

ZIMMER BIOMET HOLDINGS, INC.
RECONCILIATION OF DILUTED EPS to ADJUSTED DILUTED EPS and
ADJUSTED DILUTED EPS EXCLUDING THE ESTIMATED EFFECTS OF CHANGES IN FOREIGN CURRENCY EXCHANGE RATES
FOR THE YEARS ENDED DECEMBER 31, 2017 and 2016 and THREE MONTHS ENDED MARCH 31, 2017 and 2016
(unaudited)

| | Years Ended December 31, | | | Three Months Ended March 31, | |
|---|--------------------------|-----------------|----------------|------------------------------|----------------|
| | Projected (High) | Projected (Low) | 2016 | 2017 | 2016 |
| | 2017 | 2017 | | | |
| Diluted EPS | \$ 4.88 | \$ 4.68 | \$ 1.50 | \$ 1.47 | \$ 0.54 |
| Inventory step-up and other inventory and manufacturing related charges, intangible asset amortization, special items and other expense | 5.80 | 5.94 | 8.41 | 1.41 | 1.94 |
| Taxes on above items ⁽¹⁾ and other certain tax adjustments | (2.08) | (2.12) | (1.95) | (0.75) | (0.47) |
| Adjusted Diluted EPS | <u>\$ 8.60</u> | <u>\$ 8.50</u> | <u>\$ 7.96</u> | <u>\$ 2.13</u> | <u>\$ 2.01</u> |
| Incremental foreign currency exchange rate forward contract cash flow hedges ⁽²⁾ | 0.28 | 0.28 | | 0.10 | |
| Effects of changes in foreign currency exchange rates on functional currency translation ⁽³⁾ | <u>0.10</u> | <u>0.10</u> | | <u>-</u> | |
| Adjusted Diluted EPS excluding the estimated effects of changes in foreign currency exchange rates ⁽⁴⁾ | <u>\$ 8.98</u> | <u>\$ 8.88</u> | | <u>\$ 2.23</u> | |
| Growth over prior year Adjusted Diluted EPS | 13% | 12% | | 11% | |

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

⁽²⁾ We enter into foreign currency exchange rate forward contracts to minimize the effects of foreign currency exchange rate movements on the cash flows from our intercompany sales of inventory. We designate these contracts as cash flow hedges and defer any gains or losses on these contracts until the inventory is sold to a third party. Based upon actual and estimated foreign currency exchange rates, we estimate that we will recognize lower hedge gains in the applicable periods when compared to the same prior year period.

⁽³⁾ Under U.S. GAAP, we consolidate our foreign operations by translating their statement of earnings in their functional currency into U.S. Dollars using average foreign currency exchange rates during the applicable time period. We have estimated the effects of changes in foreign currency exchange rates on our consolidated statement of earnings by translating the current period functional currency results using the same exchange rates from the prior year period. This estimate is complex and may not actually reflect the changes in our consolidated statement of earnings had foreign currency exchange rates not changed. This effect also includes the estimated tax impact on the foreign currency exchange forward contract cash flow hedges.

⁽⁴⁾ Adjusted Diluted EPS excluding the estimated effects of changes in foreign currency exchange rates excludes the effects of incremental changes in foreign currency exchange rate forward contract cash flow hedges, incremental changes in remeasurement of monetary assets and liabilities denominated in a currency other than its functional currency and the effects of changes in foreign currency exchange rates on functional currency translation.