



February 25, 2019

This material is not intended, and should not be, construed as professional tax or legal advice. Shareholders should consult their own tax advisors regarding all tax compliance matters relating to their calculating and reporting of the All E&P Amount.

On July 31, 2018, Orthofix International N.V. (the “Company”) changed its jurisdiction of incorporation from Curaçao to Delaware and is now a Delaware corporation known as Orthofix Medical Inc. (“**OMI**”). This reorganization is referred to below as the “**Domestication**”.

This letter provides information intended to facilitate your determination of the all earnings and profits amount (the “**All E&P Amount**”) with respect to your shares held in the Company.

Each OMI shareholder is encouraged to read this letter carefully. The material included herein is intended to facilitate your determination of the all earnings and profits amount (the “All E&P Amount”) relating to your shares and whether it should be included in your federal and state income tax returns for your income tax year in which includes the date of the Domestication. If you are a calendar year filer, this transaction is reportable in 2018. This letter and the accompanying schedules are the only information sources for shareholders to determine their applicable All E&P Amount attributable to their shares in the Company.

The All E&P Amount attributable to shares held by a U.S. shareholder will generally depend on the Company’s accumulated earnings and profits from the date the shares were acquired through July 31, 2018. The Company had negative earnings and profits at the time of the Domestication for holding periods that began after January 1, 2007. Therefore, U.S. shareholders whose holding periods began after January 1, 2007 are not expected to have positive All E&P Amounts attributable to their shares in the Company. However, taking into account the positive earnings and profits of the Company which were generated prior to 2011, the Company believes that, on balance, U.S. shareholders whose holding periods began before January 1, 2007 are expected to have positive All E&P Amounts attributable to their shares in the Company.

Shareholders should retain this document as part of their tax records and consider if additional disclosures are required on his or her individual income tax return.

Please submit questions to redomicile@orthofix.com.

Orthofix Medical Inc.

Overview

On July 31, 2018, the Company completed the Domestication in a transaction that is expected to qualify as a reorganization under Internal Revenue Code (“Code”) Section 368(a)(1)(F) (an “F Reorganization”). In this regard, Code Section 367 applies to certain nonrecognition transactions involving foreign corporations, including a domestication of a foreign corporation in an F Reorganization. Section 367 requires that gain (which is subject to income tax) be recognized by certain U.S. persons (“U.S. Holders”) in connection with transactions that would otherwise be tax-free. Section 367(b) of the Code generally applies to U.S. Holders that exchanged shares of the Company for OMI common stock as part of the Domestication on July 31, 2018. As described below, the rules governing the amount and nature of the income inclusion required by Section 367(b) depend on the fair market value and percentage of stock owned at the time of the Domestication.

a. Shareholders owning stock with a fair market value of less than \$50,000

A U.S. Holder who, at the time of the Domestication, owns (or is considered to own) Company shares with a fair market value of less than \$50,000 should not be required to recognize any gain or loss under Section 367(b) in connection with the Domestication, and generally should not be required to include any part of the All E&P Amount in income.

b. Shareholders owning stock with a fair market value of \$50,000 or more but less than 10% of the Company’s stock

A U.S. Holder who, at the time of the Domestication, beneficially owned (directly, indirectly or constructively) Company shares with a fair market value of \$50,000 or more but less than ten percent (10%) of the total combined voting power of all classes of the Company shares entitled to vote and less than 10% of the total value of all classes of Company ordinary shares **must either recognize gain with respect to the Domestication or, in the alternative, may elect to recognize the All E&P Amount attributable to such U.S. Holder’s shares in the Company as described below.**

Unless a U.S. Holder makes the "all earnings and profits" election as described below, such holder generally **must** recognize gain (but not loss) with respect to its Company shares exchanged for OMI common shares pursuant to the Domestication. Any such gain would be equal to the excess of the fair market value of such OMI shares received over the U.S. Holder's adjusted tax basis in the Company ordinary shares deemed to be surrendered in exchange as part of the Domestication.

In lieu of recognizing any gain as described in the preceding paragraph, a U.S. Holder may elect to include in income the All E&P Amount attributable to its Company shares. **There are, however, strict conditions for making this election.** This election must comply with applicable Treasury Regulations and generally must include, among other things:

- a statement that the Domestication is a Section 367(b) exchange;
- a complete description of the Domestication;
- a description of any stock, securities or other consideration transferred or received in the Domestication;

- a statement describing the amounts required to be taken into account for U.S. federal income tax purposes as income or as an adjustment to basis, earnings and profits or other tax attributes;
- a statement that the U.S. Holder is making the election that includes (A) a copy of the information that the U.S. Holder received from the Company (or OMI) establishing and substantiating the U.S. Holder's All E&P Amount with respect to the U.S. Holder's Company shares, and (B) a representation that the U.S. Holder has notified the Company (or OMI) that the U.S. Holder is making the election; and
- certain other information required to be furnished with the U.S. Holder's tax return or otherwise furnished pursuant to the Code or the Treasury Regulations.

The election must be attached by the U.S. Holder to its timely filed U.S. federal income tax return for the year of the Domestication, and the U.S. Holder must send notice of making the election to OMI no later than the date such tax return is filed. The election should be submitted to redomicile@orthofix.com.

c. Shareholders directly or indirectly owning 10% or more of the Company's stock

If a Company shareholder is either (a) a U.S. Holder who at the time of the Domestication beneficially owned (directly, indirectly or constructively) ten percent (10%) or more of the total combined voting power of all classes of Company shares entitled to vote or 10% of the total value of all classes of Company ordinary shares (a "**U.S. Shareholder**") or (b) a foreign corporation with respect to which there were one or more U.S. Shareholders (together with U.S. Shareholders, "**10% Shareholders**"), such person must include in income as a dividend the All E&P Amount attributable to the Company shares they directly owned, within the meaning of Treasury Regulations under Section 367, at the time the Domestication occurred. A U.S. Holder's ownership of warrants and stock options will be taken into account in determining whether such holder owns 10% or more of the total combined voting power of all classes of stock. Complex attribution rules apply in determining whether a U.S. Holder owns 10% or more of the total combined voting power of all classes of Company shares entitled to vote and all U.S. Holders are urged to consult their tax advisors with respect to these attribution rules.

A 10% Shareholder's All E&P Amount with respect to its Company shares is the net positive earnings and profits of the Company (as determined under Treasury Regulations under Section 367) attributable to the shares (as determined under Treasury Regulations under Section 367) but without regard to any gain that would be realized on a sale or exchange of such shares. Treasury Regulations under Section 367 provide that the All E&P Amount attributable to a shareholder's shares is determined according to the principles of Section 1248 of the Code. In general, Section 1248 of the Code and the Treasury Regulations thereunder provide that the amount of earnings and profits attributable to a block of stock in a foreign corporation is the ratably allocated portion of the foreign corporation's earnings and profits generated during the period the shareholder held the block of stock.

For 10% Shareholders required to include the All E&P Amount, Treasury Regulations under Section 367 require the shareholder to file a notice with the following information:

- a statement that the Domestication is a Section 367(b) exchange;
- a complete description of the Domestication;
- a description of any stock, securities or other consideration transferred or received in the Domestication;

- a statement describing the amounts required to be taken into account for U.S. federal income tax purposes as income or as an adjustment to basis, earnings and profits or other tax attributes; and
- certain other information required to be furnished with the person's tax return or otherwise furnished pursuant to the Code or the Treasury Regulations.

This notice should be attached to the timely filed federal tax return (including extensions) for the person's taxable year in which income attributable to the Domestication is realized.

I. Data Applicable to the All E&P Amount

The following schedule summarizes the Company's estimates of its earnings & profits for the tax years starting with its formation in 1987 through the Domestication occurring on July 31, 2018.

Tax Year	Shares Outstanding*	Earnings & Profits Positive/(Negative)
1987 - 1991	Contact Company	Contact Company
1992	10,798,029	(\$375,000)
1993	10,798,029	(\$674,000)
1994	10,275,400	(\$443,000)
1995	12,477,455	(\$517,000)
1996	12,887,708	(\$2,798,000)
1997	12,959,700	(\$2,624,000)
1998	12,964,055	(\$2,711,000)
1999	12,029,834	(\$2,328,000)
2000	13,206,297	\$1,873,950
2001	12,802,276	(\$2,315,472)
2002	13,636,178	(\$4,958,148)
2003	14,980,010	\$40,285,942
2004	15,711,943	\$5,930,223
2005	16,009,249	\$35,723,552
2006	16,445,859	\$84,015,584
2007	17,038,304	\$57,634,703
2008	17,103,142	\$3,496,068
2009	17,141,710	\$8,234,288
2010	17,726,645	\$8,339,524
2011	18,465,444	(\$6,477,453)
2012	19,339,329	\$440,489
2013	18,102,335	(\$11,396,387)
2014	18,611,495	(\$9,921,202)
2015	18,659,696	(\$10,571,983)
2016	17,828,155	(\$21,632,739)
2017	18,278,833	\$0
2018	18,910,949	(\$47,885,477)

*Shares outstanding calculations are based on share counts as of the end of each calendar year except for 1992 and 1993, which are based on weighted average shares outstanding throughout the year, and 2018, for which the information is provided as of July 31. Please contact the Company for information regarding total shares outstanding during the years from 1987 through 1991, which relates to periods that precede the Initial Public Offering of the Company's stock in April 1992.

The information contained in this letter is intended to assist shareholders who are U.S. Holders in complying with their federal and state income tax reporting requirements with respect to their respective All E&P Amount applicable to the Domestication of the Company. This information should not be construed as tax or legal advice to any specific shareholder. Shareholders should consult their own tax advisors regarding all tax compliance matters applicable to their interests in the Company.

SAMPLE ELECTION

FOR SHAREHOLDERS ELECTING THE "ALL EARNINGS & PROFITS" RECOGNITION IN LIEU OF BUILT IN CAPITAL GAIN RECOGNITION

ELECTION TO RECOGNIZE THE ALL EARNINGS & PROFITS AMOUNT IN LIEU OF BUILT IN GAIN PURSUANT TO IRC SECTION 367(b)

- Pursuant to Reg. § 1.367(b)-3(c)(3), this notice is being filed by _____ ("Taxpayer") with a timely filed IRS Form _____ for its taxable year ending _____. On July 31, 2018, Orthofix International N.V. (Nasdaq: OFIX) completed a domestication in accordance with the laws of Curaçao and the Delaware General Corporation Law, through which it became a Delaware corporation named Orthofix Medical Inc. ("OMI"). This reorganization was executed pursuant to the laws of the State of Delaware and thereafter continued its corporate existence as a Delaware corporation.
- The domestication was a Section 367(b) exchange that is expected to qualify as a reorganization under Internal Revenue Code ("Code") Section 368(a)(1)(F).
- Upon the effective date of the Domestication, each common share of Orthofix International N.V. automatically converted into one common share of OMI. Pursuant to the domestication, Taxpayer exchanged _____ common shares of Orthofix International N.V., for which it received _____ common shares of OMI.
 - ENTER THE NUMBER OF SHARES OWNED ON JULY 31, 2018
- Pursuant to Reg. § 1.367(b)-3(c)(3), Taxpayer elects to include in its income as a deemed dividend the "all earnings and profits amount" with respect to its shares of Orthofix International N.V. The amount of the all earnings and profits amount with respect to Taxpayer's Orthofix International N.V. shares is _____. As a result of Taxpayer's inclusion of the all earnings and profits amount, Taxpayer's basis in its OMI shares is adjusted as follows:
 - COMPUTE THE AMOUNT OF EARNINGS AND PROFITS ASSOCIATED WITH STOCK OWNERSHIP FOR EACH ANNUAL PERIOD OF OWNERSHIP AND IMPACT THAT ALL EARNINGS AND PROFITS AMOUNT WILL HAVE ON OMI SHARE BASIS
- Any information required to be filed by Taxpayer in connection with the Domestication and/or Taxpayer's ownership of Orthofix International N.V. or OMI is being separately furnished as part of Taxpayer's federal income tax return.
- Taxpayer is making the election pursuant to Reg. § 1.367(b)-3(c)(3) to include the all earnings and profit amount attributable to Taxpayer's Orthofix International N.V. shares. Attached hereto is a copy of the information that Taxpayer received from Orthofix Medical Inc. establishing and substantiating the Taxpayer's all earnings and profits amount with respect to Taxpayer's Orthofix International N.V. shares.
 - ATTACH COPY OF ATTACHED LETTER AS PART OF NOTICE
- Taxpayer represents that it provided notification to the Orthofix Medical Inc. of this election at redomicile@orthofix.com.

The information contained in this sample letter is intended to assist shareholders who are U.S. Holders in complying with their federal and state income tax reporting requirements with respect to their respective All E&P Amount applicable to the Domestication of the Company. This information should not be construed as tax or legal advice to any specific shareholder. Shareholders should consult their own tax advisors regarding all tax compliance matters applicable to their interests in the Company.

SAMPLE COMPUTATION: ALL EARNINGS AND PROFITS AMOUNT

- Assume shareholder owned 1,000 shares on July 31, 2018. The market value of those shares was \$60,490.
- Shareholder purchased those shares on March 1, 2013 for \$37,000.
- Shareholder's built-in gain on July 31, 2018 of \$23,490.
- If shareholder does not elect to include the All E&P Amount, shareholder should recognize a gain of \$23,490 on his or her 2018 income tax return.
- Shareholder would also increase his or her cost basis in the shares for the amount recognized as income.

Because shareholder's stock value is in excess of \$50,000 on the date of Domestication (\$60,490), the shareholder has the option to elect to recognize the All E&P Amount attributable to the 1,000 shares owned by the Shareholder, rather than the built-in gain.

The following is a sample computation of the All E&P Amount.

	A	B	A/B = C	D	E	(E / 365) * C * D
Year	Annual Earnings & Profits	Total Shares Outstanding	Earnings and Profits per Share	Shares Owned at Year-end	Days Shares Owned	Shareholder All Earnings and Profit Amount
2013	\$ (11,396,387)	18,102,335	\$ (0.63)	1,000	306	\$ (527.79)
2014	\$ (9,921,202)	18,611,495	\$ (0.53)	1,000	365	\$ (533.07)
2015	\$ (10,571,983)	18,659,696	\$ (0.57)	1,000	365	\$ (566.57)
2016	\$ (21,632,739)	17,828,155	\$ (1.21)	1,000	365	\$ (1,213.40)
2017	\$ -	18,278,833	\$ -	1,000	365	\$ -
2018	\$ (47,885,477)	18,910,949	\$ (2.53)	1,000	365	\$ (2,532.16)
Total All Earnings and Profits attributable to Shareholder						\$ (5,372.99)

Because the All E&P Amount attributable to the 1,000 shares of the Company held by shareholder is negative, if shareholder chooses the all earnings and profits election, shareholder would not recognize gain on the Domestication.

****NOTE: SHAREHOLDER CANNOT RECOGNIZE LOSS ON THE DOMESTICATION.****

The information contained in this sample computation is intended to assist shareholders who are U.S. Holders in complying with their federal and state income tax reporting requirements with respect to their respective All E&P Amount applicable to the Domestication of the Company. This information should not be construed as tax or legal advice to any specific shareholder. Shareholders should consult their own tax advisors regarding all tax compliance matters applicable to their interests in the Company.

SAMPLE NOTIFICATION

If you elect the all earnings and profits recognition option discussed above, send the following notification to Orthofix Medical Inc. at redomicile@orthofix.com:

Pursuant to the notification requirement in IRC Section 367(b) and the Regulations thereunder, NAME elected to recognize the All E&P Amount.