directement ou indirectement à la présente convention, soient rédigés en langue anglaise.*

**Data Privacy Consent** . This provision supplements Section 10 of the Agreement:

You hereby authorize the Company and the Company's representatives to discuss with and obtain all relevant information from all personnel, professional or non-professional, involved with the administration of the Plan. You further authorize the Company, any Affiliates, the administrator of the Plan and Fidelity to disclose and discuss the Plan with their advisors. You further authorize the Company or any Affiliates to record such information and to keep such information in your file.

**Chile**

**Securities Law Information.** The offer of RSUs constitutes a private offering of securities in Chile effective as of the Grant Date. This offer of RSUs is made subject to general ruling N° 336 of the Chilean Commission for the Financial Market ("CMF"). The offer refers to securities not registered at the securities registry or at the foreign securities registry of the CMF, and, therefore, such securities are not subject to oversight of the CMF. Given that the RSUs are not registered in Chile, the Company is not required to provide public information about the RSUs or the Shares in Chile. Unless the RSUs and/or the Shares are registered with the CMF, a public offering of such securities cannot be made in Chile.

*Esta oferta de Unidades de Acciones Restringidas ("RSU") constituye una oferta privada de valores en Chile y se inicia en la Fecha de la Concesión. Esta oferta de RSU se acoge a las disposiciones de la Norma de Carácter General Nº 336 ("NCG 336") de la Comisión para el Mercado Financiero ("CMF"). Esta oferta versa sobre valores no inscritos en el Registro de Valores o en el Registro de Valores Extranjeros que lleva la CMF, por lo que tales valores no están sujetos a la fiscalización de ésta. Por tratarse los RSU de valores no registrados en Chile, no existe obligación por parte de la Compañía de entregar en Chile información pública respecto de los RSU or sus Acciones. Estos valores no podrán ser objeto de oferta pública en Chile mientras no sean inscritos en el Registro de Valores correspondiente.*

**China**

*The following provisions apply if you are subject to exchange control regulations in China, as determined by the Company in its sole discretion.*

**Settlement of RSUs and Sale of Shares.** Due to local regulatory requirements, you acknowledge, understand and agree that the Company reserves the right to require the sale of any Shares to be issued to you upon vesting and settlement of the RSUs. Any such sale may occur (i) immediately upon vesting and settlement of the RSUs, (ii) within six months following your termination of employment with the Company or any Affiliate of the Company or (iii) within any such other time frame as may be required by local regulatory requirements. You further agree that the Company is authorized to instruct its designated broker to assist with the mandatory sale of such Shares (on your behalf pursuant to this authorization and without further consent) and you expressly authorize the Company's designated broker to complete the sale of such Shares. You acknowledge that the Company's designated broker is under no obligation to arrange for the sale of the Shares at any particular price. Upon the sale of the Shares, the Company agrees to pay you the cash proceeds from the sale of the Shares, less any brokerage fees or commissions and subject to any obligation to satisfy Tax-Related Items. You acknowledge that you are not aware of any material

nonpublic information with respect to the Company or any securities of the Company as of the date of this Agreement.

**Exchange Control Information.** You understand and agree that, to comply with exchange control requirements, you will be required to immediately repatriate to China the cash proceeds from the sale of the Shares issued upon the vesting of the RSUs or any cash dividends paid on such Shares. You further understand that, under local law, such repatriation of funds will be effectuated through a special exchange control account established by the Company or one of its Affiliates, and you hereby consent and agree that the proceeds from the sale of Shares acquired under the Plan or cash dividends may be transferred to such special account prior to being delivered to you.

The Company may deliver the proceeds to you in US dollars or local currency at the Company's discretion. If the proceeds are paid in US dollars, you understand that you may be required to set up a US dollar bank account in China so that the proceeds may be deposited into this account. If the proceeds are converted to local currency, there may be delays in delivering the proceeds to you and, due to fluctuations in the Share trading price and/or the US dollar/PRC exchange rate between the vesting/sale date and (if later) when the proceeds can be converted into local currency, the proceeds that you receive may be more or less than the market value of the Shares on the vesting/sale date. You agree to bear the risk of any currency fluctuation between the date the RSUs vest, the receipt of funds and the date of conversion of any funds into local currency.

You further agree to comply with any other requirements that may be imposed by the Company in the future to facilitate compliance with exchange control requirements in China.

**Costa Rica**

There are no country-specific provisions.

**Czech Republic**

**Exchange Control Information.** The Czech National Bank may require you to fulfill certain notification duties in relation to the opening and maintenance of a foreign account.

Because exchange control regulations change frequently and without notice, you should consult your personal legal advisor regarding your participation in the Plan to ensure compliance with current regulations. It is your responsibility to comply with Czech exchange control laws, and neither the Company nor the Employer will be liable for any resulting fines or penalties.

**Denmark**

**Stock Option Act.** You acknowledge that you have received an Employer Statement in Danish.

**Finland**

There are no country-specific provisions.

**France**

**Language Acknowledgement**

By accepting the Agreement providing for the terms and conditions of your grant, you confirm having read and understood the documents relating to this grant (the Plan and the Agreement) which were provided in English. You accept the terms of those documents accordingly.

*En acceptant le Contrat d'Attribution décrivant les termes et conditions de votre attribution, vous confirmez ainsi avoir lu et compris les documents relatifs á cette attribution (le Plan et le Contrat d'Attribution) qui ont été communiqués en langue anglaise. Vous acceptez les termes en connaissance de cause.*

**Exchange Control Information.** If you transfer more than €10,000 in S hares or cash into or out of France without the use of a financial intermediary, you must declare the transfer to the French tax and customs authorities.

**Germany**

**Exchange Control Information.** For statistical purposes, the German Federal Bank requires that you file electronic reports of any cross-border transactions in excess of €12,500. If you make or receive a payment in excess of this amount, you are responsible for complying with applicable reporting requirements. The electronic "General Statistics Reporting Portal" ( *Allgemeines Meldeportal Statistik* ) can be accessed on the Germany Federal Bank's website: www.bundesbank.de.

**Greece**

There are no country-specific provisions.

**Hong Kong**

**Settlement of RSUs.** RSUs will be settled in Shares only, not cash.

**Securities Law Information.** *Warning: The RSUs and any Shares issued at vesting do not constitute a public offering of securities under Hong Kong law and are available only to employees of the Company or its Affiliates. The Agreement, including this Addendum, the Plan and other incidental communication materials have not been prepared in accordance with and are not intended to constitute a "prospectus" for a public offering of securities under the applicable securities legislation in Hong Kong, nor have the documents been reviewed by any regulatory authority in Hong Kong. The RSUs are intended only for the personal use of each eligible employee of the Employer, the Company or any Affiliate and may not be distributed to any other person. If you are in any doubt about any of the contents of the Agreement, including this Addendum, or the Plan, or any other incidental communication materials, you should obtain independent professional advice.*

**Nature of Scheme.** The Company specifically intends that the Plan will not be an occupational retirement scheme for purposes of the Occupational Retirement Schemes Ordinance.

**Sale of Shares.** In the event the RSUs vest and you are issued Shares within six months of the Grant Date, you agree that you will not sell or otherwise dispose of such Shares prior to the six-month anniversary of the Grant Date.

**Iceland**

There are no country-specific provisions.

**India**

**Exchange Control Information.** You must repatriate all proceeds received from your participation in the Plan to India within the period of time prescribed under applicable Indian exchange control laws, as may be amended from time to time. You will receive a foreign inward remittance certificate ("FIRC") from the bank where you deposit the proceeds. You should maintain the FIRC as evidence of the repatriation of funds in the event that the Reserve Bank of India or the Employer requests proof of repatriation.

It is your responsibility to comply with exchange control laws in India, and neither the Company nor the Employer will be liable for any fines or penalties resulting from failure to comply with applicable laws.

**Ireland**

There are no country-specific provisions.

**Israel**

**Settlement of RSUs and Sale of Shares.** Due to local regulatory requirements, you agree to the immediate sale of any Shares to be issued to you upon vesting and settlement of the RSUs. You further agree that the Company is authorized to instruct its designated broker to assist with the mandatory sale of such Shares (on your behalf pursuant to this authorization) and you expressly authorize the Company's designated broker to complete the sale of such Shares. You acknowledge that the Company's designated broker is under no obligation to arrange for the sale of the Shares at any particular price. Upon the sale of the Shares, the Company agrees to pay you the cash proceeds from the sale of the Shares, less any brokerage fees or commissions and subject to any obligation to satisfy Tax-Related Items. You acknowledge that you are not aware of any material nonpublic information with respect to the Company or any securities of the Company as of the date of this Agreement.

**Italy**

**Plan Document Acknowledgment.** By accepting the RSUs, you acknowledge that you have received a copy of the Plan, reviewed the Plan, the Agreement and this Addendum in their entirety and fully understand and accept all provisions of the Plan, the Agreement and this Addendum.

In addition, you further acknowledge that you have read and specifically and expressly approve without limitation the following clauses in the Agreement: Section 7 (Responsibility for Taxes); Section 8 (Nature of Grant); Section 9 (No Advice Regarding Grant); Section 10 (Data Privacy, as replaced by the provision applicable to participants in the European Union ("EU")/European Economic Area ("EEA")); Section 14 (No Additional Rights); Section 16 (Violation of Policies); Section 17 (Consent to Electronic Delivery); Section 19 (Construction and Interpretation); Section 20 (Insider Trading/Market Abuse Laws) Section 21 (Foreign Asset/Account Reporting); Section 22 (Compliance with Laws and Regulations); Section 23 (Addendum); Section 24 (Imposition of Other Requirements) and Section 26 (Acceptance).

**Japan**

There are no country-specific provisions.

**Korea**

There are no country-specific provisions.

**Lebanon**

**Compliance with Law .** By accepting your RSUs and participating in the Plan, you agree that you will comply with applicable Lebanese laws and that you will report and pay any and all tax associated with the vesting of your RSUs, the sale of any Shares and the receipt of any dividends.

**Malaysia**

**Director Notification Obligation.** If you are a director of the Company's Malaysian Affiliate, you are subject to certain notification requirements under the Malaysian Companies Act. Among these requirements is an obligation to notify the Malaysian Affiliate in writing when you receive or dispose of an interest ( *e.g.* , RSUs or Shares) in the Company or any related company. Such notifications must be made within 14 days of receiving or disposing of any interest in the Company or any related company.

**Mexico**

**Acknowledgement of the Agreement.** By accepting the RSUs, you acknowledge that you have received a copy of the Plan and the Agreement, including this Addendum, which you have reviewed. You further acknowledge that you accept all the provisions of the Plan and the Agreement, including this Addendum. You also acknowledge that you have read and specifically and expressly approve the terms and conditions set forth in the "Nature of Grant" section of the Agreement, which clearly provide as follows:

(1) Your participation in the Plan does not constitute an acquired right;

(2) The Plan and your participation in it are offered by the Company on a wholly discretionary basis;

(3) Your participation in the Plan is voluntary; and

(4) The Company and its Affiliates are not responsible for any decrease in the value of any Shares acquired at vesting of the RSUs.

**Labor Law Acknowledgement and Policy Statement.** By accepting the RSUs, you acknowledge that Zimmer Biomet Holdings, Inc., with registered offices at 345 East Main Street, Warsaw, Indiana, 46580, United States of America, is solely responsible for the administration of the Plan. You further acknowledge that your participation in the Plan, the grant of RSUs and any acquisition of Shares under the Plan do not constitute an employment relationship between you and Zimmer Biomet Holdings, Inc. because you are participating in the Plan on a wholly commercial basis and your sole employer is a Mexican legal entity ("Zimmer-Mexico"). Based on the foregoing, you expressly acknowledge that the Plan and the benefits that you may derive from participation in the Plan do not establish any rights between you and the Employer, Zimmer-Mexico, and do not form part of the employment conditions and/or benefits provided by Zimmer-Mexico, and any modification of the Plan or its termination shall not constitute a change or impairment of the terms and conditions of your employment.

You further understand that your participation in the Plan is the result of a unilateral and discretionary decision of Zimmer Biomet Holdings, Inc., therefore, Zimmer Biomet Holdings, Inc. reserves the absolute right to amend and/or discontinue your participation in the Plan at any time, without any liability to you.

Finally, you hereby declare that you do not reserve to you any action or right to bring any claim against Zimmer Biomet Holdings, Inc. for any compensation or damages regarding any provision of the Plan or the benefits derived under the Plan, and that you therefore grant a full and broad release to Zimmer Biomet Holdings, Inc., its Affiliates, branches, representation offices, shareholders, officers, agents and legal representatives, with respect to any claim that may arise.

***Spanish Translation***

***Reconocimiento del Contrato.*** *Al aceptar las RSUs, usted reconoce que ha recibido una copia del Plan y del Contrato con inclusión de este Apéndice, que le ha examinado. Usted reconoce, además, que usted acepta todas las disposiciones del Plan y del Contrato. Usted también reconoce que ha leído y, concretamente, y aprobar de forma expresa los términos y condiciones establecidos en la "Naturaleza del Otorgamiento" que claramente dispone lo siguiente:*

*(1) Su participación en el Plan no constituye un derecho adquirido;*

*(2) El Plan y su participación en el Plan se ofrecen por Zimmer Biomet Holdings, Inc. en su totalidad sobre una base discrecional;*

*(3) Su participación en el Plan es voluntaria; y*

*(4) Zimmer Biomet Holdings, Inc. y sus afiliadas no son responsables de ninguna disminución en el valor de las acciones adquiridas en la adquisición de RSUs.*

***Reconocimiento de Ausencia de Relación Laboral y Declaración de la Política.*** *Al aceptar la RSUs, usted reconoce que Zimmer Biomet Holdings, Inc., con oficinas registradas en 345 East Main Street, Warsaw, Indiana, 46580, Estados Unidos de América, es el único responsable de la administración del Plan. Además, usted acepta que su participación en el Plan, la concesión de RSUs y cualquier adquisición de acciones en el marco del Plan no constituyen una relación laboral entre usted y Zimmer Biomet Holdings, Inc. porque usted está participando en el Plan en su totalidad sobre una base comercial y su único empleador es una sociedad mercantil Mexicana ("Zimmer-Mexico"). Derivado de lo anterior, usted expresamente reconoce que el Plan y los beneficios que pueden derivarse de la participación en el Plan no establece ningún derecho entre usted y su Empleador, Zimmer-Mexico, y*

*que no forman parte de las condiciones de empleo y / o prestaciones previstas por Zimmer-Mexico, y cualquier modificación del Plan o la terminación de su contrato no constituirá un cambio o deterioro de los términos y condiciones de su empleo.*

*Además, usted entiende que su participación en el Plan es causada por una decisión discrecional y unilateral de Zimmer Biomet Holdings, Inc., por lo que Zimmer Biomet Holdings, Inc. se reserva el derecho absoluto a modificar y/o suspender su participación en el Plan en cualquier momento, sin responsabilidad alguna para con usted.*

*Finalmente, usted manifiesta que no se reserva ninguna acción o derecho que origine una demanda en contra de Zimmer Biomet Holdings, Inc., por cualquier compensación o daño en relación con cualquier disposición del Plan o de los beneficios derivados del mismo, y en consecuencia usted otorga un amplio y total finiquito a Zimmer Biomet Holdings, Inc., sus afiliadas, sucursales, oficinas de representación, sus accionistas, directores, agentes y representantes legales con respecto a cualquier demanda que pudiera surgir*

**Netherlands**

There are no country-specific provisions.

**New Zealand**

**Securities Law Information.**

**Warning**

This is an offer of RSUs over Shares. Shares give you a stake in the ownership of the Company. You may receive a return if dividends are paid. Shares are quoted on the New York Stock Exchange ("NYSE"). This means you may be able to sell them on the NYSE if there are interested buyers. You may get less than you invested. The price will depend on the demand for the Shares.

If the Company runs into financial difficulties and is wound up, you will be paid only after all creditors have been paid. You may lose some or all your investment.

New Zealand law normally requires people who offer financial products to give information to investors before they invest. This information is designed to help investors to make an informed decision. The usual rules do not apply to this offer because it is made under an employee share scheme. As a result, you may not be given all the information usually required. You will also have fewer other legal protections for this investment.

In compliance with applicable New Zealand securities laws, you are entitled to receive, in electronic or other form and free of cost, copies of the Company's latest annual report, relevant financial statements and the auditor's report on said financial statements (if any).

You should ask questions, read all documents carefully, and seek independent financial advice before committing yourself.

**Norway**

There are no country-specific provisions.

**Poland**

There are no country-specific provisions.

**Portugal**

**Language Consent.** You hereby expressly declare that you have full knowledge of the English language and have read, understood and fully accepted and agreed with the terms and conditions established in the Plan and the Agreement.

*Conhecimento da Lingua. Por meio do presente, eu declaro expressamente que tem pleno conhecimento da língua inglesa e que li, compreendi e livremente aceitei e concordei com os termos e condições estabelecidas no Plano e no acordo.*

**Puerto Rico**

There are no country-specific provisions.

**Romania**

There are no country-specific provisions.

**Russia**

**Securities Law Information.** The Employer is not in any way involved in the offer of RSUs or administration of the Plan. These materials do not constitute advertising or an offering of securities in Russia nor do they constitute placement of the Shares in Russia. The issuance of Shares pursuant to the RSUs described herein has not and will not be registered in Russia and hence, the Shares described herein may not be admitted or used for offering, placement or public circulation in Russia.

**Data Privacy Notice.** This section replaces Section 10 of the Agreement.

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 by and among, as applicable, the Employer, the Company and its Affiliates for the exclusive purpose of implementing, administering and managing your participation in the Plan.

You understand that the Company, any Affiliate and/or the Employer may hold certain personal data 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, salary, nationality, job title, any Shares of stock or directorships held in the Company, details of all RSUs or any other entitlement to Shares awarded, canceled, vested, unvested or outstanding in your favor ("Data"), for the purpose of implementing, administering and managing the Plan.

You understand that Data may be transferred to Fidelity or such other stock plan service provider as may be selected by the Company in the future, which is assisting in the implementation, administration and management of the Plan, that the recipients of the Data may be located in your country, or elsewhere, and that the recipients' 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 the US human resources representative or stock plan services. You authorize the Company, Fidelity and 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 purposes of implementing, administering and managing your participation in the Plan, including any requisite transfer of such Data as may be required to a broker, escrow agent or other third party with whom the Shares received upon vesting of the RSUs may be deposited. 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 and without cost, by contacting in writing the US human resources representative. You understand that refusal or withdrawal, rescission or termination of 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 the US human resources representative or stock plan services .

**US Transaction.** Any Shares issued pursuant to the RSUs shall be delivered to you through a brokerage account in the US You may hold Shares in your brokerage account in the US; however, in no event will Shares issued to you and/or Share certificates or other instruments be delivered to you in Russia. You are not permitted to make any public advertising or announcements regarding the RSUs or Shares in Russia, or promote these Shares to other Russian legal entities or individuals, and you are not permitted to sell or otherwise dispose of Shares directly to other Russian legal entities or individuals. You are permitted to sell Shares only on the New York Stock Exchange and only through a US broker.

**Settlement of RSUs and Sale of Shares.** Due to local regulatory requirements, the Company reserves the right to require the immediate sale of any Shares to be issued to you upon vesting of the RSUs. You agree that the Company is authorized to instruct its designated broker to assist with any such mandatory sale of the Shares (on your behalf pursuant to this authorization) and you expressly authorize the Company's designated broker to complete the sale of such Shares, if so instructed by the Company. In such case, you acknowledge that the Company's designated broker is under no obligation to arrange for the sale of the Shares at any particular price. Upon the sale of the Shares, the Company agrees to pay you the cash proceeds from the sale of the Shares, less any brokerage fees or commissions and subject to any obligation to satisfy Tax-Related Items. You may hold the cash proceeds in the brokerage account in the US for an indefinite period of time ( *e.g.* , for subsequent reinvestment). You acknowledge that you are not aware of any material nonpublic information with respect to the Company or any securities of the Company as of the date of this Agreement.

**Anti-Corruption Notification.** Anti-corruption laws prohibit certain public servants, their spouses and their dependent children from owning any foreign source financial instruments ( *e.g* ., Shares of foreign companies such as the Company). Accordingly, please inform the Company if you are covered by these laws because you should not hold Shares acquired under the Plan.

**Saudi Arabia**

**Securities Law Information** . The Agreement and related Plan documents may not be distributed in the Kingdom of Saudi Arabia except to such persons as are permitted under the Rules on the Offers of Securities and Continuing Obligations issued by the Capital Market Authority ("CMA"). The CMA does not make any representation as to the accuracy or completeness of the Agreement, and expressly disclaims any liability whatsoever for any loss arising from, or incurred in reliance upon, any part of the Agreement. You should conduct your own due diligence on the accuracy of the information relating to the Shares. If you do not understand the contents of the Agreement, you should consult an authorized financial adviser.

**Singapore**

**Sale of Common Stock.** You hereby agree that any Shares received at settlement will not be offered for sale in Singapore prior to the six (6) month anniversary of the Grant Date, unless such sale or offer is made pursuant to the exemption under Part XIII Division I Subdivision (4) (other than section 280) of the Securities and Futures Act (Chap. 289, 2006 Ed.) ("SFA") or pursuant to, and in accordance with the conditions of, any other applicable provision(s) of the SFA.

**Securities Law Information.** The Award is being made in reliance of section 273(1)(f) of the SFA and is not made to you with a view to the RSUs being subsequently offered for sale to any other party. The Plan has not been, and will not be, lodged or registered as a prospectus with the Monetary Authority of Singapore.

**Chief Executive Officer and Director Notification Obligation.** If you are the Chief Executive Officer ("CEO") or a director (including an alternative, substitute or shadow director) of the Company's Singapore Affiliate, you are subject to certain notification requirements under the Singapore Companies Act. Among these requirements is an obligation to notify the Company's Singapore Affiliate in writing within two (2) business days of any of the following events: (1) receiving an interest ( *e.g.* , RSUs or Shares) in the Company or any Affiliate; (2) any change in a previously-disclosed interest ( *e.g.* , the sale of Shares); or (3) becoming the CEO or a director.

**Slovakia**

There are no country-specific provisions.

**South Africa**

**Securities Law Information.** In compliance with South African securities law, you acknowledge that you have been notified that the documents listed below are available for your review at the addresses listed below:

(a) Zimmer Biomet Holdings, Inc.'s most recent annual financial statements: http://investor.zimmerbiomet.com/financial-information/annual-reports ; and

(b) Zimmer Biomet Holdings, Inc.'s most recent Plan prospectus, which is viewable at: https://thecircle.zimmerbiomet.com/espp/Pages/eis.aspx .

You acknowledge that you may have a copy of the above documents sent to you, without fee, on written request to Zimmer Biomet Holdings, Inc., ATTN: Kathryn Diller, Corporate Securities Senior Administrator, 345 East Main Street, Post Office Box 708, Warsaw, Indiana 46581-0708, U.S.A. or kathryn.diller@zimmerbiomet.com .

**Withholding Taxes.** By accepting the RSUs, you agree to notify the Employer of the amount of any gain realized upon vesting of the RSUs. If you fail to advise the Employer of the gain realized upon vesting of the RSUs, you may be liable for a fine, upon conviction. You will be responsible for paying any difference between the actual tax liability and the amount withheld by the Employer. If you do not inform the Employer of the sale, transfer or other disposition of the Shares and if the Company (or the Employer or former employer, as applicable) is required to pay any taxes on your behalf due to your failure to inform it of any disposition of Shares, the Company (or the Employer or former employer, as applicable) may recover any such amounts from you.

**Spain**

**Nature of Grant.** This provision supplements Section 8 of the Agreement:

By accepting the RSU, you consent to participation in the Plan and acknowledge that you have received a copy of the Plan document.

You understand and agree that, as a condition of the grant of the RSU, except as provided for in Section 6 of the Agreement, your termination of employment for any reason (including for the reasons listed below) will automatically result in the forfeiture of any RSU that has not vested on your Employment Termination Date.

In particular, you understand and agree that the RSU will be forfeited in accordance with Section 6 of the Agreement without entitlement to the underlying Shares or to any amount as indemnification in the event of a termination of your employment prior to vesting by reason of, including, but not limited to: resignation, disciplinary dismissal adjudged to be with cause, disciplinary dismissal adjudged or recognized to be without good cause ( *i.e.* , subject to a "despido improcedente"), individual or collective layoff on objective grounds, whether adjudged to be with cause or adjudged or recognized to be without good cause, material modification of the terms of employment under Article 41 of the Workers' Statute, relocation under Article 40 of the Workers' Statute, Article 50 of the Workers' Statute, unilateral withdrawal by the Employer, and under Article 10.3 of Royal Decree 1382/1985.

Furthermore, you understand that the Company has unilaterally, gratuitously and discretionally decided to grant RSUs under the Plan to individuals who may be employees of the Company or an Affiliate. The decision is a limited decision that is entered into upon the express assumption and condition that any grant will not economically or otherwise bind the Company or any Affiliate on an ongoing basis, other than as expressly set forth in the Agreement. Consequently, you understand that the RSUs are granted on the assumption and condition that the RSUs and the Shares underlying the RSUs shall not become a part of any employment or service contract (either with the Company, the Employer or any Affiliate) and shall not be considered a mandatory benefit, salary for any purposes (including severance compensation) or any other right whatsoever. In addition, you understand that the RSUs would not be granted to you but for the assumptions and conditions referred to above; thus, you acknowledge

and freely accept that, should any or all of the assumptions be mistaken or should any of the conditions not be met for any reason, then any award of RSU s shall be null and void.

**Securities Law Information.** In connection with this grant of RSUs, no "offer of securities to the public," as defined under Spanish law, has taken place or will take place in the Spanish territory. The Agreement (including this Addendum) has not been nor will it be registered with the *Comisión Nacional del Mercado de Valores* , and does not constitute a public offering prospectus.

**Sweden**

There are no country-specific provisions.

**Switzerland**

**Securities Law Information.** The grant is not intended to be publicly offered in or from Switzerland. Neither this document nor any other materials relating to the grant (i) constitutes a prospectus as such term is understood pursuant to article 652a of the Swiss Code of Obligations, (ii) may be publicly distributed nor otherwise made publicly available in Switzerland or (iii) has been or will be filed with, approved or supervised by any Swiss regulatory authority, including the Swiss Financial Market Supervisory Authority.

**Taiwan**

**Securities Law Information.** The RSUs and the Shares to be issued pursuant to the Plan are available only to employees of the Company and its Affiliates. The grant of the RSUs does not constitute a public offer of securities.

**Thailand**

**Exchange Control Information.** As an individual resident in Thailand, you must repatriate any cash proceeds if the amount of the funds realized is US$50,000 or more in a single transaction. The repatriated proceeds must either be converted into Thai Baht or deposited into a foreign currency deposit account opened with any commercial bank in Thailand within 360 days of repatriation. Any such commercial bank must be duly authorized by the Bank of Thailand to engage in the purchase, exchange and withdrawal of foreign currency. Further, you must complete and submit and report the inward remittance of any proceeds into Thailand using a Foreign Exchange Transaction.

If you do not comply with the above obligations, you may be subject to penalties assessed by the Bank of Thailand. Because exchange control regulations change frequently and without notice, you should consult your legal advisor to ensure compliance with current regulations. It is your responsibility to comply with exchange control laws in Thailand, and neither the Company nor the Employer will be liable for any fines or penalties resulting from failure to comply with applicable laws.

**Turkey**

**Securities Law Information.** The RSUs are made available only to employees of the Company and its Affiliates, and the offer of participation in the Plan is a private offering. The grant of the RSUs and any issuance of Shares at vesting takes place outside Turkey.

**Exchange Control Information.** In certain circumstances, Turkish residents are permitted to sell Shares traded on a non-Turkish stock exchange only through a financial intermediary licensed in Turkey. Therefore, you may be required to appoint a Turkish broker to assist with the sale of any Shares acquired under the Plan. You should consult your personal legal advisor before exercising or selling any Shares acquired under the Plan to confirm the applicability of this requirement.

**United Arab Emirates**

**Securities Law Information.** The Agreement, including this Addendum, and any other documents related to the Plan are intended for distribution only to eligible employees of the Company and any Affiliate and relate to the grant of RSUs in the United Arab Emirates.

The Emirates Securities and Commodities Authority has no responsibility for reviewing or verifying any documents in connection with the Plan. Neither the Ministry of Economy nor the Dubai Department of Economic Development have approved the documents related to the Plan or taken steps to verify the information set out therein, and have no responsibility for them.

The securities to which the grant under the Plan relates may be illiquid and/or subject to restrictions on their resale. Prospective purchasers of the securities offered should conduct their own due diligence on the securities.

Employees who do not understand the contents of the Agreement, including this Addendum, or any other documents related to the Plan, should consult an authorized financial advisor.

**United Kingdom**

**Responsibility for Taxes.** This provision supplements Section 7 of the Agreement:

Without limitation to this Section 7, you hereby agree that you are liable for all Tax-Related Items and hereby covenant to pay all such Tax-Related Items, as and when requested by the Company or the Employer or by Her Majesty's Revenue & Customs ("HMRC") (or any other tax authority or any other relevant authority). You also hereby agree to indemnify and keep indemnified the Company and the Employer against any Tax-Related Items that they are required to pay or withhold or have paid or will pay on your behalf to HMRC (or any other tax authority or any other relevant authority).

Notwithstanding the foregoing, if you are an executive officer or director (within the meaning of Section 13(k) of the Exchange Act) and income tax that is due is not collected from or paid by you within 90 days after the end of the U.K. tax year in which the vesting of the RSUs, release or assignment of the RSUs for consideration, or the receipt of any other benefit in connection with the RSUs occurs, the amount of any uncollected income tax may constitute a benefit to you on which additional income tax and national insurance contributions may be payable. You understand that you will be responsible for reporting and paying any income tax due on this additional benefit directly to the HMRC under the self-assessment regime and for reimbursing the Company or the Employer (as appropriate) for the value of any employee national insurance contributions due on this additional benefit, which the Company or the Employer may recover from you by any means referred to in Section 7 of the Agreement.

# ZIMMER BIOMET HOLDINGS, INC.

**2009 STOCK INCENTIVE PLAN**
**FOUR-YEAR RESTRICTED STOCK UNIT AWARD**

Zimmer Biomet Holdings, Inc. (the "Company") granted you this restricted stock unit ("RSU") award ("Award") pursuant to the Company's 2009 Stock Incentive Plan ("Plan"). Each RSU represents an unfunded, unsecured promise by the Company to deliver one share of Common Stock ("Share") to you, subject to the fulfillment of the vesting requirements set forth in this agreement ("Agreement") and all other restrictions, terms and conditions contained in this Agreement and in the Plan. Except as may be required by law, you are not required to make any payment (other than payments for Tax-Related Items pursuant to Section 7 hereof) or provide any consideration other than the satisfaction of the vesting requirements. Capitalized terms that are not defined in this Agreement have the meanings given to them in the Plan.

**Important Notice.** If you do not wish to receive the RSUs and/or do not consent and agree to the terms and conditions on which the RSUs are offered, as set forth in this Agreement and the Plan, then you must reject the RSUs no later than 60 days following the Grant Date specified in Section 1 hereof. If you reject the Award, any right to the underlying RSUs will be cancelled. Your failure to reject the Award within this 60-day period will constitute your acceptance of the RSUs and your agreement with all terms and conditions of the Award, as set forth in this Agreement and the Plan.

**1. Grant Date** _____ __, 20__ (the "Grant Date").

**2. Number of RSUs Subject to this Award** The number of RSUs subject to this Award was communicated to you separately and is posted to your online Zimmer Biomet – Fidelity account.

**3. Vesting Schedule** RSUs granted in connection with this Award shall be subject to the restrictions and conditions set forth herein during the period from the Grant Date until such RSUs become vested and nonforfeitable (the "Restriction Period"). Except as otherwise set forth in Section 6 below, 25% of the RSUs granted in this Award shall become vested and nonforfeitable on the first anniversary of the Grant Date provided that you have been continuously employed by the Company or an Affiliate since the Grant Date; an additional 25% of the RSUs granted in this Award shall become vested and nonforfeitable on the second anniversary of the Grant Date provided that you have been continuously employed by the Company or an Affiliate since the Grant Date; an additional 25% of the RSUs granted in this Award shall become vested and nonforfeitable on the third anniversary of the Grant Date provided that you have been continuously employed by the Company or an Affiliate since the Grant Date; and the final 25% of the RSUs granted in this Award shall become vested and nonforfeitable on the fourth anniversary of the Grant Date provided that you have been continuously employed by the Company or an Affiliate since the Grant Date.

**4. Stockholder Rights** You will have none of the rights of a holder of Common Stock (including any voting rights, rights with respect to cash dividends paid by the Company on its Common Stock or any other rights whatsoever) until the Award is settled by the issuance of Shares to you.

**5. Conversion of RSUs and Issuance of Shares** Subject to the terms and conditions of this Agreement and the Plan, the Company will issue and deliver Shares to you within 60 days after the lapse of the Restriction Period for those RSUs. No fractional Shares will be issued under this Agreement. The Company will not be required to issue or deliver any Shares prior to (a) the admission of such Shares to listing on any stock exchange on which the stock may then be listed, (b) the completion of any registration or other qualification of such Shares under any state or federal law or rulings or regulations of any governmental regulatory body, or (c) 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. The Company reserves the right to determine the manner in which the Shares are delivered to you, including but not limited to delivery by direct registration with the Company's transfer agent.

**6. Termination of Employment**

(a) For all purposes of this Agreement, the term "Employment Termination Dat mean the earlier of (i) the date, as determined by the Company, that you are no longer actively employed by the Company or an Affiliate of the Company, and in the case of an involuntary termination, such date shall not be extended by any notice period mandated under local law ( *e.g* ., active employment 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); or (ii)

**the date, as determined by the Company, that your employer is no longer an Affiliate of the Company.**

(b) (i) A transfer of your employment from the Company to an Affiliate, or vice versa, or from one Affiliate to another, (ii) a leave of absence, duly authorized in writing by the Company, for military service or sickness or for any other purpose approved by the Company if the period of such leave does not exceed ninety (90) days, and (iii) a leave of absence in excess of ninety (90) days, duly authorized in writing by the Company, provided your right to reemployment is guaranteed either by a statute or by contract, shall not be deemed a termination of employment. However, your failure to return to the employ of the Company at the end of an approved leave of absence shall be deemed a termination. During a leave of absence as defined in (ii) or (iii), you will be considered to have been continuously employed by the Company.

(c) Except as set forth below, if your Employment Termination Date occurs before all of the RSUs have become vested, the RSUs that are not already vested as of your Employment Termination Date shall be forfeited and immediately cancelled.

(d) If after you have been continuously employed by the Company or its Affiliates for one year or more from the Grant Date, you terminate employment on account of Retirement or death, the restrictions with respect to all unvested RSUs granted in this Award shall be waived and the RSUs will be deemed fully vested as of your Employment Termination Date (subject to any applicable requirements described in the definition of "Retirement" in the Plan).

he event of your death prior to the delivery of Shares issuable pursuant to RSUs under this Agreement, such Shares shall be delivered to the duly appointed legal representative of your estate or to the proper legatees or distributees thereof, upon presentation of documentation satisfactory to the Committee.

**7. Responsibility for Taxes**

(a) You acknowledge that, regardless of any action taken by the Company or, if different, your actual employer (the "Employer"), the ultimate liability for all income tax (including federal, state and local taxes), 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 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 (i) make no representations or undertakings regarding the treatment of any Tax-Related Items in connection with any aspect of the RSUs, including the grant of the Award, the vesting or settlement of the RSUs, the conversion of the RSUs into Shares, the subsequent sale of any Shares acquired at vesting or the receipt of any dividends; and (ii) do not commit to, and are under no obligation to, structure the terms or any aspect of the Award to reduce or eliminate your liability for Tax-Related Items or achieve any particular result. Further, if you are subject to Tax-Related Items in more than one jurisdiction, you acknowledge that the Company or the Employer (or former Employer, as applicable) may be required to withhold or account for Tax-Related Items in more than one jurisdiction.

(b) Prior to any relevant taxable or tax withholding event, as applicable, you ag make adequate arrangements satisfactory to the Company or to the Employer (in their sole discretion) to satisfy all Tax-Related Items. In this regard and, if permissible under local law, you authorize the Company and/or the Employer, at their discretion, to satisfy any applicable obligations with respect to all Tax-Related Items in one or a combination of the following: (i) requiring you to pay an amount necessary to pay the Tax-Related Items directly to the Company (or the Employer) in the form of cash, check or other cash equivalent; (ii) withholding such amount from wages or other cash compensation payable to you by the Company and/or the Employer; (iii) withholding from proceeds of the sale of Shares acquired upon settlement of the RSUs either through a voluntary sale or through a mandatory sale arranged by the Company (on your behalf pursuant to this authorization or such other authorization, without further consent, as you may be required to provide to the Company or Fidelity Stock Plan Services, LLC ("Fidelity") (or any other designated broker)); or (iv) withholding in Shares to be issued upon settlement of the RSUs.

(c) Depending on the withholding method, the Company and/or the Employer r 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 (without any entitlement to the Shares) or, if not refunded, you may seek a refund from the local tax authorities. You agree that the amount withheld may exceed your actual liability. If the obligation for Tax-Related Items is satisfied by withholding in Shares, for tax purposes, you are deemed to have been issued the full number of Shares subject to the vested RSUs, notwithstanding that a number of the Shares are held

back solely for the purpose of paying the Tax-Related Items.

(d) 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, if you fail to comply with your obligations in connection with the Tax-Related Items.

**8. Nature of Grant** In accepting the RSUs, you acknowledge, understand and agree that:

(a) the Plan is established voluntarily by the Company, it is discretionary in nature and may be modified, amended, suspended or terminated by the Company at any time, consistent with the Plan's terms;

(b) the Award is exceptional, discretionary, voluntary and occasional and does not create any contractual or other right to receive future awards of RSUs, or benefits in lieu of RSUs even if RSUs have been awarded in the past;

(c) all decisions with respect to future RSU or other awards, if any, will be at the sole discretion of the Company;

(d) the Award and your participation in the Plan shall not create a right to employment or be interpreted as forming or amending an employment or service contract with the Company, the Employer or any Affiliate of the Company and shall not interfere with the ability of the Company, the Employer or any Affiliate of the Company, as applicable to terminate your employment or service relationship (if any);

(e) your participation in the Plan is voluntary;

(f) the Award, the Shares subject to the RSUs, and the income from and value of same are not intended to replace any pension rights or compensation provided by the Employer or required under applicable law;

(g) the Award and the Shares subject to the RSUs, and the income from and value of same are not part of normal or expected compensation for purposes of calculation of any severance, resignation, termination, redundancy, dismissal, end-of-service payments, holiday pay, bonuses, long-service awards, pension or retirement benefits or similar mandatory payments;

(h) the future value of the Shares underlying the RSUs is unknown, indeterminable and cannot be predicted with certainty;

(i) no claim or entitlement to compensation arises from forfeiture of RSUs resulting from termination of your employment or other service relationship with the Company or the Employer (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 15 or Section 16 below;

(j) unless otherwise provided in the Plan or by the Company in its discretion, the RSUs and the benefits evidenced by this Agreement do not create any entitlement to have the RSUs 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

(k) the following provisions apply only if you are providing services outside the United States: (i) the Award and the Shares subject to the RSUs are not part of normal or expected compensation or salary for any purpose; and (ii) you acknowledge and agree that neither the Company, the Employer nor any other Affiliate of the Company 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 RSUs or of any amounts due to you pursuant to the settlement of the RSUs or the subsequent sale of any Shares acquired upon settlement.

**9. 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. 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.

**10. 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 RSU Award materials ("Data") by and among, as applicable, the Company, the Employer and any other Affiliate s 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 data about you, including, but not limited to, your name, home address, 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 or directorships held in the Company, details of all RSUs or any other***

***stock-based awards , canceled, exercised, vested, unvested or outstanding in your favor, for the exclusive purpose of implementing, admini stering and managing the Plan .***

***You understand that Data may be transferred to Fidelity or such other stock plan service provider as may be selected by the Company to assist 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 recipients' country may have different data privacy laws and protections than your country. You understand that if you reside outside the United States, 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, Fidelity 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 purpose 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 if you reside outside the United States, 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 RSUs or any 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.***

**11. Change in Control** Under certain circumstances, if your employment with the Company or its Affiliates terminates during the three year period following a Change in Control of the Company, this Award may be deemed vested. Please refer to the Plan for more information.

**12. Changes in Capitalization** If prior to the expiration of the Restriction Period 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 number and class of Shares subject to this Award will be appropriately adjusted by the Committee, whose determination will be conclusive. If as a result of any adjustment under this paragraph you should become entitled to a fractional Share of stock, you will have the right only to the adjusted number of full Shares and no payment or other adjustment will be made with respect to the fractional Share so disregarded.

**13. Notice** Until you are advised otherwise by the Committee, all notices and other correspondence with respect to this Award will be effective upon receipt at the following address: Zimmer Biomet Holdings, Inc., ATTN: Kathryn Diller, Corporate Securities Senior Administrator, 345 East Main Street, Post Office Box 708, Warsaw, Indiana 46581-0708, U.S.A.

**14. No Additional Rights** Except as explicitly provided in this Agreement, this Agreement will not confer any rights upon you, including any right with respect to continuation of employment by the Company or any of its Affiliates or any right to future awards under the Plan. In no event shall the value, at any time, of this Agreement, the Shares covered by this Agreement or any other benefit provided under this Agreement be included as compensation or earnings for purposes of any other compensation, retirement, or benefit plan offered to employees of the Company or its Affiliates unless otherwise specifically provided for in such plan.

**15. Breach of Restrictive Covenants** As a condition of receiving this Award, you have entered into a non-disclosure, non-solicitation and/or non-competition agreement with the Company or its Affiliates. 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 Award. Should you decline to sign such a restated agreement as required by the Company and, therefore, forego receiving the Award, 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 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 S hares covered by the Award or any cash proceeds you received upon the sale of such S hares.

**16. 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 covered by the Award or any cash proceeds you received upon the sale of such Shares. 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.

**17. Consent to Electronic Delivery** The Company may, in its sole discretion, 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.

**18. Code Section 409A Compliance** To the extent applicable, it is intended that the Plan and this Agreement comply with the requirements of Section 409A of the U.S. Internal Revenue Code of 1986, as amended, and any related regulations or other guidance promulgated with respect to such Section by the U.S. Department of the Treasury or the Internal Revenue Service. The RSUs granted in this Award are intended to be short-term deferrals exempt from Section 409A, but in the event that any portion of this Award constitutes deferred compensation within the meaning of Section 409A, then the issuance of Shares covered by an RSU award shall conform to the Section 409A standards, including, without limitation, the requirement that no payment on account of separation from service will be made to any specified employee (within the meaning of Section 409A) until six months after the separation from service occurs, and the prohibition against acceleration of payment, which means that the Committee does not have the authority to accelerate settlement of this Award in the event that any portion of it constitutes deferred compensation within the meaning of Section 409A. Any provision of the Plan or this Agreement that would cause this Award to fail to satisfy any applicable requirement of Section 409A shall have no force or effect until amended to comply with Section 409A, which amendment may be retroactive to the extent permitted by Section 409A.

**19. Construction and Interpretation** The Board of Directors of the Company (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 and the Plan contain the entire understanding of the parties and this Agreement may not be modified or amended except in writing duly signed by the parties. You acknowledge that a waiver by the Company of breach of any provision of this Agreement shall not operate or be construed as a waiver of any other provision of this Agreement, or of any subsequent breach by you or any other party to this Agreement. The various provisions of this Agreement are severable and in the event any provision of this Agreement shall be held illegal or invalid for any reason, the illegality or invalidity shall not affect the remaining provisions of this Agreement, and this Agreement shall be construed and enforced as if such illegal or invalid provision had not been included. 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 , or have consulted with an advisor who is proficient in English, so as to enable you to understand the provisions of this Agreement and the Plan. If you have received this A greement or any other document related to the Plan translated into a language other than English and if meaning of the translated version is different from the English version, the English version will control .

**20. Insider Trading/Market Abuse Laws** : Depending on your country, Fidelity's country or the country in which Shares are listed, you may be subject to insider trading restrictions and/or market abuse laws 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, rights to Shares ( *e.g.* , RSUs) or rights linked to the value of Shares 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.

**21. 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 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 ) 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.

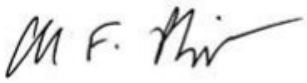
**22. Compliance with Laws and Regulations** Notwithstanding any other provisions of this Agreement, you understand that the Company will not be obligated to issue any Shares pursuant to the vesting of the RSUs if the issuance of such Shares shall constitute a violation by you or the Company of any provision of law or regulation of any governmental authority. Any determination by the Company in this regard shall be final, binding and conclusive.

**23. Addendum** Your Award shall be subject to any special provisions set forth in the Addendum to this Agreement for your country, if any. If you relocate to one of the countries included in the Addendum during the Restriction Period, the special provisions for such country shall apply to you, to the extent the Company determines that the application of such provisions is necessary or advisable for legal or administrative reasons. The Addendum, if any, constitutes part of this Agreement.

**24. Imposition of Other Requirements** The Company reserves the right to impose other requirements on your participation in the Plan, on the Award and on any Shares 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 accept any additional agreements or undertakings that may be necessary to accomplish the foregoing.

**25. Acceptance** If you do not agree with the terms of this Agreement and the Plan, you must reject the Award no later than 60 days following the Grant Date; non-rejection of the Award will constitute your acceptance of the Award on the terms on which they are offered, as set forth in this Agreement and the Plan.

ZIMMER BIOMET HOLDINGS, INC.

By: 

Chad F. Phipps
Senior Vice President,
General Counsel and Secretary

**Addendum**
**ZIMMER BIOMET HOLDINGS, INC.**
**SPECIAL PROVISIONS FOR RESTRICTED STOCK UNITS IN CERTAIN COUNTRIES**

This Addendum includes special country-specific terms that apply if you are residing and/or working in one of the countries listed below. This Addendum is part of the Agreement. Unless otherwise provided below, capitalized terms used but not defined herein shall have the same meanings assigned to them in the Plan and the Agreement.

This Addendum also includes information of which you should be aware with respect to your participation in the Plan. The information is based on the securities, exchange control and other laws in effect in the respective countries as of January 2019 and is provided for informational purposes. Such laws are often complex and change frequently and results may be different based on the particular facts and circumstances. As a result, the Company strongly recommends that you do not rely on the information noted herein as the only source of information relating to the consequences of your participation in the Plan because the information may be out of date at the time the RSUs vest or you sell Shares acquired under the Plan.

In addition, the information is general in nature and may not apply to your particular situation, and the Company is not in a position to assure you of any particular result. Accordingly, you should seek appropriate professional advice as to how the relevant laws in your country may apply to your situation.

Note that if you are a citizen or resident of a country other than the country in which you are residing and/or working, or transfer employment after the RSUs are granted to you, or are considered a resident of another country for local law purposes, the information contained in this Addendum may not be applicable to you, and the Company shall, in its discretion, determine to what extent the terms and conditions or notifications contained herein shall be applicable to you. If you transfer residency and/or employment to another country or are considered a resident of another country listed in the Addendum after the RSUs are granted to you, the terms and/or information contained for that new country (rather than the original grant country) may be applicable to you.

**European Union ("EU") / European Economic Area ("EEA")**

**Data Privacy Notice.** This section replaces Section 10 of the Agreement for participants in the EU and/or EEA:

Data Collection and Usage . Pursuant to applicable data protection laws, you are hereby notified that the Company collects, processes, uses, and transfers certain personally-identifiable information about you for the exclusive legitimate purposes of implementing, administering and managing the Plan and generally administering equity awards; specifically, your name, home address, email address, telephone number, date of birth, social insurance, passport or other identification number, salary, citizenship, job title, any Shares or directorships held in the Company, and details of all RSUs or any other entitlement to Shares granted, canceled, exercised, vested, unvested or outstanding in your favor, which the Company receives from you or the Employer ("Data"). In order to facilitate your participation in the Plan, the Company will collect, process, use and transfer your Data for purposes of allocating Shares and implementing, administering and managing the Plan. The Company collects, processes, uses and transfers your personal data pursuant to the Company's legitimate business interests of managing the Plan and generally administering employee compensation and related benefits. Your refusal to provide Data may affect your ability to participate in the Plan. As such, by participating in the Plan, you voluntarily acknowledge the collection, use, processing and transfer of your Data as described herein.

Stock Plan Administration Service Providers . The Company transfers Data to Fidelity, an independent service provider based in the United States, which assists the Company with the implementation, administration and management of the Plan. In the future, the Company may select a different service provider and share Data with that service provider, which will serve in a similar manner. The Company's service provider will open an account for you to receive and trade Shares acquired under the Plan. The processing of Data will take place through electronic means. Data will only be accessible by those individuals requiring access to it for purposes of implementation, administration and operation of the Plan.

International Data Transfers . The Company and its service providers are based, in relevant part, in the United States, which means that it will be necessary for Data to be transferred to, and processed in, the United States. By enrolling in

the Plan, you understand that the service providers will receive, possess, use, retain and transfer Data for the purposes of implementing, administering and managing your participation in the Plan. When transferring Data to these service providers, the Company provides appropriate safeguards for protecting Data, including reliance on standard contractual clauses. You may request a copy of, or information about, the safeguards used to protect Data by contacting kathryn.diller@zimmerbiomet.com .

Data Retention . The Company will use Data only as long as is necessary to implement, administer and manage your participation in the Plan or as required to comply with legal or regulatory obligations, including under tax and securities laws. When the Company no longer needs the Data, the Company will remove it from its systems. If the Company keeps the Data longer, it would be to satisfy legal or regulatory obligations and the Company's legal basis would be for compliance with relevant laws or regulations.

Data Subject Rights . To the extent provided by law, you have the right to request (i) access to or copies of Data the Company processes, (ii) rectification of Data, (iii) erasure of Data, (iv) restrictions on processing of Data, (v) portability of Data and/or to lodge complaints with competent authorities in your country, and/or (vi) request a list with the names and addresses of any potential recipients of the Data. You understand that the only consequence of refusing to provide Data is that Company may not be able to allow you to participate in the Plan, or grant other equity awards or administer or maintain such awards. For more information on the consequences of the refusal to provide Data, you may contact kathryn.diller@zimmerbiomet.com .

**All Countries**

**Labor Laws** . This provision supplements Section 6(d) of the Agreement.

Notwithstanding the foregoing, if the Company receives a legal opinion that there has been a legal judgment and/or legal development in your jurisdiction that likely would result in the favorable treatment that applies to the RSUs as a result of you retiring or reaching a certain age being deemed unlawful and/or discriminatory, the favorable treatment shall not apply and you shall be treated as set forth in the remaining provisions of Section 6(d) of the Agreement .

**Argentina**

**Labor Law Acknowledgement and Policy Statement.** This provision supplements Section 8 of the Agreement.

In accepting the RSUs, you acknowledge and agree that the grant of RSUs is made by the Company (not the Employer) in its sole discretion and that the value of the RSUs or any Shares acquired under the Plan shall not constitute salary or wages for any purpose under Argentine labor law, including, but not limited to, the calculation of (i) any labor benefits including, but not limited to, vacation pay, thirteenth salary, compensation in lieu of notice, annual bonus, disability, and leave of absence payments, etc., or (ii) any termination or severance indemnities or similar payments.

If, notwithstanding the foregoing, any benefits under the Plan are considered for any purpose under Argentine labor law, you acknowledge and agree that such benefits shall not accrue more frequently than on each vesting date.

**Securities Law Information.** Neither the RSUs nor the underlying Shares are publicly offered or listed on any stock exchange in Argentina and, as a result, have not been and will not be registered with the Argentine Securities Commission ( *Comisión Nacionale de Valores* ). The offer is private and not subject to the supervision of any Argentine governmental authority. Neither this nor any other document relating to the Plan or the Shares underlying the RSUs may be utilized in connection with any general offering to the public in Argentina. Argentine residents who acquire RSUs under the Plan do so according to the terms of a private offering made from outside Argentina.

**Australia**

**Securities Law Information.** The RSU grant is intended to comply with the provisions of the Corporations Act 2001, ASIC Regulatory Guide 49 and ASIC Class Order 14/1 000. Additional details are set forth in the Offer Document for the Offer of Restricted Stock Units and Stock Options to Australian Resident Employees, the Plan and the Agreement. By accepting the RSUs, you acknowledge and confirm that you have received these documents.

**Tax Information.** The Plan is a plan to which Subdivision 83A-C of the Income Tax Assessment Act 1997 (Cth) (the "Act") applies (subject to the conditions in that Act).

**Austria**

There are no country-specific provisions.

**Belgium**

There are no country-specific provisions.

**Brazil**

**Compliance with Law.** In accepting the RSUs, you agree that you will comply with applicable Brazilian laws when the RSUs vest and you sell Shares. You also agree to report and pay any and all taxes associated with the vesting of the RSUs, the receipt of any dividends and the sale of Shares acquired under the Plan.

**Labor Law Acknowledgement and Policy Statement.** This provision supplements Section 8 of the Agreement.

In accepting the RSUs, you agree that (i) you are making an investment decision by accepting the RSUs and (ii) the value of the underlying Shares is not fixed an may increase or decrease in value over the vesting period without compensation to you.

**Canada**

**Settlement of RSUs.** RSUs will be settled in Shares only, not cash.

**Labor Law Information** . This provision replaces Section 6(a) of the Agreement.

For all purposes of this Agreement, and except as expressly required by applicable legislation, the term "Employment Termination Date" shall mean the earliest of: (1) the date upon which your employment with the Employer is terminated; (2) the date you are no longer employed by or providing services to the Company or its Affiliates; or (3) at the discretion of the Committee, the date you receive written notice of termination of employment from the Employer, regardless of any notice period or period of pay in lieu of such notice required under local law (including, but not limited to statutory law, regulatory law and/or common law). In the event that the date you are no longer actively providing services cannot be reasonably determined under the terms of the Agreement or the Plan, the Committee shall have the exclusive discretion to determine when you are no longer employed for purposes of the RSUs (including whether you still may be considered to be providing services while on a leave of absence).

**Securities Law Information.** You acknowledge and agree that you will only sell Shares acquired through participation in the Plan outside of Canada through the facilities of a stock exchange on which the Shares are listed. Currently, the Shares are listed on the New York Stock Exchange.

*The following provisions apply if you are a resident in Quebec:*

**Language Acknowledgment.**

The parties acknowledge that it is their express wish that this Agreement, including this Addendum, as well as all documents, notices and legal proceedings entered into, given or instituted pursuant hereto or relating directly or indirectly hereto, be provided to them in English.

*Consentement relatif à la langue utilisée. Les parties reconnaissent avoir expressément souhaité que la convention («Agreement») ainsi que cette Annexe, ainsi que tous les documents, avis et procédures judiciares, éxécutés, donnés ou intentés en vertu de, ou liés directement ou indirectement à la présente convention, soient rédigés en langue anglaise.*

**Data Privacy Consent** . This provision supplements Section 10 of the Agreement:

You hereby authorize the Company and the Company's representatives to discuss with and obtain all relevant information from all personnel, professional or non-professional, involved with the administration of the Plan. You further authorize the Company, any Affiliates, the administrator of the Plan and Fidelity to disclose and discuss the Plan with their advisors. You further authorize the Company or any Affiliates to record such information and to keep such information in your file.

**Chile**

**Securities Law Information.** The offer of RSUs constitutes a private offering of securities in Chile effective as of the Grant Date. This offer of RSUs is made subject to general ruling N° 336 of the Chilean Commission for the Financial Market ("CMF"). The offer refers to securities not registered at the securities registry or at the foreign securities registry of the CMF, and, therefore, such securities are not subject to oversight of the CMF. Given that the RSUs are not registered in Chile, the Company is not required to provide public information about the RSUs or the Shares in Chile. Unless the RSUs and/or the Shares are registered with the CMF, a public offering of such securities cannot be made in Chile.

*Esta oferta de Unidades de Acciones Restringidas ("RSU") constituye una oferta privada de valores en Chile y se inicia en la Fecha de la Concesión. Esta oferta de RSU se acoge a las disposiciones de la Norma de Carácter General Nº 336 ("NCG 336") de la Comisión para el Mercado Financiero ("CMF"). Esta oferta versa sobre valores no inscritos en el Registro de Valores o en el Registro de Valores Extranjeros que lleva la CMF por lo que tales valores no están sujetos a la fiscalización de ésta. Por tratarse los RSU de valores no registrados en Chile, no existe obligación por parte de la Compañía de entregar en Chile información pública respecto de los RSU or sus Acciones. Estos valores no podrán ser objeto de oferta pública en Chile mientras no sean inscritos en el Registro de Valores correspondiente.*

**China**

*The following provisions apply if you are subject to exchange control regulations in China, as determined by the Company in its sole discretion.*

**Settlement of RSUs and Sale of Shares.** Due to local regulatory requirements, you acknowledge, understand and agree that the Company reserves the right to require the sale of any Shares to be issued to you upon vesting and settlement of the RSUs. Any such sale may occur (i) immediately upon vesting and settlement of the RSUs, (ii) within six months following your termination of employment with the Company or any Affiliate of the Company or (iii) within any such other time frame as may be required by local regulatory requirements. You further agree that the Company is authorized to instruct its designated broker to assist with the mandatory sale of such Shares (on your behalf pursuant to this authorization and without further consent) and you expressly authorize the Company's designated broker to complete the sale of such Shares. You acknowledge that the Company's designated broker is under no obligation to arrange for the sale of the Shares at any particular price. Upon the sale of the Shares, the Company agrees to pay you the cash proceeds from the sale of the Shares, less any brokerage fees or commissions and subject to any obligation to satisfy Tax-Related Items. You acknowledge that you are not aware of any material nonpublic information with respect to the Company or any securities of the Company as of the date of this Agreement.

**Exchange Control Information.** You understand and agree that, to comply with exchange control requirements , you will be required to immediately repatriate to China the cash proceeds from the sale of the Shares issued upon the vesting of the RSU s or any cash dividends paid on such Shares . You further understand that, under local law, such repatriation of funds will be effectuated through a special exchange control account established by the Company or one of its Affiliates , and you hereby consent and agree that the proceeds from the sale of Shares acquired under the Plan or cash dividends may be transferred to such special account prior to being delivered to you.

The Company may deliver the proceeds to you in US dollars or local currency at the Company's discretion. If the proceeds are paid in US dollars, you understand that you may be required to set up a US dollar bank account in China so that the proceeds may be deposited into this account. If the proceeds are converted to local currency, there may be delays in delivering the proceeds to you and, due to fluctuations in the Share trading price and/or the US dollar/PRC exchange rate between the vesting/sale date and (if later) when the proceeds can be converted into local currency, the proceeds that you receive may be more or less than the market value of the Shares on the vesting/sale date. You agree to bear the risk of any currency fluctuation between the date the RSUs vest, the receipt of funds and the date of conversion of any funds into local currency.

You further agree to comply with any other requirements that may be imposed by the Company in the future to facilitate compliance with exchange control requirements in China.

**Costa Rica**

There are no country-specific provisions.

**Czech Republic**

**Exchange Control Information.** The Czech National Bank may require you to fulfill certain notification duties in relation to the opening and maintenance of a foreign account.

Because exchange control regulations change frequently and without notice, you should consult your personal legal advisor regarding your participation in the Plan to ensure compliance with current regulations. It is your responsibility to comply with Czech exchange control laws, and neither the Company nor the Employer will be liable for any resulting fines or penalties.

**Denmark**

**Stock Option Act.** You acknowledge that you have received an Employer Statement in Danish.

**Finland**

There are no country-specific provisions.

**France**

**Language Acknowledgement**

By accepting the Agreement providing for the terms and conditions of your grant, you confirm having read and understood the documents relating to this grant (the Plan and the Agreement) which were provided in English. You accept the terms of those documents accordingly.

*En acceptant le Contrat d'Attribution décrivant les termes et conditions de votre attribution, vous confirmez ainsi avoir lu et compris les documents relatifs á cette attribution (le Plan et le Contrat d'Attribution) qui ont été communiqués en langue anglaise. Vous acceptez les termes en connaissance de cause.*

**Exchange Control Information.** If you transfer more than €10,000 in Shares or cash into or out of France without the use of a financial intermediary, you must declare the transfer to the French tax and customs authorities.

**Germany**

**Exchange Control Information.** For statistical purposes, the German Federal Bank requires that you file electronic reports of any cross-border transactions in excess of €12,500. If you make or receive a payment in excess of this amount, you are responsible for complying with applicable reporting requirements. The electronic "General Statistics Reporting Portal" ( *Allgemeines Meldeportal Statistik* ) can be accessed on the Germany Federal Bank's website: www.bundesbank.de.

**Greece**

There are no country-specific provisions.

**Hong Kong**

**Settlement of RSUs.** RSUs will be settled in Shares only, not cash.

**Securities Law Information.** *Warning: The RSUs and any Shares issued at vesting do not constitute a public offering of securities under Hong Kong law and are available only to employees of the Company or its Affiliates. The Agreement, including this Addendum, the Plan and other incidental communication materials have not been prepared in accordance with and are not intended to constitute a "prospectus" for a public offering of securities under the applicable securities legislation in Hong Kong, nor have the documents been reviewed by any regulatory authority in Hong Kong. The RSUs are intended only for the personal use of each eligible employee of the Employer, the Company or any Affiliate and may not be distributed to any other person. If you are in any doubt about any of the contents of the Agreement, including this Addendum, or the Plan, or any other incidental communication materials, you should obtain independent professional advice.*

**Nature of Scheme.** The Company specifically intends that the Plan will not be an occupational retirement scheme for purposes of the Occupational Retirement Schemes Ordinance.

**Sale of Shares.** In the event the RSUs vest and you are issued Shares within six months of the Grant Date, you agree that you will not sell or otherwise dispose of such Shares prior to the six-month anniversary of the Grant Date.

**Iceland**

There are no country-specific provisions.

**India**

**Exchange Control Information.** You must repatriate all proceeds received from your participation in the Plan to India within the period of time prescribed under applicable Indian exchange control laws, as may be amended from time to time. You will receive a foreign inward remittance certificate ("FIRC") from the bank where you deposit the proceeds. You should maintain the FIRC as evidence of the repatriation of funds in the event that the Reserve Bank of India or the Employer requests proof of repatriation.

It is your responsibility to comply with exchange control laws in India, and neither the Company nor the Employer will be liable for any fines or penalties resulting from failure to comply with applicable laws.

**Ireland**

There are no country-specific provisions.

**Israel**

**Settlement of RSUs and Sale of Shares.** Due to local regulatory requirements, you agree to the immediate sale of any Shares to be issued to you upon vesting and settlement of the RSUs. You further agree that the Company is authorized

to instruct its designated broker to assist with the mandatory sale of such Shares (on your behalf pursuant to this authorization) and you expressly authorize the Company ' s designated broker to complete the sale of such Shares. You acknowledge that the Company ' s designated broker is under no obligation to arrange for the sale of the Shares at any particular price. Upon the sale of the Shares, the Company agrees to pay you the cash proceeds from the sale of the Shares, less any brokerage fees or commissions and subject to any obligation to satisfy Tax-Related Items. You acknowledge that you are not aware of any material nonpublic information with respect to the Company or any securities of the Company as of the date of this A greement.

**Italy**

**Plan Document Acknowledgment.** By accepting the RSUs, you acknowledge that you have received a copy of the Plan, reviewed the Plan, the Agreement and this Addendum in their entirety and fully understand and accept all provisions of the Plan, the Agreement and this Addendum.

In addition, you further acknowledge that you have read and specifically and expressly approve without limitation the following clauses in the Agreement: Section 7 (Responsibility for Taxes); Section 8 (Nature of Grant); Section 9 (No Advice Regarding Grant); Section 10 (Data Privacy, as replaced by the provision applicable to participants in the European Union ("EU") / European Economic Area ("EEA")); Section 14 (No Additional Rights); Section 16 (Violation of Policies); Section 17 (Consent to Electronic Delivery); Section 19 (Construction and Interpretation); Section 20 (Insider Trading/Market Abuse Laws) Section 21 (Foreign Asset/Account Reporting); Section 22 (Compliance with Laws and Regulations); Section 23 (Addendum); Section 24 (Imposition of Other Requirements) and Section 25 (Acceptance).

**Japan**

There are no country-specific provisions.

**Korea**

There are no country-specific provisions.

**Lebanon**

**Compliance with Law** . By accepting your RSUs and participating in the Plan, you agree that you will comply with applicable Lebanese laws and that you will report and pay any and all tax associated with the vesting of your RSUs, the sale of any Shares and the receipt of any dividends.

**Malaysia**

**Director Notification Obligation.** If you are a director of the Company's Malaysian Affiliate, you are subject to certain notification requirements under the Malaysian Companies Act. Among these requirements is an obligation to notify the Malaysian Affiliate in writing when you receive or dispose of an interest ( *e.g.* , RSUs or Shares) in the Company or any related company. Such notifications must be made within 14 days of receiving or disposing of any interest in the Company or any related company.

**Mexico**

**Acknowledgement of the Agreement.** By accepting the RSUs, you acknowledge that you have received a copy of the Plan and the Agreement, including this Addendum, which you have reviewed. You further acknowledge that you accept all the provisions of the Plan and the Agreement, including this Addendum. You also acknowledge that you have read and specifically and expressly approve the terms and conditions set forth in the "Nature of Grant" section of the Agreement, which clearly provide as follows:

(1) Your participation in the Plan does not constitute an acquired right;

(2) The Plan and your participation in it are offered by the Company on a wholly discretionary basis;

(3) Your participation in the Plan is voluntary; and

(4) The Company and its Affiliates are not responsible for any decrease in the value of any Shares acquired at vesting of the RSUs.

**Labor Law Acknowledgement and Policy Statement.** By accepting the RSUs, you acknowledge that Zimmer Biomet Holdings, Inc., with registered offices at 345 East Main Street, Warsaw, Indiana, 46580, United States of America, is solely responsible for the administration of the Plan. You further acknowledge that your participation in the Plan, the grant of RSUs and any acquisition of Shares under the Plan do not constitute an employment relationship between you and Zimmer Biomet Holdings, Inc. because you are participating in the Plan on a wholly commercial basis and your sole employer is a Mexican legal entity ("Zimmer-Mexico"). Based on the foregoing, you expressly acknowledge that the Plan and the benefits that you may derive from participation in the Plan do not establish any rights between you and the Employer, Zimmer-Mexico, and do not form part of the employment conditions and/or benefits provided by Zimmer-Mexico, and any modification of the Plan or its termination shall not constitute a change or impairment of the terms and conditions of your employment.

You further understand that your participation in the Plan is the result of a unilateral and discretionary decision of Zimmer Biomet Holdings, Inc., therefore, Zimmer Biomet Holdings, Inc. reserves the absolute right to amend and/or discontinue your participation in the Plan at any time, without any liability to you.

Finally, you hereby declare that you do not reserve to you any action or right to bring any claim against Zimmer Biomet Holdings, Inc. for any compensation or damages regarding any provision of the Plan or the benefits derived under the Plan, and that you therefore grant a full and broad release to Zimmer Biomet Holdings, Inc., its Affiliates, branches, representation offices, shareholders, officers, agents and legal representatives, with respect to any claim that may arise.

***Spanish Translation***

***Reconocimiento del Contrato.*** *Al aceptar las RSUs, usted reconoce que ha recibido una copia del Plan y del Contrato con inclusión de este Apéndice, que le ha examinado. Usted reconoce, además, que usted acepta todas las disposiciones del Plan y del Contrato. Usted también reconoce que ha leído y, concretamente, y aprobar de forma expresa los términos y condiciones establecidos en la "Naturaleza del Otorgamiento" que claramente dispone lo siguiente:*

*(1) Su participación en el Plan no constituye un derecho adquirido;*

*(2) El Plan y su participación en el Plan se ofrecen por Zimmer Biomet Holdings, Inc. en su totalidad sobre una base discrecional;*

*(3) Su participación en el Plan es voluntaria; y*

*(4) Zimmer Biomet Holdings, Inc. y sus afiliadas no son responsables de ninguna disminución en el valor de las acciones adquiridas en la adquisición de RSUs.*

***Reconocimiento de Ausencia de Relación Laboral y Declaración de la Política.*** *Al aceptar la RSUs, usted reconoce que Zimmer Biomet Holdings, Inc., con oficinas registradas en 345 East Main Street, Warsaw, Indiana, 46580, Estados Unidos de América, es el único responsable de la administración del Plan. Además, usted acepta que su participación en el Plan, la concesión de RSUs y cualquier adquisición de acciones en el marco del Plan no constituyen una relación laboral entre usted y Zimmer Biomet Holdings, Inc. porque usted está participando en el Plan en su totalidad sobre una base comercial y su único empleador es una sociedad mercantil Mexicana ("Zimmer-Mexico"). Derivado de lo anterior, usted expresamente reconoce que el Plan y los beneficios que pueden derivarse de la participación en el Plan no establece ningún derecho entre usted y su Empleador, Zimmer-Mexico, y que no forman parte de las condiciones de empleo y / o prestaciones previstas por Zimmer-Mexico, y cualquier modificación del Plan o la terminación de su contrato no constituirá un cambio o deterioro de los términos y condiciones de su empleo.*

*Además, usted entiende que su participación en el Plan es causada por una decisión discrecional y unilateral de Zimmer Biomet Holdings, Inc., por lo que Zimmer Biomet Holdings, Inc. se reserva el derecho absoluto a modificar y/o suspender su participación en el Plan en cualquier momento, sin responsabilidad alguna para con usted.*

*Finalmente, usted manifiesta que no se reserva ninguna acción o derecho que origine una demanda en contra de Zimmer Biomet Holdings , Inc., por cualquier compensación o daño en relación con cualquier disposición del Plan o de los beneficios derivados del mismo, y en consecuencia usted otorga un amplio y total finiquito a Zimmer Biomet Holdings , Inc., sus afiliadas, sucursales, oficinas de representación, sus accionistas, directores, agentes y representantes legales con respecto a cualquier demanda que pudiera surgir*

**Netherlands**

There are no country-specific provisions.

**New Zealand**

**Securities Law Information.**

**Warning**

This is an offer of RSUs over Shares. Shares give you a stake in the ownership of the Company. You may receive a return if dividends are paid. Shares are quoted on the New York Stock Exchange ("NYSE"). This means you may be able to sell them on the NYSE if there are interested buyers. You may get less than you invested. The price will depend on the demand for the Shares.

If the Company runs into financial difficulties and is wound up, you will be paid only after all creditors have been paid. You may lose some or all your investment.

New Zealand law normally requires people who offer financial products to give information to investors before they invest. This information is designed to help investors to make an informed decision. The usual rules do not apply to this offer because it is made under an employee share scheme. As a result, you may not be given all the information usually required. You will also have fewer other legal protections for this investment.

In compliance with applicable New Zealand securities laws, you are entitled to receive, in electronic or other form and free of cost, copies of the Company's latest annual report, relevant financial statements and the auditor's report on said financial statements (if any).

You should ask questions, read all documents carefully, and seek independent financial advice before committing yourself.

**Norway**

There are no country-specific provisions.

**Poland**

There are no country-specific provisions.

**Portugal**

**Language Consent.** You hereby expressly declare that you have full knowledge of the English language and have read, understood and fully accepted and agreed with the terms and conditions established in the Plan and the Agreement.

*Conhecimento da Lingua. Por meio do presente, eu declaro expressamente que tem pleno conhecimento da língua inglesa e que li, compreendi e livremente aceitei e concordei com os termos e condições estabelecidas no Plano e no acordo.*

**Puerto Rico**

There are no country-specific provisions.

**Romania**

There are no country-specific provisions.

**Russia**

**Securities Law Information.** The Employer is not in any way involved in the offer of RSUs or administration of the Plan. These materials do not constitute advertising or an offering of securities in Russia nor do they constitute placement of the Shares in Russia. The issuance of Shares pursuant to the RSUs described herein has not and will not be registered in Russia and hence, the Shares described herein may not be admitted or used for offering, placement or public circulation in Russia.

**Data Privacy Notice.** This section replaces Section 10 of the Agreement.

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 by and among, as applicable, the Employer, the Company and its Affiliates for the exclusive purpose of implementing, administering and managing your participation in the Plan.

You understand that the Company, any Affiliate and/or the Employer may hold certain personal data 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, salary, nationality, job title, any Shares of stock or directorships held in the Company, details of all RSUs or any other entitlement to Shares awarded, canceled, vested, unvested or outstanding in your favor ("Data"), for the purpose of implementing, administering and managing the Plan.

You understand that Data may be transferred to Fidelity or such other stock plan service provider as may be selected by the Company in the future, which is assisting in the implementation, administration and management of the Plan, that the recipients of the Data may be located in your country, or elsewhere, and that the recipients' 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 the US human resources representative or stock plan services. You authorize the Company, Fidelity and 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 purposes of implementing, administering and managing your participation in the Plan, including any requisite transfer of such Data as may be required to a broker, escrow agent or other third party with whom the Shares received upon vesting of the RSUs may be deposited. 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 and without cost, by contacting in writing the US human resources representative. You understand that refusal or withdrawal, rescission or termination of 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 the US human resources representative or stock plan services.

**US Transaction.** Any Shares issued pursuant to the RSUs shall be delivered to you through a brokerage account in the US You may hold Shares in your brokerage account in the US; however, in no event will Shares issued to you and/or Share certificates or other instruments be delivered to you in Russia. You are not permitted to make any public advertising or announcements regarding the RSUs or Shares in Russia, or promote these Shares to other Russian legal entities or individuals, and you are not permitted to sell or otherwise dispose of Shares directly to other Russian legal entities or individuals. You are permitted to sell Shares only on the New York Stock Exchange and only through a US broker.

**Settlement of RSUs and Sale of Shares.** Due to local regulatory requirements, the Company reserves the right to require the immediate sale of any Shares to be issued to you upon vesting of the RSUs. You agree that the Company is authorized to instruct its designated broker to assist with any such mandatory sale of the Shares (on your behalf pursuant to this authorization) and you expressly authorize the Company's designated broker to complete the sale of such Shares, if so instructed by the Company. In such case, you acknowledge that the Company's designated broker is under no

obligation to arrange for the sale of the Shares at any particular price. Upon the sale of the Shares, the Company agrees to pay you the cash proceeds from the sale of the Shares, less any brokerage fees or commissions and subject to any obligation to satisfy Tax-Related Items. You may hold the cash proceeds in the brokerage account in the US for an indefinite period of time ( *e.g.* , for subsequent reinvestment). You acknowledge that you are not aware of any material nonpublic information with respect to the Company or any securities of the Company as of the date of this Agreement.

**Anti-Corruption Notification.** Anti-corruption laws prohibit certain public servants, their spouses and their dependent children from owning any foreign source financial instruments ( *e.g* ., Shares of foreign companies such as the Company). Accordingly, please inform the Company if you are covered by these laws because you should not hold Shares acquired under the Plan.

**Saudi Arabia**

**Securities Law Information** . The Agreement and related Plan documents may not be distributed in the Kingdom of Saudi Arabia except to such persons as are permitted under the Rules on the Offers of Securities and Continuing Obligations issued by the Capital Market Authority ("CMA"). The CMA does not make any representation as to the accuracy or completeness of the Agreement, and expressly disclaims any liability whatsoever for any loss arising from, or incurred in reliance upon, any part of the Agreement. You should conduct your own due diligence on the accuracy of the information relating to the Shares. If you do not understand the contents of the Agreement, you should consult an authorized financial adviser.

**Singapore**

**Sale of Common Stock.** You hereby agree that any Shares received at settlement will not be offered for sale in Singapore prior to the six (6) month anniversary of the Grant Date, unless such sale or offer is made pursuant to the exemption under Part XIII Division I Subdivision (4) (other than section 280) of the Securities and Futures Act (Chap. 289, 2006 Ed.) ("SFA") or pursuant to, and in accordance with the conditions of, any other applicable provision(s) of the SFA.

**Securities Law Information.** The Award is being made in reliance of section 273(1)(f) of the SFA and is not made to you with a view to the RSUs being subsequently offered for sale to any other party. The Plan has not been, and will not be, lodged or registered as a prospectus with the Monetary Authority of Singapore.

**Chief Executive Officer and Director Notification Obligation.** If you are the Chief Executive Officer ("CEO") or a director (including an alternative, substitute or shadow director) of the Company's Singapore Affiliate, you are subject to certain notification requirements under the Singapore Companies Act. Among these requirements is an obligation to notify the Company's Singapore Affiliate in writing within two (2) business days of any of the following events: (1) receiving an interest ( *e.g.* , RSUs or Shares) in the Company or any Affiliate; (2) any change in a previously-disclosed interest ( *e.g.* , the sale of Shares); or (3) becoming the CEO or a director.

**Slovakia**

There are no country-specific provisions.

**South Africa**

**Securities Law Information.** In compliance with South African securities law, you acknowledge that you have been notified that the documents listed below are available for your review at the addresses listed below:

(a) Zimmer Biomet Holdings, Inc.'s most recent annual financial statements: http://investor.zimmerbiomet.com/financial-information/annual-reports ; and

(b) Zimmer Biomet Holdings, Inc.'s most recent Plan prospectus, which is viewable at: https://thecircle.zimmerbiomet.com/espp/Pages/eis.aspx .

You acknowledge that you may have a copy of the above documents sent to you, without fee, on written request to Zimmer Biomet Holdings, Inc., ATTN: Kathryn Diller, Corporate Securities Senior Administrator , 345 East Main Street, Post Office Box 708, Warsaw, Indiana 46581-0708, U.S.A. or kathryn.diller@zimmerbiomet.com .

**Withholding Taxes.** By accepting the RSUs, you agree to notify the Employer of the amount of any gain realized upon vesting of the RSUs. If you fail to advise the Employer of the gain realized upon vesting of the RSUs, you may be liable for a fine, upon conviction. You will be responsible for paying any difference between the actual tax liability and the amount withheld by the Employer. If you do not inform the Employer of the sale, transfer or other disposition of the Shares and if the Company (or the Employer or former employer, as applicable) is required to pay any taxes on your behalf due to your failure to inform it of any disposition of Shares, the Company (or the Employer or former employer, as applicable) may recover any such amounts from you.

**Spain**

**Nature of Grant.** This provision supplements Section 8 of the Agreement:

By accepting the RSU, you consent to participation in the Plan and acknowledge that you have received a copy of the Plan document.

You understand and agree that, as a condition of the grant of the RSU, except as provided for in Section 6 of the Agreement, your termination of employment for any reason (including for the reasons listed below) will automatically result in the forfeiture of any RSU that has not vested on your Employment Termination Date.

In particular, you understand and agree that the RSU will be forfeited in accordance with Section 6 of the Agreement without entitlement to the underlying Shares or to any amount as indemnification in the event of a termination of your employment prior to vesting by reason of, including, but not limited to: resignation, disciplinary dismissal adjudged to be with cause, disciplinary dismissal adjudged or recognized to be without good cause ( *i.e.* , subject to a "despido improcedente"), individual or collective layoff on objective grounds, whether adjudged to be with cause or adjudged or recognized to be without good cause, material modification of the terms of employment under Article 41 of the Workers' Statute, relocation under Article 40 of the Workers' Statute, Article 50 of the Workers' Statute, unilateral withdrawal by the Employer, and under Article 10.3 of Royal Decree 1382/1985.

Furthermore, you understand that the Company has unilaterally, gratuitously and discretionally decided to grant RSUs under the Plan to individuals who may be employees of the Company or an Affiliate. The decision is a limited decision that is entered into upon the express assumption and condition that any grant will not economically or otherwise bind the Company or any Affiliate on an ongoing basis, other than as expressly set forth in the Agreement. Consequently, you understand that the RSUs are granted on the assumption and condition that the RSUs and the Shares underlying the RSUs shall not become a part of any employment or service contract (either with the Company, the Employer or any Affiliate) and shall not be considered a mandatory benefit, salary for any purposes (including severance compensation) or any other right whatsoever. In addition, you understand that the RSUs would not be granted to you but for the assumptions and conditions referred to above; thus, you acknowledge and freely accept that, should any or all of the assumptions be mistaken or should any of the conditions not be met for any reason, then any award of RSUs shall be null and void.

**Securities Law Information.** In connection with this grant of RSUs, no "offer of securities to the public," as defined under Spanish law, has taken place or will take place in the Spanish territory. The Agreement (including this Addendum) has not been nor will it be registered with the *Comisión Nacional del Mercado de Valores* , and does not constitute a public offering prospectus.

**Sweden**

There are no country-specific provisions.

**Switzerland**

**Securities Law Information.** The grant is not intended to be publicly offered in or from Switzerland. Neither this document nor any other materials relating to the grant (i) constitutes a prospectus as such term is understood pursuant to

article 652a of the Swiss Code of Obligations, (ii) may be publicly distributed nor otherwise made publicly available in Switzerland or (iii) has been or will be filed with, approved or supervised by any Swiss regulatory authority, including the Swiss Financial Market Supervisory Authority .

**Taiwan**

**Securities Law Information.** The RSUs and the Shares to be issued pursuant to the Plan are available only to employees of the Company and its Affiliates. The grant of the RSUs does not constitute a public offer of securities.

**Thailand**

**Exchange Control Information.** As an individual resident in Thailand, you must repatriate any cash proceeds if the amount of the funds realized is US$50,000 or more in a single transaction. The repatriated proceeds must either be converted into Thai Baht or deposited into a foreign currency deposit account opened with any commercial bank in Thailand within 360 days of repatriation. Any such commercial bank must be duly authorized by the Bank of Thailand to engage in the purchase, exchange and withdrawal of foreign currency. Further, you must complete and submit and report the inward remittance of any proceeds into Thailand using a Foreign Exchange Transaction.

If you do not comply with the above obligations, you may be subject to penalties assessed by the Bank of Thailand. Because exchange control regulations change frequently and without notice, you should consult your legal advisor to ensure compliance with current regulations. It is your responsibility to comply with exchange control laws in Thailand, and neither the Company nor the Employer will be liable for any fines or penalties resulting from failure to comply with applicable laws.

**Turkey**

**Securities Law Information.** The RSUs are made available only to employees of the Company and its Affiliates, and the offer of participation in the Plan is a private offering. The grant of the RSUs and any issuance of Shares at vesting takes place outside Turkey.

**Exchange Control Information.** In certain circumstances, Turkish residents are permitted to sell Shares traded on a non-Turkish stock exchange only through a financial intermediary licensed in Turkey. Therefore, you may be required to appoint a Turkish broker to assist with the sale of any Shares acquired under the Plan. You should consult your personal legal advisor before exercising or selling any Shares acquired under the Plan to confirm the applicability of this requirement.

**United Arab Emirates**

**Securities Law Information.** The Agreement, including this Addendum, and any other documents related to the Plan are intended for distribution only to eligible employees of the Company and any Affiliate and relate to the grant of RSUs in the United Arab Emirates.

The Emirates Securities and Commodities Authority has no responsibility for reviewing or verifying any documents in connection with the Plan. Neither the Ministry of Economy nor the Dubai Department of Economic Development have approved the documents related to the Plan or taken steps to verify the information set out therein, and have no responsibility for them.

The securities to which the grant under the Plan relates may be illiquid and/or subject to restrictions on their resale. Prospective purchasers of the securities offered should conduct their own due diligence on the securities.

Employees who do not understand the contents of the Agreement, including this Addendum, or any other documents related to the Plan, should consult an authorized financial advisor.

**United Kingdom**

**Responsibility for Taxes.** This provision supplements Section 7 of the Agreement:

Without limitation to this Section 7, you hereby agree that you are liable for all Tax-Related Items and hereby covenant to pay all such Tax-Related Items, as and when requested by the Company or the Employer or by Her Majesty's Revenue & Customs ("HMRC") (or any other tax authority or any other relevant authority). You also hereby agree to indemnify and keep indemnified the Company and the Employer against any Tax-Related Items that they are required to pay or withhold or have paid or will pay on your behalf to HMRC (or any other tax authority or any other relevant authority).

Notwithstanding the foregoing, if you are an executive officer or director (within the meaning of Section 13(k) of the Exchange Act) and income tax that is due is not collected from or paid by you within 90 days after the end of the U.K. tax year in which the vesting of the RSUs, release or assignment of the RSUs for consideration, or the receipt of any other benefit in connection with the RSUs occurs, the amount of any uncollected income tax may constitute a benefit to you on which additional income tax and national insurance contributions may be payable. You understand that you will be responsible for reporting and paying any income tax due on this additional benefit directly to the HMRC under the self-assessment regime and for reimbursing the Company or the Employer (as appropriate) for the value of any employee national insurance contributions due on this additional benefit, which the Company or the Employer may recover from you by any means referred to in Section 7 of the Agreement.

# ZIMMER BIOMET HOLDINGS, INC.

**2009 STOCK INCENTIVE PLAN**
**SPECIAL CLIFF VESTING RESTRICTED STOCK UNIT AWARD**

To encourage your continued employment with Zimmer Biomet Holdings, Inc. (the "Company") or its Affiliates, you have been granted this restricted stock unit ("RSU") award ("Award") pursuant to the Company's 2009 Stock Incentive Plan ("Plan"). Each RSU represents an unfunded, unsecured promise by the Company to deliver one share of Common Stock ("Share") to you, subject to the fulfillment of the vesting requirements set forth in this agreement ("Agreement") and all other restrictions, terms and conditions contained in this Agreement and in the Plan. Except as may be required by law, you are not required to make any payment (other than payments for Tax-Related Items pursuant to Section 7 hereof) or provide any consideration other than the rendering of future services to the Company or its Affiliates. Capitalized terms that are not defined in this Agreement have the meanings given to them in the Plan.

**Important Notice.** If you do not wish to receive the RSUs and/or do not consent and agree to the terms and conditions on which the RSUs are offered, as set forth in this Agreement and the Plan, then you must reject the RSUs no later than 60 days following the Grant Date specified in Section 1 hereof. If you reject the Award, any right to the underlying RSUs will be cancelled. Your failure to reject the Award within this 60-day period will constitute your acceptance of the RSUs and your agreement with all terms and conditions of the Award, as set forth in this Agreement and the Plan.

**1. Grant Date** December 3, 2018 (the "Grant Date").

**2. Number of RSUs Subject to this Award** The number of RSUs subject to this Award was communicated to you separately and is posted to your online Zimmer Biomet - Fidelity account.

**3. Vesting Schedule** An RSU granted in this Award shall be subject to the restrictions and conditions set forth herein during the period from the Grant Date until such RSU becomes vested and nonforfeitable (the "Restriction Period"). Except as otherwise set forth in Section 6 below, 100% of the RSUs granted in this Award shall become vested and nonforfeitable five months after the grant date, provided that you have been continuously employed by the Company or an Affiliate since the Grant Date.

**4. Stockholder Rights** You will have none of the rights of a holder of Common Stock (including any voting rights, rights with respect to cash dividends paid by the Company on its Common Stock or any other rights whatsoever) until the Award is settled by the issuance of Shares to you.

**5. Conversion of RSUs and Issuance of Shares** Subject to the terms and conditions of this Agreement and the Plan, the Company will transfer Shares to you within 60 days after the lapse of the Restriction Period for those RSUs. No fractional Shares will be issued under this Agreement. The Company will not be required to issue or deliver any Shares prior to (a) the admission of such Shares to listing on any stock exchange on which the stock may then be listed, (b) the completion of any registration or other qualification of such Shares under any state or federal law or rulings or regulations of any governmental regulatory body, or (c) 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. The Company reserves the right to determine the manner in which the Shares are delivered to you, including but not limited to delivery by direct registration with the Company's transfer agent.

**6. Termination of Employment**

(a) For all purposes of this Agreement, the term "Employment Termination Dat mean the earlier of (i) the date, as determined by the Company, that you are no longer actively employed by the Company or an Affiliate of the Company, and in the case of an involuntary termination, such date shall not be extended by any notice period mandated under local law ( *e.g* ., active employment 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); or (ii) the date, as determined by the Company, that your employer is no longer an Affiliate of the Company.

(b) (i) A transfer of your employment from the Company to an Affiliate, or vic from one Affiliate to another, (ii) a leave of absence, duly authorized in writing by the Company, for military service or sickness or for any other purpose approved by the Company if the period of such leave does not exceed ninety (90) days, and (iii) a leave of absence in excess of ninety (90) days, duly authorized in writing by the Company, provided your right to reemployment is guaranteed either by a statute or by contract, shall not be deemed a termination of employment. However, your failure to return to the employ of the Company at the end of an approved leave of absence

**shall be deemed a termination. During a leave of absence as defined in (ii) or (iii), you will be considered to have been continuously employed by the Company.**

(c) If your Employment Termination Date occurs before all of the RSUs have become vested, the RSUs that are not already vested as of your Employment Termination Date shall be forfeited and immediately cancelled.

**7. Responsibility for Taxes**

(a) You acknowledge that, regardless of any action taken by the Company or, if different, your actual employer (the "Employer"), the ultimate liability for all income tax (including federal, state and local taxes), 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 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 (i) make no representations or undertakings regarding the treatment of any Tax-Related Items in connection with any aspect of the RSUs, including the grant of the Award, the vesting or settlement of the RSUs, the conversion of the RSUs into Shares, the subsequent sale of any Shares acquired at vesting or the receipt of any dividends; and (ii) do not commit to, and are under no obligation to, structure the terms or any aspect of the Award to reduce or eliminate your liability for Tax-Related Items or achieve any particular result. Further, if you are subject to Tax-Related Items in more than one jurisdiction, you acknowledge that the Company or the Employer (or former Employer, as applicable) may be required to withhold or account for Tax-Related Items in more than one jurisdiction.

(b) Prior to any relevant taxable or tax withholding event, as applicable, you agree to pay or make adequate arrangements satisfactory to the Company or to the Employer (in their sole discretion) to satisfy all Tax-Related Items. In this regard and, if permissible under local law, you authorize the Company and/or the Employer, at their discretion, to satisfy any applicable obligations with respect to all Tax-Related Items in one or a combination of the following: (i) requiring you to pay an amount necessary to pay the Tax-Related Items directly to the Company (or the Employer) in the form of cash, check or other cash equivalent; (ii) withholding such amount from wages or other cash compensation payable to you by the Company and/or the Employer; (iii) withholding from proceeds of the sale of Shares acquired upon settlement of the RSUs either through a voluntary sale or through a mandatory sale arranged by the Company (on your behalf pursuant to this authorization or such other authorization, without further consent, as you may be required to provide to the Company or Fidelity (or any other designated broker)); or (iv) withholding in Shares to be issued upon settlement of the RSUs.

(c) Depending on the withholding method, the Company and/or the Employer r 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 Shares, and you agree that the amount withheld may exceed your actual liability. If the obligation for Tax-Related Items is satisfied by withholding in Shares, for tax purposes, you are deemed to have been issued the full number of Shares subject to the vested RSUs, notwithstanding that a number of the Shares are held back solely for the purpose of paying the Tax-Related Items.

(d) Finally, you agree to pay to the Company or the Employer any amount of T 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, if you fail to comply with your obligations in connection with the Tax-Related Items.

**8. Nature of Grant** In accepting the RSUs, you acknowledge, understand and agree that:

(a) the Plan is established voluntarily by the Company, it is discretionary in nature and may be modified, amended, suspended or terminated by the Company at any time, as provided in the Plan;

(b) the Award is exceptional, discretionary, voluntary and occasional and does not create any contractual or other right to receive future awards of RSUs, or benefits in lieu of RSUs even if RSUs have been awarded in the past;

(c) all decisions with respect to future RSU or other awards, if any, will be at the sole discretion of the Company;

(d) the Award 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 of the Company and shall not interfere with the ability of the Company, the Employer or any Affiliate of the Company, as applicable to terminate your employment or service relationship (if any);

(e) your participation in the Plan is voluntary;

(f) the Award , the Shares subject to the RSUs , and the income from and value of same are not intended to replace any pension rights or compensation;

(g) the Award and the Shares subject to the RSUs, and the income from and value of same are not part of normal or expected compensation for purposes of calculation of any severance, resignation, termination, redundancy, dismissal, end-of-service payments, holiday pay, bonuses, long-service awards, pension or retirement benefits or similar mandatory payments;

(h) the future value of the Shares underlying the RSUs is unknown, indeterminable and cannot be predicted with certainty;

(i) no claim or entitlement to compensation or damages arises from forfeiture of RSUs resulting from termination of your employment or other service relationship with the Company or the Employer (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 15 or Section 16 below;

(j) unless otherwise provided in the Plan or by the Company in its discretion, the RSUs and the benefits evidenced by this Agreement do not create any entitlement to have the RSUs 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

(k) the following provisions apply only if you are providing services outside the United States: (i) the Award and the Shares subject to the RSUs are not part of normal or expected compensation or salary for any purpose; and (ii) you acknowledge and agree that neither the Company, the Employer nor any other Affiliate of the Company 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 RSUs or of any amounts due to you pursuant to the settlement of the RSUs or the subsequent sale of any Shares acquired upon settlement.

**9. 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. 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.

**10. 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 RSU Award materials ("Data") by and among, as applicable, the Company, the Employer and any other Affiliate s 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 or directorships held in the Company, details of all RSUs or any other stock-based awards, 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 Fidelity or such other stock plan service provider as may be selected by the Company to assist 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 recipients' country may have different data privacy laws and protections than your country. You understand that if you reside outside the United States, 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, Fidelity 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 purpose 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 if you reside outside the United States, 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 RSUs or any other equity awards to you or administer or maintain such awards. Therefore, y ou 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.***

**11. Change in Control** Under certain circumstances, if your employment with the Company or its Affiliates terminates during the three year period following a Change in Control of the Company, this Award may be deemed vested. Please refer to the Plan for more information.

**12. Changes in Capitalization** If prior to the expiration of the Restriction Period 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 number and class of Shares subject to this Award will be appropriately adjusted by the Committee, whose determination will be conclusive. If as a result of any adjustment under this paragraph you should become entitled to a fractional Share of stock, you will have the right only to the adjusted number of full Shares and no payment or other adjustment will be made with respect to the fractional Share so disregarded.

**13. Notice** Until you are advised otherwise by the Committee, all notices and other correspondence with respect to this Award will be effective upon receipt at the following address: Zimmer Biomet Holdings, Inc., ATTN: Kathryn Diller, Corporate Securities Senior Administrator, 345 East Main Street, Post Office Box 708, Warsaw, Indiana 46581-0708, U.S.A.

**14. No Additional Rights** Except as explicitly provided in this Agreement, this Agreement will not confer any rights upon you, including any right with respect to continuation of employment by the Company or any of its Affiliates or any right to future awards under the Plan. In no event shall the value, at any time, of this Agreement, the Shares covered by this Agreement or any other benefit provided under this Agreement be included as compensation or earnings for purposes of any other compensation, retirement, or benefit plan offered to employees of the Company or its Affiliates unless otherwise specifically provided for in such plan.

**15. Breach of Restrictive Covenants** As a condition of receiving this Award, you have entered into a non-disclosure, non-solicitation and/or non-competition agreement with the Company or its Affiliates. 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 Award. Should you decline to sign such a restated agreement as required by the Company and, therefore, forego receiving the Award, 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 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 covered by the Award or any cash proceeds you received upon the sale of such Shares.

**16. 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 covered by the Award or any cash proceeds you received upon the sale of such Shares. 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.

**17. 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 .

**18. Code Section 409A Compliance** To the extent applicable, it is intended that the Plan and this Agreement comply with the requirements of Section 409A of the U.S. Internal Revenue Code of 1986, as amended, and any related regulations or other guidance promulgated with respect to such Section by the U.S. Department of the Treasury or the Internal Revenue Service. The RSUs granted in this Award are intended to be short-term deferrals exempt from Section 409A, but in the event that any portion of this Award constitutes deferred compensation within the meaning of Section 409A, then the issuance of Shares covered by an RSU award shall conform to the Section 409A standards, including, without limitation, the requirement that no payment on account of separation from service will be made to any specified employee (within the meaning of Section 409A) until six months after the separation from service occurs, and the prohibition against acceleration of payment, which means that the Committee does not have the authority to accelerate settlement of this Award in the event that any portion of it constitutes deferred compensation within the meaning of Section 409A. Any provision of the Plan or this Agreement that would cause this Award to fail to satisfy any applicable requirement of Section 409A shall have no force or effect until amended to comply with Section 409A, which amendment may be retroactive to the extent permitted by Section 409A.

**19. Construction and Interpretation** The Board of Directors of the Company (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 and the Plan contain the entire understanding of the parties and this Agreement may not be modified or amended except in writing duly signed by the parties. You acknowledge that a waiver by the Company of breach of any provision of this Agreement shall not operate or be construed as a waiver of any other provision of this Agreement, or of any subsequent breach by you or any other party to this Agreement. The various provisions of this Agreement are severable and in the event any provision of this Agreement shall be held illegal or invalid for any reason, the illegality or invalidity shall not affect the remaining provisions of this Agreement, and this Agreement shall be construed and enforced as if such illegal or invalid provision had not been included. 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 Agreement or any other document related to the Plan translated into a language other than English and if meaning of the translated version is different from the English version, the English version will control .

**20. 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 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, rights to Shares ( *e.g.* , RSUs) or rights linked to the value of Shares 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.

**21. 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 under the Plan or cash received from participating in the Plan (including from any dividends received or sale

proceeds arising from the sale of S hare s ) 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.

**22. Compliance with Laws and Regulations** Notwithstanding any other provisions of this Agreement, you understand that the Company will not be obligated to issue any Shares pursuant to the vesting of the RSUs if the issuance of such Shares shall constitute a violation by you or the Company of any provision of law or regulation of any governmental authority. Any determination by the Company in this regard shall be final, binding and conclusive.

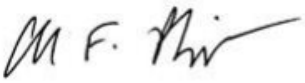
**23. Addendum** Your Award shall be subject to any special provisions set forth in the Addendum to this Agreement for your country, if any. If you relocate to one of the countries included in the Addendum during the Restriction Period, the special provisions for such country shall apply to you, to the extent the Company determines that the application of such provisions is necessary or advisable for legal or administrative reasons. The Addendum, if any, constitutes part of this Agreement.

**24. Imposition of Other Requirements** The Company reserves the right to impose other requirements on your participation in the Plan, on the Award and on any Shares 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 accept any additional agreements or undertakings that may be necessary to accomplish the foregoing.

**25. 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 .

**26. Acceptance** If you do not agree with the terms of this Agreement and the Plan, you must reject the Award no later than 60 days following the Grant Date; non-rejection of the Award will constitute your acceptance of the Award on the terms on which they are offered, as set forth in this Agreement and the Plan.

ZIMMER BIOMET HOLDINGS, INC.

By: 

Chad F. Phipps
Senior Vice President,
General Counsel and Secretary

**Exhibit 10.47**

# ZIMMER BIOMET HOLDINGS, INC. EXECUTIVE PHYSICAL SUB PLAN

THIS ZIMMER BIOMET HOLDINGS, INC. EXECUTIVE PHYSICAL SUB PLAN ("Sub Plan") is hereby established by Zimmer Biomet Holdings, Inc. ("Corporation"), effective as of April 1, 2019.

WHEREAS, the Corporation sponsors group health plans in both the United States and Puerto Rico (collectively, the "Health Plan") for the benefit of eligible participants and their covered beneficiaries; and

WHEREAS, the Corporation desires to implement an executive physical benefit for eligible executives by adopting this Sub Plan which shall be considered an addendum to the Health Plan.

NOW, THEREFORE, this Sub Plan is hereby adopted as an addendum to the Health Plan as set forth below:

1. Eligibility. An executive of the Corporation is eligible to participate in this Sub Plan if he or she is on the Corporation's United States or Puerto Rico payroll and, as of the date of the physical, the individual is:

(a) A member of the Corporation's Leadership Team or a successor committee; and

(b) Designated in writing as a participant in this Sub Plan by the Compensation and Management Development Committee of the Board of Directors, or by the Corporation's highest-level Human Resources executive.

("Eligible Executive").

For purposes of clarification, dependents of Eligible Executives are not eligible for this benefit.

2. Benefits.

(a) (i)Each Eligible Executive may obtain an executive physical at the following facilities: the University of Colorado, the Cleveland Clinic, or Mount Sinai (New York).

(ii) The Corporation's Benefits Committee has the authority to add or delete participating facilities by written resolution. An Eligible Executive may only have one executive physical once per calendar year under this Sub Plan. The executive physical is intended to be for preventative services only, and any other services shall be excluded under this Sub Plan.

(b) The Corporation shall reimburse an Eligible Executive for reasonable travel, meals and lodging incurred to obtain a physical under the Sub Plan. The Eligible Executive must submit a request for reimbursement in accordance with the Corporation's expense reimbursement policy. Any

reimbursement shall be imputed as taxable income, and the Eligible Executive shall be responsible for any and all taxes due.

3. No Extension of Coverage . Coverage under the Sub Plan shall not be deemed coverage under the Health Plan. As such, an Eligible Executive shall not be entitled to any benefits under the Health Plan, unless and until such executive enrolls in coverage under the Health Plan.

4. Termination . Coverage shall terminate upon the earliest of: termination of employment; the individual ceasing to be an Eligible Executive; or the termination of the Sub Plan.

5. Miscellaneous .

(a) This Sub Plan shall be considered a part of the Health Plan and the following provisions are incorporated by reference: HIPAA Privacy and Security Rules; Claim and Appeal procedures; ERISA-required disclosures; and COBRA continuation.

(b) By providing this benefit, the Corporation is not recommending medical providers, nor does the Corporation represent or warrant services of providers.

(c) The decision to obtain a physical under this Sub Plan is voluntary.

(d) The Corporation makes no representations or warranties as to the tax consequences of participating in the Sub Plan, and each Eligible Executive shall be solely responsible for any taxes, penalties or interest assessed due to the benefit provided hereunder.

(e) Except as delegated herein, the Sub Plan may be amended or terminated by the duly authorized action of the Compensation and Management Development Committee of the Corporation's Board of Directors.

**Exhibit 10.51**

ASSUMPTION AGREEMENT dated as of October 29, 2018 (this " Agreement "), by and among ZIMMER BIOMET HOLDINGS, INC., a Delaware corporation (the " Company "), ZIMMER LUXEMBOURG II S.À.R.L., a company organized under the laws of Luxembourg (" ZH2LX "), and JPMORGAN CHASE BANK, N.A., as General Administrative Agents (as defined below).

Reference is made to (i) the Credit Agreement dated as of May 29, 2014 (as amended, restated, amended and restated, supplemented or otherwise modified from time to time, the " 2014 Credit Agreement "), among the Company, Zimmer Biomet G.K. (f/k/a Zimmer K.K.) (the " Japanese Borrower "), ZB Investment Luxembourg S.à.r.l. (f/k/a Zimmer Investment Luxembourg S.à.r.l.) (the " Luxembourg Borrower "), the Borrowing Subsidiaries from time to time party thereto (together with the Company, the Japanese Borrower and the Luxembourg Borrower, the " Borrowers "), the lenders from time to time party thereto (the " 2014 Lenders "), JPMorgan Chase Bank, N.A., as general administrative agent (the " 2014 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 (ii) the Credit Agreement dated as of September 30, 2016 (as amended, restated, amended and restated, supplemented or otherwise modified from time to time, the " 2016 Credit Agreement " and, together with the 2014 Credit Agreement, the " Credit Agreements "), among the Borrowers, the lenders from time to time party thereto (together with the 2014 Lenders, the " Lenders "), JPMorgan Chase Bank, N.A., as General Administrative Agent (together with the 2014 General Administrative Agent, the " General Administrative Agents "), JPMorgan Chase Bank, N.A., Tokyo Branch, as Japanese Administrative Agent, and J.P. Morgan Europe Limited, as European Administrative Agent. Capitalized terms used in this Agreement and not otherwise defined herein have the meanings set forth in the Credit Agreements.

A. The Company has informed the General Administrative Agents that the Luxembourg Borrower intends to merge (the " Merger ") with and into ZH2LX, with ZH2LX surviving the Merger as a Wholly Owned Subsidiary of the Company.

B. Pursuant to Section 10.01 of the 2014 Credit Agreement and Section 9.01 of the 2016 Credit Agreement, the Merger is permitted so long as, among other things, ZH2LX, as the survivor of the Merger, shall assume all of the payment and performance obligations of the Luxemburg Borrower under the Credit Agreements and the other Loan Documents on terms reasonably satisfactory to the General Administrative Agents.

C. The Company and ZH2LX are entering into this Agreement in satisfaction of the requirements of Section 10.01 of the 2014 Credit Agreement and Section 9.01 of the 2016 Credit Agreement.

Accordingly, for good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, and intending to be legally bound hereby, the parties hereto agree as follows:

1. Assumption. Upon the effectiveness of the Merger, ZH2LX hereby assumes all of the payment and performance o bligations of the Luxembourg Borrower under each Credit Agreement and the other Loan Documents, including without limitation the obligation to pay all sums due or to bec ome due or owing by the Luxembourg Borrower under the Loan Documents. Upon the effectiveness of the Merger, ZH2LX shall be deemed to be the " Luxembourg Borrower" under each Credit Agreement and the other Loan Documents with the same force and effect as if it had executed such Credit Agreement and the other Loan Documents to which the Luxembourg Borrower is a party as the " Luxembourg Borrower " on the Effective Date of each Credit Agreement . ZH2LX hereby agrees to and shall be bound by all the terms and provisions of each Credit Agreement and the other Loan Documents applicable to it as the Luxembourg Borrower thereunder.

2. Representatives and Warranties. (a) ZH2LX represents and warrants to the Administrative Agent and the Lenders that:

(i) ZH2LX is duly incorporated and validly existing under the laws of Luxembourg.

(ii) ZH2LX has all requisite power and authority and all requisite governmental licenses, authorizations, consents and approvals to execute, deliver and perform its obligations under this Agreement (and to perform its obligations under each Credit Agreement and the other Loan Documents).

(iii) The execution, delivery and performance by ZH2LX of this Agreement (and the performance by it of its obligations under the Credit Agreement and the other Loan Documents) have been duly authorized by all necessary corporate or other organizational action, and do not and will not contravene the terms of any of ZH2LX's constitutive documents.

(iv) This Agreement, each Credit Agreement and the other Loan Documents constitute valid and binding obligations of ZH2LX, enforceable against ZH2LX in accordance with their terms, except as enforceability may be limited by applicable bankruptcy, insolvency, reorganization, moratorium or similar laws affecting the enforcement of creditors' rights generally and by general equitable principles (whether enforcement is sought by proceedings in equity or at law).

(b) The Company represents and warrants to the General Administrative Agents and the Lenders that, on the date hereof and on the date of the Merger (and after giving effect thereto), no Default or Event of Default exists under either Credit Agreement.

3. Conditions to Effectiveness. This Agreement shall become effective when it shall have been duly executed and delivered by each party hereto and when the General Administrative Agent shall have received, in form and substance satisfactory to the Administrative Agent:

(a) a copy of the certificate of incorporation or memorandum and articles of associa tion of ZH2LX , certified by a Financial Officer of ZH2LX to be t rue and correct ;

(b) evidence of the completion of the Merger;

(c) such certificates, resolutions or other action, incumbency certificates and/or other certificates of a Financial Officer of ZH2LX as the General Administrative Agents may require evidencing the identity, authority and capacity of Financial Officers thereof authorized to act as Financial Officers in connection with this Agreement and the Credit Agreements; and

(d) to the extent requested, such other documentation and information required by regulatory authorities under applicable "know your customer" and anti-money laundering rules and regulations, including the USA PATRIOT Act.

4. Successors and Assigns. Whenever in this Agreement any party is referred to, such reference shall be deemed to include the successors and permitted assigns of such party.

5. Governing Law. This Agreement shall be governed by, and construed in accordance with, the law of the State of New York.

6. Execution in Counterparts. This Agreement may be executed in counterparts (and by different parties hereto in different counterparts), each of which shall constitute an original, but all of which when taken together shall constitute a single contract. Delivery of an executed counterpart of a signature page of this Agreement by telecopy or other electronic imaging means (e.g. "pdf" or "tif") shall be effective as delivery of a manually executed counterpart of this Agreement.

7. Effect of this Agreement. Except as expressly modified hereby, each Credit Agreement shall remain in full force and effect.

[Remainder of the page intentionally left blank]

IN WITNESS WHEREOF, each party hereto has caused this Agreement to be duly executed and delivered as of the date first written above.

ZIMMER BIOMET HOLDINGS, INC.

By: /s/ Daniel P. Florin
Name:Daniel P. Florin
Title:Executive Vice President and
Chief Financial Officer

ZIMMER LUXEMBOURG II, S.À.R.L.

By: /s/ Jitender Sahni
Name:Jitender Sahni
Title:Manager

By: /s/ Claudi Dinis
Name:Claudia Dinis
Title:Manager

JPMORGAN CH ASE BANK, N.A., a s General A dministrative Agent under e
Credit Agreement referred to above ,

By: /s/ Joseph McShane
Name:Joseph McShane
TitleVice President

[Signature page to Assumption]

**Subsidiaries of Zimmer Biomet Holdings, Inc.**
**As of December 31, 2018**

| **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 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 |
| CD Laboratories, Inc. | Maryland |
| CelgenTek Innovations Corporation | Delaware |
| Citra Labs, LLC | Indiana |
| dba Biomet Citra Labs, LLC ( *Forced* ) | |
| 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* ) | |
| Electro-Biology, LLC | Delaware |
| ETEX Corporation | Massachusetts |
| dba Zimmer ETEX | |

| Name of Subsidiary [1] | Jurisdiction of Formation |
|---|---|
| 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 |
| 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 | |
| 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 |

| **Name of Subsidiary** [1] | **Jurisdiction of Formation** |
|---|---|
| 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 |
| Zimmer Biomet Finance Srl | 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 |
| 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 (Asia) Holding Ltd. | Cayman Islands |
| 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 |
| 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 |

| Name of Subsidiary [1] | Jurisdiction of Formation |
|---|---|
| Zimmer Biomet France Holdings SAS | France |
| Zimmer Spine SAS | France |
| Biomet Deutschland GmbH | Germany |
| Biomet Deutschland Holding GmbH | Germany |
| Biomet Healthcare Management 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 |
| 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 |
| 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 |
| JERDS Luxembourg Holding 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 |
| ZB COOP C.V. | Netherlands |

| Name of Subsidiary [1] | Jurisdiction of Formation |
|---|---|
| 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 Biomet Romania S.R.L. | Romania |
| Zimmer CIS Ltd. | Russia |
| Zimmer Biomet Asel Alarabiya Limited Company | Saudi Arabia |
| 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 |
| Zimmer Biomet Global Holdings Switzerland GmbH | Switzerland |
| Zimmer GmbH | Switzerland |
| Zimmer GmbH Euro IP Branch (branch) | Switzerland |
| Zimmer Luxembourg II Sarl, Luxembourg (LU), Winterthur 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 |

| **Name of Subsidiary** [1] | **Jurisdiction of Formation** |
| --- | --- |
| 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) of Zimmer Biomet Holdings, Inc. of our report dated February 26, 2019 relating to the financial statements and 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 26, 2019

**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 26, 2019

/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 26, 2019

/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, 2018 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 26, 2019

/s/ Daniel P. Florin
Daniel P. Florin
*Executive Vice President and Chief Financial Officer*
February 26, 2019