

LVB Acquisition, Inc.
Form 10-K
August 20, 2014
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UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-K

(Mark One)

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

For the fiscal year ended May 31, 2014.

OR

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

For the transition period from to ..
Commission File Number 001-15601

LVB ACQUISITION, INC.
BIOMET, INC.

(Exact name of registrant as specified in its charter)

Delaware	26-0499682
Indiana	35-1418342
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)

56 East Bell Drive, Warsaw, Indiana	46582
(Address of principal executive offices)	(Zip Code)

(574) 267-6639

(Registrant's telephone number, including area code)

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

Securities registered pursuant to Section 12(g) of the Act: LVB Acquisition, Inc. common stock, par value \$0.01 per share

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act

LVB ACQUISITION, INC.	Yes	..	No	x
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BIOMET, INC.	Yes	..	No	x
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Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act.

LVB ACQUISITION, INC.	Yes	..	No	x
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BIOMET, INC.	Yes	..	No	x
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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.

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

LVB ACQUISITION, INC.	Yes	<input checked="" type="checkbox"/>	No	<input type="checkbox"/>
BIOMET, INC.	Yes	<input checked="" type="checkbox"/>	No	<input type="checkbox"/>

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Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K (§ 229.405 of this chapter) is not contained herein, and will not be contained, to the best of 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.

LVB ACQUISITION, INC.

..

..

BIOMET, INC.

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

LVB ACQUISITION, INC.

Large accelerated filer	..	Accelerated filer	..
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Non-accelerated filer	x (Do not check if a smaller reporting company)	Smaller reporting company	..
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BIOMET, INC.

Large accelerated filer	..	Accelerated filer	..
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Non-accelerated filer	x (Do not check if a smaller reporting company)	Smaller reporting company	..
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Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Act).

LVB ACQUISITION, INC.	Yes	..	No	x
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BIOMET, INC.	Yes	..	No	x
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As of May 31, 2014, there was no established public trading market for any of the common stock of the registrants.

The number of shares of the registrants' common stock outstanding as of July 31, 2014:

LVB ACQUISITION, INC.	552,486,996 shares of common stock
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BIOMET, INC.	1,000 shares of common stock
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DOCUMENTS INCORPORATED BY REFERENCE

None.

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FORWARD-LOOKING STATEMENTS

This annual report contains forward-looking statements within the meaning of the U.S. federal securities laws. Statements that are not historical facts, including statements about our beliefs and expectations, are forward-looking statements. Forward-looking statements include statements generally preceded by, followed by, or that include the words “believe,” “could,” “expect,” “forecast,” “intend,” “may,” “anticipate,” “plan,” “predict,” “possibly,” “project,” “potential,” “should,” “will” or similar expressions. These statements include, but are not limited to, statements related to:

- the impact of the announcement of our anticipated merger with Zimmer Holdings, Inc. (“Zimmer”);
- the timing and number of planned new product introductions;
- the effect of anticipated changes in the size, health and activities of the population or on the demand for our products;
- assumptions and estimates regarding the size and growth of certain market categories;
- our ability and intent to expand in key international markets;
- the timing and anticipated outcome of clinical studies;
- assumptions concerning anticipated product developments and emerging technologies;
- the future availability of raw materials;
- the anticipated adequacy of our capital resources to meet the needs of our business;
- our continued investment in new products and technologies;
- the ultimate marketability of products currently being developed;
- our ability to successfully implement new technologies and transition certain manufacturing operations, including transitions to China;
- our ability to manage working capital and generate adequate cash flows to service outstanding debt;
- our ability to sustain sales and earnings growth;
- our success in achieving timely approval or clearance of our products with domestic and foreign regulatory entities;
- our success in implementing our operational improvement programs;
- the stability of certain foreign economic markets;
- the effect of foreign currency fluctuations on our results;
- the impact of anticipated changes in the musculoskeletal industry and our ability to react to and capitalize on those changes;
- our ability to successfully implement desired organizational changes;
- the impact of our managerial changes;
- our ability to take advantage of technological advancements;

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•our reliance on our private equity stockholders;

•our \$5,720.4 million of total indebtedness outstanding as of May 31, 2014, and our ability to incur additional indebtedness in the future; and

•our inability to generate sufficient cash in order to meet our debt service obligations.

Forward-looking statements reflect our current expectations and are not guarantees of performance. These statements are based on our management's beliefs and assumptions, which in turn are based on currently available information. Important assumptions relating to these forward-looking statements include, among others, assumptions regarding demand for our products, expected pricing levels, raw material costs, the timing and cost of planned capital expenditures, future regulatory reforms affecting the healthcare industry, expected outcomes of pending litigation and regulatory matters, the solvency of our insurers and the ultimate resolution of allocation and coverage issues with those insurers, competitive conditions and general economic conditions. Readers of this annual report are cautioned that reliance on any forward-looking statement involves risks and uncertainties.

Although we believe that the assumptions on which the forward-looking statements contained herein are based are reasonable, any of those assumptions could prove to be inaccurate given the inherent uncertainties as to the occurrence or nonoccurrence of future events. There can be no assurance that the forward-looking statements contained in this annual report will prove to be accurate. The inclusion of a forward-looking statement in this annual report should not be regarded as a representation by us that our objectives will be achieved. Forward-looking statements also involve risks and uncertainties, which could cause actual results to differ materially from those projected by any forward-looking statement. Many of these factors are beyond our ability to control or predict and could, among other things, cause actual results to differ from those contained in forward-looking statements made or incorporated by reference in this annual report and presented elsewhere by management from time to time. Such factors, among others, may have a material adverse effect upon our business, financial condition, results of operations and cash flows and may include, but are not limited to, factors discussed under the heading "Risk Factors" and the following:

•the inability to obtain regulatory approvals of our proposed merger with Zimmer Holdings, Inc. (including the approval of antitrust authorities necessary to complete the transaction) on the terms desired or anticipated; the timing of such approvals and the risk that such approvals may result in the imposition of conditions that could adversely affect the combined company or the expected benefits of the transaction;

•the risk that a condition to closing our proposed merger with Zimmer may not be satisfied on a timely basis or at all;

•the risk that the our proposed merger with Zimmer fails to close for any other reason;

•the effect of the potential disruption of management's attention from ongoing business operations due to our proposed merger with Zimmer;

•the effect of the announcement of the proposed merger on Zimmer's and Biomet's relationships with their respective customers, vendors and lenders and on their respective operating results and businesses generally;

•changes in general economic conditions and interest rates;

•changes in the availability of capital and financing sources;

•changes in competitive conditions and prices in our markets;

•changes to the regulatory environment for our products, including national health care reform;

•the effects of incurring or having incurred a substantial amount of indebtedness under our 6.500% senior notes, 6.500% senior subordinated notes and senior secured credit facilities;

•the effects upon us of complying with the covenants contained in our senior secured credit facilities and the indentures governing our 6.500% senior notes and 6.500% senior subordinated notes;

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restrictions that the terms and conditions of indentures governing our 6.500% senior notes and 6.500% senior subordinated notes and our senior secured credit facilities may place on our ability to respond to changes in our business or take certain actions;

changes in the relationship between supply of and demand for our products;

fluctuations in costs of raw materials and labor;

the effect of foreign currency fluctuations on our results;

changes in other significant operating expenses;

decreases in sales of our principal product lines;

slowdowns or inefficiencies in our product research and development efforts;

increases in expenditures related to increased government regulation of our business;

developments adversely affecting our sales activities inside or outside the United States;

decreases in reimbursement levels by our customers, including certain of our foreign government customers that are experiencing financial distress;

differences in transitioning certain manufacturing operations to China and other locations;

challenges in effectively implementing restructuring and cost saving initiatives;

increases in cost-containment efforts from managed care organizations and other third-party payors;

loss of our key management and other personnel or inability to attract such management and other personnel;

increases in costs of retaining existing independent sales agents of our products;

potential future goodwill and/or intangible impairment charges;

inability to obtain, protect or enforce our intellectual property rights;

unanticipated expenditures related to litigation; and

- failure to comply with the terms of the Deferred Prosecution Agreement.

We caution you not to place undue reliance on these forward-looking statements, which speak only as of the date they were made. We do not undertake any obligation to publicly release any revisions to these forward-looking statements to reflect events or circumstances after the date of this annual report or to reflect the occurrence of unanticipated events. We intend to take advantage of the safe harbor provisions of the Private Securities Litigation Reform Act of 1995 regarding our forward-looking statements, and are including this sentence for the express purpose of enabling us to use the protections of the safe harbor with respect to all forward-looking statements.

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Part I.

Explanatory Note

This Form 10-K is a combined annual report being filed separately by two registrants: LVB Acquisition, Inc. (“LVB” and “Parent”) and its wholly owned subsidiary, Biomet, Inc. Each registrant hereto is filing on its own behalf all of the information contained in this annual report that relates to such registrant. Each registrant hereto is not filing any information that does not relate to such registrant, and therefore makes no representation as to any such information.

Item 1. Business.

Overview

We are one of the largest orthopedic medical device companies in the world, with operations in more than 50 locations and distribution in more than 90 countries. We design, manufacture and market surgical and non-surgical products used primarily by orthopedic surgeons and other musculoskeletal medical specialists. Our product offerings include:

- Reconstructive Products-Hips and Knees
 - Sports, Extremities and Trauma (S.E.T.)
- Products
- Spine, Bone Healing and Microfixation Products
- Dental Reconstructive Products
 - Cement, Biologics and Other
- Products

Since our founding in 1977, we have grown to nearly 9,000 employees and generated more than \$3.0 billion of net sales in our most recent fiscal year. We believe that our success is largely attributable to our dedication to excellence in product engineering and innovation, and our responsiveness to our customers through service and support. In recent years, we have built on our core competencies in hip and knee reconstructive products by expanding our business into higher-growth categories, such as sports medicine, extremities and trauma, and in our higher-growth international markets.

General

The principal asset of LVB is the ownership of 100% of the common stock of Biomet, Inc., which is an operating company. Biomet, Inc., an Indiana corporation incorporated in 1977, is one of the largest orthopedic medical device companies in the United States and worldwide with operations in more than 50 locations throughout the world and distribution in approximately 90 countries. Biomet, Inc.’s principal operating subsidiaries include Biomet U.S. Reconstruction, LLC; Biomet Orthopedics, LLC; Biomet Manufacturing, LLC; Biomet Europe BV; EBI, LLC; Biomet 3i, LLC; Biomet International Ltd.; Biomet Microfixation, LLC; Biomet Sports Medicine, LLC; Biomet Trauma, LLC; and Biomet Biologics, LLC. Unless the context requires otherwise, the term “LVB,” “Biomet,” “Company,” “we,” “our,” or “us” refers to LVB Acquisition, Inc. and all of its subsidiaries. We design, manufacture and market a comprehensive range of both surgical and non-surgical products used primarily by orthopedic surgeons and other musculoskeletal medical specialists. For over 35 years, we have applied advanced engineering and manufacturing technology to the development of highly durable joint replacement systems.

Merger with Zimmer Holdings, Inc.

On April 24, 2014, LVB, a Delaware corporation, which owns all of the outstanding shares of common stock of Biomet, Inc., entered into an Agreement and Plan of Merger (the “Merger Agreement”), with Zimmer Holdings, Inc., a Delaware corporation, and Owl Merger Sub, Inc., a Delaware corporation and wholly owned subsidiary of Zimmer. Zimmer and LVB currently expect to complete the merger in the first quarter of 2015, subject to the receipt of regulatory approvals and the satisfaction or waiver of the other conditions to the merger contained in the Merger Agreement. However, it is possible that factors outside the control of Zimmer and LVB could require Zimmer and LVB to complete the merger at a later date or not complete it at all.

LVB Acquisition Holding, LLC (“Holdings”) and the Principal Stockholders (as defined below) have entered into a voting agreement with Zimmer (the “Voting Agreement”). Under the Voting Agreement, Holdings agreed to execute and deliver a written consent with respect to the shares of LVB common stock owned by it, adopting the Merger

Agreement and approving the merger. As of July 31, 2014, Holding owns approximately 536,034,330 shares, or 97.16%, of our common stock outstanding. Therefore, pursuant to the voting agreement, we expect to receive written consents sufficient to approve our proposed merger with Zimmer.

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Under the Merger Agreement, LVB will be acquired for an aggregate purchase price based on a total enterprise value of \$13.35 billion, which will consist of \$10.35 billion in cash (which is subject to adjustment) and 32,704,677 shares of Zimmer common stock (which number of shares represents the quotient of \$3.0 billion divided by \$91.73, the volume weighted average price of Zimmer's common stock on the New York Stock Exchange for the five trading days prior to the date of the Merger Agreement). According to Zimmer's Form 10-Q filed on August 7, 2014, in connection with the merger, Zimmer expects to pay off all of the outstanding funded debt of LVB, totaling \$5,681.8 million as of July 31, 2014 and its subsidiaries, and the aggregate cash merger consideration paid by Zimmer at the closing will be reduced by such amount. Zimmer is expected to fund the cash portion of the merger consideration and the repayment of the outstanding funded debt of LVB and its subsidiaries with a combination of new debt and cash on hand. The closing of the merger is not conditioned on the receipt of any debt financing by Zimmer. Zimmer, however, is not required to consummate the merger until the completion of a 15 consecutive business day marketing period.

Transactions with the Principal Stockholders

On December 18, 2006, Biomet, Inc. entered into an Agreement and Plan of Merger with LVB Acquisition, LLC, a Delaware limited liability company, which was subsequently converted to a corporation, LVB Acquisition, Inc., and LVB Acquisition Merger Sub, Inc., an Indiana corporation and a wholly-owned subsidiary of LVB ("Purchaser"), which agreement was amended and restated as of June 7, 2007 and which we refer to as the "2007 Merger Agreement."

Pursuant to the 2007 Merger Agreement, on June 13, 2007, Purchaser commenced a cash tender offer (the "Offer") to purchase all of Biomet, Inc.'s outstanding common shares, without par value (the "Shares") at a price of \$46.00 per Share (the "Offer Price"). Approximately 82% of the outstanding Shares were tendered to Purchaser in the Offer. At Biomet, Inc.'s special meeting of shareholders held on September 5, 2007, more than 91% of its shareholders voted to approve the proposed merger, and LVB acquired Biomet, Inc. on September 25, 2007 through a reverse subsidiary merger, with Biomet, Inc. being the surviving company (the "Merger"). Subsequent to the acquisition, Biomet, Inc. became a subsidiary of LVB. Approximately 97% of the outstanding shares of LVB common stock are owned by Holdings, an entity controlled collectively by a consortium of private equity funds affiliated with private equity funds affiliated with the Blackstone Group, Goldman, Sachs & Co., Kohlberg Kravis Roberts & Co. and TPG (which we refer to collectively as our "Principal Stockholders") and their co-investors.

Our product categories

We offer one of the most comprehensive portfolios of products, as well as the associated instrumentation, in the orthopedic and dental markets, as described below:

Reconstructive Products-Hips and Knees. Orthopedic reconstructive implants are used to replace joints that have deteriorated as a result of disease (principally osteoarthritis) or injury. Reconstructive joint surgery involves the modification of the affected area of the joint and the implantation of one or more manufactured components. Our fiscal 2014 net sales were \$649.2 million (20.1% of total net sales) for hip products and \$995.7 million (30.9% of total net sales) for knee products.

Sports, Extremities and Trauma (S.E.T.) Products. In sports medicine, we primarily manufacture and market a line of procedure-specific products for the repair of soft tissue injuries, most commonly used in the knee and shoulder. Extremity systems comprise a variety of joint replacement systems, primarily for the shoulder, elbow and wrist. Trauma hardware includes internal and external fixation products used by orthopedic surgeons to set and stabilize fractures, primarily for upper and lower extremities. Our fiscal 2014 net sales for S.E.T. products were \$647.5 million (20.1% of total net sales).

Spine, Bone Healing and Microfixation Products. Our spinal products include traditional, minimally-invasive and lateral access spinal fusion and fixation systems, implantable electrical stimulation products for spinal applications and osteobiologics, including allograft services. Our bone healing products include non-invasive electrical stimulation devices designed to stimulate bone growth in the posterior lumbar spine and appendicular skeleton. Our microfixation

products primarily include neuro, craniomaxillofacial, or CMF, and cardiothoracic products for fixation and reconstructive procedures. Our fiscal 2014 net sales for spine, bone healing and microfixation products were \$446.7 million (13.9% of total net sales).

Dental Reconstructive Products. Our dental reconstructive products are designed to enhance oral rehabilitation through the replacement of teeth and the repair of hard and soft tissues. These products include dental reconstructive products and related instrumentation, bone substitute materials, regenerative products and materials,

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CAD/CAM copings and implant bridges. Our fiscal 2014 net sales for dental reconstructive products were \$259.1 million (8.0% of total net sales).

Cement, Biologics and Other Products. We manufacture and distribute numerous other products, including bone cement and accessories, autologous blood therapy products and services, operating room supplies, general surgical instruments, wound care products and other surgical products. Our fiscal 2014 net sales for cement, biologics and other products were \$225.2 million (7.0% of total net sales).

Consistent with our heritage of engineering excellence and innovation, our product portfolio incorporates a number of advanced, highly-differentiated technologies that are applicable across multiple product categories, allowing us to magnify our market impact and leverage our research and development investments. These cross-platform technologies include specialized materials designed to improve the longevity of implants, proprietary surfaces and coatings to allow for biologic fixation, and patient-specific implants and positioning guides designed using CT or MRI imaging data.

Complete references, product information and product reference material, including indications, contraindications, risks and warnings can be obtained from us on request.

Reconstructive Products —Hips and Knees

Orthopedic reconstructive implants are used to replace joints that have deteriorated as a result of disease (principally osteoarthritis) or injury. Reconstructive joint surgery involves the modification of the affected area of the joint and the implantation of one or more manufactured components, and may involve the use of bone cement. Our primary orthopedic reconstructive joints are hips and knees. We also produce the associated instruments required by orthopedic surgeons to implant our reconstructive products.

Category	Net Sales for the year ended May 31, 2014 (% of total)
Hip reconstructive products	\$649.2 million (20.1%)
Key Products	Description
Taperloc Complete Hip System	Biomet's flagship primary hip replacement product, which has demonstrated 99% survivorship over a 22-26 year post-operative period.*
G7 Acetabular System	Our multi-bearing acetabular cup system for use in hip replacement surgery, featuring next-generation instrumentation designed to increase operating room efficiency
Arcos Modular Femoral Revision System	Comprehensive, modular system designed for reconstruction of femoral revision surgery defects

* According to McLaughlin JR, Lee KR, Orthopedics, 2010 Sep 7; 33(9): 639. The lead author, Dr. J.R. McLaughlin, was a paid Biomet consultant during the preparation and publication of the study, as disclosed in the published paper.

Hip reconstructive products. A total hip replacement involves the replacement of the head and neck of the femur and the diseased and damaged bone of the acetabulum, and may occur as an initial joint replacement procedure or as a revision procedure, which may be required to replace, repair or enhance the initial implant. We offer a broad array of femoral and acetabular systems, each in a variety of sizes and configurations, designed to address varying patient conditions and surgeon preferences.

Our flagship hip stem is the Taperloc Complete Hip System. The Taperloc Complete Hip System modernizes the Taperloc Hip System, a proven technology which has demonstrated 99% survivorship over a 22-26 year post-operative period, as noted in the above cited article. The Taperloc Complete Hip System offers a series of implant and instrument options, and is compatible with minimally-invasive anterior surgical techniques.

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Our newest hip replacement product is the G7 Acetabular System, which we introduced globally in late 2013. Among other innovations, the G7 Acetabular System features unique color coding and instrumentation delivery to simplify the procedure in the operating room. The system allows surgeons to choose from a variety of articular bearing components, including our ArComXL or E1 polyethylene, or our ceramic bearing. Additionally, the G7 acetabular system can be used in conjunction with our Signature patient-specific guides for acetabular positioning and alignment, arguably the most critical clinical issues in hip replacement.

We also offer the Arcos Modular Femoral Revision System, a comprehensive system to meet the demands of complex revision surgery. It features numerous interchangeable and modular components.

Category	Net Sales for the year ended May 31, 2014 (% of total)
Knee reconstructive products	\$995.7 million (30.9%)
Key Products	Description
Vanguard Complete Knee System	Our flagship brand for total knee replacement and revisions, offering advanced sizing options and patented interchangeability of femoral and tibial components
Oxford Partial Knee	The only free-floating, mobile bearing partial knee system approved by the FDA in the United States
Vanguard SSK 360 Revision System	Our best-selling knee revision implant
Vanguard XP Knee System	A new knee replacement system that retains all of the patient's healthy native ligaments, including the ACL. We plan to launch Vanguard XP in the second half of calendar year 2014.

Knee reconstructive products. Our knee products are designed to replace portions of the knee that have deteriorated from disease or injury. We offer several total and partial knee replacement products. A total knee replacement typically includes a femoral component, a patellar component, a tibial component and an articulating surface. Total knee replacement may occur as an initial joint replacement procedure, or as a revision procedure, which may be required to replace, repair or enhance the initial implant. Partial knee replacement is an option when only a portion of the knee requires replacement.

The Vanguard Complete Knee System is our flagship brand for primary and revision total knee replacement. The Vanguard Complete Knee System demonstrates strong clinical results, accommodates a high degree of flexion and offers advanced sizing options and patented interchangeability of femoral and tibial components. Several instrumentation platforms support the Vanguard Complete Knee System, including instruments for minimally invasive procedures, enabling it to accommodate a variety of patient needs and surgeon preferences. The Vanguard Complete Knee System serves as the platform for current and future product innovations, including the Vanguard SSK 360 Revision System, which was introduced in fiscal 2012. The Vanguard SSK 360 Revision System is our best-selling knee revision implant by revenue and has helped us achieve the second largest market share position for knee revision implants in the United States.

The Oxford Partial Knee leads the market in the United States, and we believe, in the world in partial knee implant units sold. It is the only free-floating, mobile bearing partial knee system approved by the FDA in the United States, and is designed to provide more natural motion than total knee replacement systems. We believe its high rate of adoption by surgeons reflects its strong, long-term clinical results, continued product upgrades and a successful

direct-to-consumer advertising campaign highlighting its unique lifetime knee implant warranty in the United States.

We plan to launch the Vanguard XP Knee System in the second half of calendar year 2014. The Vanguard XP is FDA 510(k) cleared and in early clinical use in the United States and across Europe. Once launched, we expect that the Vanguard XP will be the only widely-available total knee replacement system in the world capable of retaining all of the patient's healthy native ligaments, including the ACL and PCL, and offers intraoperative

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flexibility depending on patient's soft tissue status. We believe that, by retaining the ACL, the Vanguard XP has the potential to improve patient satisfaction following total knee replacement, which has been reported as low as 70%-86%. A recent independent study reported that patients receiving the Oxford Partial Knee, which retains the ACL, are 2.7 times more likely to be satisfied than total knee replacement patients in their ability to perform activities of daily living, and 1.8 times more likely to report that their new knee feels normal (according to a study by researchers at Washington University in St. Louis, Missouri, presented by Michael Berend, MD, Current Concepts in Joint Replacement, May 20, 2013. Determined based on adjusted odds ratio calculation. The study was partially funded by the Company). The goal of the Vanguard XP is to offer a total knee product that delivers the patient satisfaction levels achieved with the Oxford Partial Knee.

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Sports Medicine, Extremities and Trauma (S.E.T.) Products

Category	Net Sales for the year ended May 31, 2014 (% of total)
S.E.T. Products	\$647.5 million (20.1%)
Key Products	Description
Sports Medicine	
JuggerKnot Soft Anchor	Fixation device used in soft tissue repairs, with a smaller anchor to minimize bone removal
JuggerKnotless Soft Anchor	Fixation device used for labral repairs, which was recently launched
Extremities	
Comprehensive Shoulder System including the Primary, Reverse and Fracture	Shoulder system designed to allow intra-operative flexibility and streamlined instrumentation
Comprehensive SRS	Fully modular, shoulder system designed to address complex revision and oncology cases
Comprehensive Nano*	Stemless shoulder that integrates seamlessly into the Comprehensive system while also providing a less-invasive total shoulder option
Trauma	
DVR Crosslock Distal Radius Plating System/ePAK	Our flagship product line for treating certain wrist fractures
AFFIXUS Hip Fracture Nail	Nail system designed to treat hip fractures
A.L.P.S. Plating System	Anatomic locked plating system designed to treat a host of trauma and reconstructive fractures of the upper and lower extremities

* Only available outside the United States. This device is the subject of a FDA Investigational Device Exemption, or IDE, premarket clinical study.

Our S.E.T. product category includes sports medicine, extremities and trauma products.

Sports Medicine. In sports medicine, we primarily manufacture and market a line of procedure specific products for the repair of soft tissue injuries, most commonly used in the knee and shoulder. Our sports medicine offerings include the market-leading JuggerKnot Soft Anchor family and its line extension, the JuggerKnotless Soft Anchor. The JuggerKnot Soft Anchor is used for soft tissue repairs and offers a competitive advantage because its smaller anchor minimizes bone removal. In addition, we recently launched the JuggerKnotless device for labral repair. The JuggerKnotless device eliminates the need for surgeons to tie knots during soft tissue repair, which allows surgeons to control tension for their fixation, and includes the all-suture benefits of the JuggerKnot family.

Extremities. Extremity systems comprise a variety of shoulder joint replacement, elbow replacement systems, and products for the wrist. During the fourth quarter of fiscal year 2014, we recorded our 26th consecutive quarter of double digit growth in our extremities business. Our flagship shoulder product, the Comprehensive Shoulder System, capitalizes on our platform approach to shoulder surgery and allows intra-operative flexibility and streamlined instrumentation. In particular, the system permits the choice of several different stems, many of which

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can be used without bone cement. The Comprehensive Shoulder System can be used in conjunction with our Signature patient-specific guides that are designed to assist with glenoid component positioning. In 2013, demand for the Comprehensive Shoulder System allowed us to achieve the leadership position in the United States in both the anatomic shoulder and reverse shoulder markets.

Trauma. We develop, manufacture and distribute a comprehensive line of products in the internal and external fixation market used by orthopedic surgeons to set and stabilize fractures, primarily for upper and lower extremities. Products include those acquired as part of the 2012 Trauma Acquisition. We lead the U.S. market in volar locked plating for treating fractures of the distal radius (wrist). The DVR System is our flagship product line for treating certain wrist fractures. The DVR Crosslock Wrist Fracture Fixation System, launched in late 2013, is the newest addition to the DVR family of products and is offered in our standard delivery system and the ePAK single-use system. The ePAK system is designed to reduce costs because its pre-sterilized, single-use disposable kit, which includes the implant and necessary instruments, allows for rapid set-up and minimal operating room turnover time between surgical cases.

Spine, Bone Healing and Microfixation Products

Category	Net Sales for the year ended May 31, 2014 (% of total)
Spine, Bone Healing and Microfixation	\$446.7 million (13.9%)
Key Products	Description
Spine	
Lineum OCT Spine System and Polaris Spinal System incorporating the Translation Screw technology	Proprietary screw system that combines 3mm of medial/lateral screw translation with a broad range of options for optimal screw placement
Cellentra VCBM (Viable Cell Bone Matrix)	Innovative bone graft that includes all of the three elements required for bone remodeling
Timberline Lateral Fusion System and Timberline MPF Modular Plate Fixation System	A complete lateral solution with an innovative, radiolucent retractor and modular lateral-plating system
Alpine XC Adjustable Fusion System	Designed to help optimize surgical results when using spinous process fixation
Bone Healing	
The Biomet SpinalPak and OrthoPak Non-Invasive Bone Growth Stimulator Systems	Small and lightweight non-invasive bone growth stimulators
The Biomet EBI Bone Healing System	Non-invasive bone growth stimulation device supported by more than 30 years of clinical evidence
Microfixation	
TraumaOne Plating System	Comprehensive trauma and reconstruction system designed to treat fractures of the mandible and

mid-face

SternaLock Blu Primary Closure System

Rigid fixation system designed to restore bones of the chest following heart surgery

HTR-PEKK Patient-Matched Cranial Implant

Customized solution for severe cranial defects

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Spine. As a result of our 2013 Spine Acquisition, we have expanded our portfolio to include minimally-invasive and lateral-approach systems, which complement our existing collection of fusion and deformity correction products. Our spinal products include cervical and thoracolumbar hardware systems, implantable electrical stimulation devices to allow for bone healing, and osteobiologics (including allograft services), and are used primarily for spinal fusions and spine-related procedures.

Our flagship product, the Polaris Spinal System, incorporates a number of cutting-edge innovations designed to provide surgeons with expanded treatment options and greater precision. These innovations include: a screw technology that eases rod introduction and encourages optimal screw placement; instrumentation that permits direct vertebral body rotation and correction and a variety of screw, hook and rod options.

Additionally, we offer the MaxAn Anterior Cervical Plating System, which incorporates technology developed by Gary K. Michelson, M.D., that is designed to allow for maximum angulation of the screws. The MaxAn System has a unique design that permits surgeons to use a shorter plate during certain procedures, improving the precision of plate placement to better avoid impingement on an adjacent disc.

Bone Healing. Our bone healing products include non-invasive electrical stimulation devices designed to stimulate bone growth in the posterior lumbar spine and appendicular skeleton. The SpinalPak Non-Invasive Spine Fusion Stimulator System is indicated as an adjunct electrical treatment to primary lumbar spinal fusion surgery for one or two levels. The Biomet OrthoPak Non-Invasive Bone Growth Stimulator System is a device designed to allow patients to remain active while undergoing treatment. The Biomet EBI Bone Healing System is a non-invasive bone growth stimulation device that is supported by more than 30 years of clinical evidence.

Microfixation. We offer products for use in neurological, craniomaxillofacial and thoracic procedures. Our face and skull reconstruction products, led by the TraumaOne Plating System, are used for a range of surgical procedures by oral, neuro, plastic, and ear, nose and throat, or E.N.T., surgeons. The TraumaOne System is a comprehensive trauma and reconstruction system designed to treat fractures of the mandible and mid-face. The iQ Rapid Screw Delivery System is an intelligent cordless drill/driver featuring an on-board computer chip and software, allowing for rapid, precise screw placement in cranial procedures. The HTR-PEKK Patient-Matched Implant provides a customized solution for severe cranial defects. The thoracic product portfolio consists of 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.

Dental Reconstructive Products

Category	Net Sales for the year ended May 31, 2014 (% of total)
Dental reconstructive products	\$259.1 million (8.0%)
Key Products	Description
OSSEOTITE Product Line	Our leading dental implant system, designed to improve bone integration
3i T3 Implants	Our newest dental implant, designed to preserve tissue and deliver on patient expectations of sustainable aesthetics
Certain Implants	Implant line with an internal connection system that allows for greater ease of use by clinicians
BellaTek Encode Impression System	Designed to help create a highly aesthetic definitive abutment
Endobon Xenograft Granules	

Bovine-derived granules designed for bone
augmentation in the mouth

Our dental reconstructive products include dental implants, abutments, bone substitute and regenerative products and materials, and digital patient-specific products.

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Dental implants are small titanium screws that are surgically inserted into the jaw to replace a root and provide an anchor for an artificial tooth. Our leading dental implant system is the OSSEOTITE product line. The OSSEOTITE product line contains a micro-roughened surface technology that allows for early/immediate loading and improves bone integration to the implant as compared to machine-surfaced implants.

Our newest dental implant product is the 3i T3 Implant, which we launched in early 2013. The 3i T3 Implant aims to preserve tissue and deliver on patient expectations of sustainable aesthetics. The product is designed to increase osseointegration through its hybrid surface, augment bone preservation through integrated platform switching and improve seal integrity.

Our implant portfolio is supported by the Certain Implant System. The Certain Implant is an internal connection system that allows for greater ease of use by clinicians because it delivers audible and tactile feedback when restorative abutments and ancillary components are seated.

The BellaTek Encode Impression System allows clinicians to create a BellaTek Abutment by making a conventional or digital impression. Unique codes on the BellaTek Encode Healing Abutment relay abutment design and milling information for a highly aesthetic definitive abutment. This technology also eliminates the need for impression materials when used in conjunction with an intraoral scanner.

Cement, Biologics and Other

Category	Net Sales for the year ended May 31, 2014 (% of total)
Cement, Biologics and Other	\$225.2 million (7.0%)
Key Products	Description
Cement	
Cobalt, Refobacin* and Biomet Bone Cements	Cement designed for use in a variety of clinical situations
Optipac Pre-Packed Cement Mixing System	Closed vacuum mixing and delivery system pre-packed with bone cement
Optivac Vacuum Mixing System	Cement system that mixes and collects cement under vacuum
StageOne Cement Spacer Molds	Designed to create a temporary cement spacer for patients undergoing stage one of a two-stage revision
Biologics	
rejuvesol Solution	Red blood cell (RBC) processing solution for restoring the oxygen carrying capacity of aged, donated RBCs to fresh levels. We introduced rejuvesol Solution in fiscal year 2014
NStride Solution**	Autologous protein solution used for treatment of knee osteoarthritis
MarrowStim PAD System***	Autologous bone marrow concentration system for treating critical limb ischemia

BioCUE Platelet Concentration System

Autologous blood and bone marrow concentration system for mixing with allograft and/or autograft bone in orthopedic applications

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* Refobacin is a trademark licensed from Merck KGaA.

** Not approved for use in the United States.

*** This is the subject of a FDA IDE premarket clinical study.

Cement. We offer a wide range of acrylic bone cements and cementing systems for primary and revision reconstructive joint procedures. These products are used primarily to fix implant components to bone during reconstruction.

Cobalt, Refobacin and Biomet Bone Cement offerings are designed for use in a variety of clinical situations, which is why we have a broad portfolio of high, medium and low viscosity cements to be used with our user-friendly mixing and delivery systems. Cobalt is available with or without antibiotics.

The Optivac Mixing System mixes and collects the cement in a closed vacuum, which is designed to improve bone cement quality and reduce monomer exposure in the operating room. The Optipac system, leveraging the proven technology of Optivac, is a system that comes pre-packed with both polymer and monomer, which eliminates several steps in the mixing procedure.

StageOne Spacer Molds are single-use molds designed to create a temporary cement spacer for patients undergoing stage one of a two-stage revision. We offer cement spacer mold options for hip, knee and shoulder revision procedures.

Biologics. We are making considerable investments in programs for our Biologics business that have the potential to address significant unmet clinical needs. One leading product is rejuvesol Red Blood Cell Processing Solution, which restores the oxygen delivery capabilities in aged, donated red blood cells. We introduced rejuvesol Solution in fiscal 2014 and are currently working with the FDA to expand indications. We also offer blood and bone marrow aspiration collection and concentration systems for various orthopedic applications globally: GPS III Platelet Concentration System, Plasmax Platelet Concentration System, Clotalyst Autologous Activation Solution, BioCUE Platelet Concentration System, and Recover Kit. New therapies are also under clinical evaluation in the areas of early osteoarthritis and peripheral vascular disease management based on our core Biologics autologous platform technologies.

Other. We offer a variety of other products, including operating room supplies, general surgical instruments, wound care products and other surgical products.

Cross-Platform Technologies

Consistent with our heritage of engineering excellence and innovation, our product portfolio incorporates a number of advanced, highly-differentiated technologies that are applicable across multiple product categories, allowing us to magnify their market impact and leverage our research and development investments. These cross-platform technologies include specialized materials designed to improve the longevity of implants, proprietary surfaces and coatings to allow for biologic fixation, and patient-specific implants and positioning guides designed using CT or MRI imaging data. The revenues from these technologies are included in net sales in their respective product categories. Our PMI Patient-Matched Implant group creates patient-specific reconstructive products. These products assist orthopedic surgeons and their surgical teams in preoperative planning and utilize a 3-D bone reconstruction imaging system. With this imaging and model-making technology, our PMI group assists the physician prior to surgery by creating 3-D models and manufacturing patient specific implants. We believe these products and services continue to enhance our reconstructive product sales by strengthening our business relationships with our surgeon and hospital customers.

Our Signature Personalized Patient Care System addresses anatomic individuality with an image-based approach to interactive preoperative planning, and creation of patient-specific surgical positioning guides, applicable to hip, knee, and shoulder replacement products. The Signature System provides a personalized patient solution while reducing instrumentation and implant inventory required for each surgery and improving the efficiency of procedures. The Signature System was developed through a partnership with Materialise NV.

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E1 polyethylene is a Vitamin E infused highly crosslinked polyethylene that is used to create bearings for our hip, knee and shoulder products. Vitamin E, a natural antioxidant, provides strength and oxidative stability. This technology maintains mechanical properties and wear resistance over time.

PPS Porous Plasma Spray is Biomet's proprietary porous coating. It is designed to provide for biologic fixation of our hip, knee, and shoulder replacement products. Introduced in 1983, PPS has achieved outstanding long-term clinical success, as documented by numerous studies.

OsseoTi material is a new porous titanium alloy material, inspired by the structure of human cancellous bone, that is designed to allow biologic fixation. In its FDA cleared indications, OsseoTi can address bone deficiencies and can serve as a coating to allow for biologic fixation in reconstructive implant systems. We currently offer OsseoTi technology to address bone deficiencies in foot and ankle applications, and are now developing products for other joint reconstructive procedures, including implant augmentations for the Vanguard SSK 360 Knee Revision System and an OsseoTi version of the G7 Acetabular System.

In addition, we are currently developing our One Patient Solutions offering. Our One Patient Solutions is an image based system designed to provide a personalized patient solution while reducing the cost, handling, time, and inventory involved in performing a total joint replacement. Planning software is designed to allow the surgeon to create virtual anatomical models and discuss the surgery plan with the patient in real time, determine the proper implant and instrumentation required, and provide the patient with access to personalized online education about the surgery. Our One Patient Solutions delivery model then allows us to deliver only those implants and instrumentation necessary for that surgery, reducing the hospital's cost and handling, improving operating room flow, and more efficiently utilizing our working capital. In the United Kingdom, we are also piloting a new program, Theatre Care Rapide, which combines a sterilization service with the advantages of case-specific just-in-time delivery of inventory and instruments. This innovative system uses our Signature Personalized Patient Care System for the planning of each case. We believe that both One Patient Solutions and Theatre Care Rapide are unique approaches to the delivery of orthopedic products.

Product Development

Our new product development, or NPD, efforts are led by global product groups, or Product Groups, for each category of our product offerings: reconstructive products—hips and knees; S.E.T products; spine, bone healing and microfixation products; dental reconstructive products; and cement, biologics and other products.

Each Product Group is responsible for all aspects of NPD management, including collection of market inputs, design, development, marketing, launch and post-market release support. Globally organized functions, including manufacturing, supply chain, regulatory, clinical and quality, coordinate with and provide resources to support the Product Groups in planning, designing and executing new product launches. In most Product Groups, the NPD process and commercial launch is managed via a new product introduction process, which has been designed to best support each Product Group and minimize time to market. This process utilizes a stage-gate review approach to managing development programs. As an industry leader, we are constantly evaluating our portfolio relative to evolving customer needs and market opportunity.

We continue to conduct internal research and development efforts to generate new marketable products, technologies and materials. Our research and applied technology discovery is led primarily by our corporate biomaterials group. This group develops technology platforms that can be applied across multiple product categories. Adoption of the relatively complex and advanced technologies developed by our biomaterials group across multiple product categories allows us to magnify their market impact and leverage our research and development investments.

In addition to our internal efforts, we intend to selectively pursue strategic acquisitions that provide us with new or complementary technologies. Further, an important component of our strategy has been the formation of strategic alliances to enhance the development of new musculoskeletal products.

For fiscal 2014, 2013 and 2012, we invested \$169.6 million, \$150.3 million and \$126.8 million, respectively, on research and development. We believe we are well positioned to take advantage of external acquisition and development opportunities. We expect that our research and development investments will continue to increase. These investments are primarily related to our product development and clinical investments in our core businesses, as well as targeted emerging technologies.

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Patents and Trademarks

We believe that patents and other intellectual property will continue to be of importance in the musculoskeletal industry. Accordingly, we continue to take actions to protect technology developed internally and to acquire intellectual property rights associated with technology developed by third parties. We enforce our intellectual property rights consistent with our strategic business objectives. We do not believe that we have any single patent or license (or series of patents or licenses) which is material to our operations, consolidated revenues or earnings. We are not aware of any single patent that, if lost or invalidated, would be material to our consolidated revenues or earnings. We currently have more than 2,500 patents worldwide and in excess of 1,200 pending patent applications in jurisdictions around the world.

BIOMET is our principal registered trademark throughout the world, and registrations have been obtained or are pending with respect to various other trademarks associated with our products. Unless otherwise noted in this annual report, all trademarks contained herein are owned by Biomet, Inc., or one of its subsidiaries.

Government Regulation

Most aspects of our business are subject to some degree of government regulation in the countries in which our operations are conducted. It has always been our practice to comply with the regulatory requirements governing our products and operations and to conduct our affairs in an ethical manner. This practice is reflected in our Code of Business Conduct and Ethics, various other compliance policies and through the responsibility of the Audit Committee of the Board of Directors to review our systems of internal control, our process for monitoring compliance with laws and regulations and our process for monitoring compliance with our Code of Business Conduct and Ethics. For some products, and in some areas of the world such as the United States, Canada, Japan and Europe, government regulation is significant and, in general, there appears to be a trend toward more stringent regulation throughout the world, as well as global harmonization of various regulatory requirements. We devote significant time, effort and expense to addressing the extensive government and regulatory requirements applicable to our business.

Governmental regulatory actions can result in the recall or seizure of products, suspension or revocation of the authority necessary for the production or sale of a product, and other civil and criminal sanctions. We believe that we are no more or less adversely affected by existing government regulations than are our competitors.

U.S. Food and Drug Administration

Our products are medical devices subject to extensive regulation by the FDA and other U.S. federal and state regulatory bodies and comparable authorities in other countries. To ensure that medical products distributed domestically and internationally are safe and effective for their intended use, the FDA and comparable authorities in other countries have imposed regulations that govern, among other things, the following activities that we perform and will continue to perform:

- product design and development;
- product testing;
- product manufacturing;
- product labeling;
- product storage;
- premarket clearance or approval;
- advertising and promotion;
- product marketing, sales and distribution; and
- post-market surveillance reporting death or serious injuries and medical device reporting.

FDA's Premarket Clearance and Approval Requirements

Unless an exemption applies, each medical device that we commercially distribute in the United States requires either prior 510(k) clearance or prior premarket approval from the FDA. The FDA classifies medical devices into one of three classes. Devices deemed to pose lower risk are placed in either class I or II, which requires the manufacturer to submit to the FDA a premarket notification requesting permission for commercial distribution. This process is known as 510(k) clearance. Some low risk devices are exempt from this requirement. Devices deemed by the FDA to pose the greatest risk, such as life-sustaining, life-supporting or certain implantable devices, or devices deemed not

substantially equivalent to a previously cleared 510(k) device, are placed in class III, requiring premarket approval. Most of our current products are Class II devices marketed under FDA 510(k)

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premarket clearance. However, we also market class III products that have received approval of a premarket approval application, or PMA. Both premarket clearance and PMAs are subject to the payment of user fees, paid at the time of submission for FDA review.

510(k) Clearance Pathway

To obtain 510(k) clearance, we must submit a premarket notification demonstrating that the proposed device is substantially equivalent to a previously cleared 510(k) device or a device that was in commercial distribution before May 28, 1976 for which the FDA has not yet called for the submission of PMAs. The FDA's 510(k) clearance pathway usually takes from three to twelve months, but it can take significantly longer. The FDA may require additional information, including clinical data, to make a determination regarding substantial equivalence.

After a device receives 510(k) clearance, any modification that could significantly affect its safety or effectiveness, or that would constitute a new or major change in its intended use, will require a new 510(k) clearance or, depending on the modification, require premarket approval. The FDA requires each manufacturer to determine whether the proposed change requires submission of a 510(k), or a premarket approval, but the FDA can review any such decision and can disagree with a manufacturer's determination. If the FDA disagrees with a manufacturer's determination, the FDA can require the manufacturer to cease marketing and/or recall the modified device until 510(k) clearance or premarket approval is obtained. If the FDA requires us to seek 510(k) clearance or premarket approval for any modifications to a previously cleared product, we may be required to cease marketing or recall the modified device until we obtain this clearance or approval. Also, in these circumstances, we may be subject to significant regulatory fines or penalties. We have made and plan to continue to make additional product enhancements to products that we believe do not require new 510(k) clearances.

Premarket Approval Pathway

A premarket approval application must be submitted if the device cannot be cleared through the 510(k) process. The premarket approval application process is generally more costly and time consuming than the 510(k) process. A premarket approval application must be supported by extensive data including, but not limited to, technical, preclinical, clinical trials, manufacturing and labeling to demonstrate to the FDA's satisfaction with the safety and effectiveness of the device for its intended use.

After a premarket approval application is sufficiently complete, the FDA will accept the application and begin an in-depth review of the submitted information. By statute, the FDA has 180 days to review the "accepted application," although, generally, review of the application can take between one and three years, but it may take significantly longer. During this review period, the FDA may request additional information or clarification of information already provided. Also during the review period, an advisory panel of experts from outside the FDA may be convened to review and evaluate the application and provide recommendations to the FDA as to the approvability of the device. In addition, the FDA will conduct a preapproval inspection of the manufacturing facility to ensure compliance with quality system regulations. New premarket approval applications or premarket approval application supplements are required for modifications that affect the safety or effectiveness of the device, including, for example, certain types of modifications to the device's indication for use, manufacturing process, labeling and design. Premarket approval supplements often require submission of the same type of information as a premarket approval application, except that the supplement is limited to information needed to support any changes from the device covered by the original premarket approval application, and may not require as extensive clinical data or the convening of an advisory panel. To date, a number of our products, such as the Oxford Partial Knee have been approved under the PMA process. We also have several product candidates in our development pipeline which will require the approval of a PMA.

Clinical Trials

Clinical trials are almost always required to support a PMA and are sometimes required for a 510(k) premarket notification. If the device presents a "significant risk," as defined by the FDA, to human health, the FDA requires the device sponsor to file an investigational device exemption, or IDE, application with the FDA and obtain IDE approval prior to commencing the human clinical trials. The investigational device exemption application must be supported by appropriate data, such as animal and laboratory testing results, showing that it is safe to test the device in humans and that the testing protocol is scientifically sound. The investigational device exemption application must be approved in advance by the FDA for a specified number of patients, unless the product is deemed a "non-significant risk" device and

eligible for more abbreviated investigational device exemption requirements. Clinical trials for a significant risk device may begin once the investigational device exemption

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application is approved by the FDA and the appropriate institutional review boards at the clinical trial sites. Future clinical trials of our motion preservation designs will require that we obtain an investigational device exemption from the FDA prior to commencing clinical trials and that the trial be conducted under the oversight of an institutional review board at the clinical trial site. Our clinical trials must be conducted in accordance with FDA regulations and federal and state regulations concerning human subject protection, including informed consent and healthcare privacy. A clinical trial may be suspended by FDA or the investigational review board at any time for various reasons, including a belief that the risks to the study participants outweigh the benefits of participation in the study. Even if a study is completed, the results of our clinical testing may not demonstrate the safety and efficacy of the device, or may be equivocal or otherwise not be sufficient to obtain approval of our product.

Pervasive and Continuing FDA Regulation

After a device is placed on the market, numerous regulatory requirements continue to apply. These include:

- product listing and establishment registration, which helps facilitate FDA inspections and other regulatory action; Quality System Regulation, or QSR, which requires manufacturers, including third-party manufacturers, to follow stringent design, testing, control, documentation and other quality assurance procedures during all aspects of the manufacturing process;
- labeling regulations and FDA prohibitions against the promotion of products for uncleared, unapproved or off-label use or indication;
- clearance of product modifications that could significantly affect safety or efficacy or that would constitute a major change in intended use of one of our cleared devices;
- approval of product modifications that affect the safety or effectiveness of one of our approved devices;
- medical device reporting regulations, which require that manufacturers comply with FDA requirements to report if their device may have caused or contributed to a death or serious injury, or has malfunctioned in a way that would likely cause or contribute to a death or serious injury if the malfunction of the device or a similar device were to recur;
- post-approval restrictions or conditions, including post-approval study commitments;
- post-market surveillance regulations, which apply when necessary to protect the public health or to provide additional safety and effectiveness data for the device;
- the FDA's recall authority, whereby it can ask, or under certain conditions order, device manufacturers to recall from the market a product that is in violation of governing laws and regulations;
- regulations pertaining to voluntary recalls; and
- notices of corrections or removals.

We have registered with the FDA as medical device manufacturers and have obtained all necessary state permits or licenses to operate our business. As manufacturers, we are subject to announced and unannounced inspections by the FDA to determine our compliance with quality system regulation and other regulations. Failure to comply with applicable regulatory requirements can result in enforcement action by the FDA, which may include any of the following sanctions:

- untitled letters, warning letters, fines, injunctions, consent decrees and civil penalties;
- unanticipated expenditures to address or defend such actions;
- customer notifications for repair, replacement, refunds;
- recall, detention or seizure of our products;
- operating restrictions or partial suspension or total shutdown of production;
- refusing or delaying our requests for 510(k) clearance or premarket approval of new products or modified products;
- operating restrictions;
- withdrawing 510(k) clearances on PMA approvals that have already been granted;
- refusal to grant export approval for our products; or
- criminal prosecution.

Healthcare Fraud, Anti-Corruption, Privacy and Other Regulations

There are also various federal healthcare laws that apply when we or customers submit claims for items or services that are reimbursed under Medicare, Medicaid or other federally-funded healthcare programs, including among others: (1) the Federal Anti-Kickback Statute which prohibits offers to pay or receive remuneration of any kind for the purpose of inducing or rewarding referrals of items or services reimbursable by a Federal healthcare program; (2) the False Claims Act, which prohibits the submission of false or otherwise improper claims for

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payment to a federally-funded health care program; and (3) the Stark law, which prohibits physicians from referring Medicare or Medicaid patients to a provider that bills these programs for the provision of certain designated health services if the physician (or a member of the physician's immediate family) has a financial relationship with that provider. There are often similar state false claims, anti-kickback and anti-self-referral and insurance laws that apply to state-funded Medicaid and other healthcare programs and private third-party payors.

We are subject to various federal and foreign laws that govern our international business practices, including with respect to payments to government officials. The U.S. Foreign Corrupt Practices Act, or FCPA, has been used with some frequency to prosecute companies in the United States. The FCPA prohibits U.S. companies and their officers, directors, employees, shareholders acting on their behalf and agents from offering, promising, authorizing or making payments to foreign officials for the purpose of obtaining or retaining business abroad or otherwise obtaining favorable treatment and this law requires companies to maintain records which fairly and accurately reflect transactions and to maintain internal accounting controls. In many countries, hospitals and clinics are government-owned and healthcare professionals employed by such hospitals and clinics, with whom we regularly interact, may meet the definition of a foreign official for purposes of the FCPA. See "Note 17—Contingencies" to our audited financial statements included in Part II, Item 8 of this report for a description of the outcome of the FCPA investigation of us by the SEC and DOJ. On July 1, 2011, the U.K. Bribery Act 2010 became effective, which prohibits active and passive bribery, including commercial bribery, and bribery of a foreign public official for a business purpose. The U.K Bribery Act also imposes attribution liability on companies that fail to prevent "associated persons" from committing acts of bribery and includes far-reaching jurisdiction for prosecution.

In addition, we are subject to various federal and foreign laws concerning sales to countries or persons subject to economic sanctions or other restrictions, including laws administered by the Office of Foreign Assets Control and the Bureau of Industry and Security of the U.S. Department of Commerce.

We are also subject to various federal, state and foreign laws that protect the confidentiality of certain patient health information, including patient medical records, and restrict the use and disclosure of patient health information by healthcare providers. In April 2003, the U.S. Department of Health and Human Services (HHS) published patient privacy rules under the Health Insurance Portability and Accountability Act of 1996 (HIPAA) and, in April 2005, published security rules for protected health information. The HIPAA privacy and security rules govern the use, disclosure and security of protected health information by "Covered Entities," which include, among others, healthcare providers that submit electronic claims and health plans. In 2009, Congress passed the HITECH Act, which modified certain provisions of the HIPAA privacy and security rules for Covered Entities and their Business Associates, which is anyone that performs a service on behalf of a Covered Entity involving the use or disclosure of protected health information and is not a member of the Covered Entity's workforce. Among other things, the HITECH Act provided that Business Associates will now be subject to the same security requirements as Covered Entities, and that with regard to both the security and privacy rule, Business Associates will be subject to direct enforcement by HHS, including civil and criminal liability, just as Covered Entities are.

In the past, HIPAA has generally affected us indirectly. We do not generally qualify as a Covered Entity under HIPAA, except for our non-invasive bone growth stimulation business and our health insurance plans. We only operate as a Business Associate to Covered Entities in a limited number of instances. In those cases, the patient data that we receive and analyze may include protected health information. We are committed to maintaining the security and privacy of patients' health information and believe that we meet the expectations of the HIPAA rules. Some modifications to our systems and policies may be necessary to address requirements for recently enacted state privacy laws, but we believe we have laid the necessary framework for such changes. We believe the ongoing costs and impacts of assuring compliance with the HIPAA privacy and security rules are not material to our business.

We believe that we are well positioned to face the changing international regulatory environment. The International Standards Organization, or the ISO, has an internationally recognized set of standards aimed at ensuring the design and manufacture of quality products. A company that has passed ISO audits and obtained ISO certification applicable to its activity sector is internationally recognized as having quality manufacturing processes. The European Union (EU) legislation requires that medical devices bear a CE mark. The CE mark is a European Union and European Free Trade Association symbol, which indicates that the product adheres to European Medical Device Directives.

Compliance with ISO quality systems standards is one of the requirements for placing the CE mark on our products. Each of our principal manufacturing facilities has been certified to ISO 13485:2003. Our products sold in Europe bear the CE mark to the extent required by European law and regulations.

In addition, governmental bodies in the United States and throughout the world have expressed concern about the costs relating to healthcare and, in some cases, have focused attention on the pricing of medical devices.

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Government regulation regarding pricing of medical devices already exists in some countries and may be expanded in the United States and other countries in the future. We are subject to increasing pricing pressures worldwide as a result of growing regulatory pressures, as well as the expanding predominance of managed care groups and institutional and governmental purchasers. Under Title VI of the Social Security Amendments of 1983, hospitals receive a predetermined amount of Medicare reimbursement for treating a particular patient based upon the patient's type of illness identified with reference to the patient's diagnosis under one or more of several hundred diagnosis-related groups. Other factors affecting a specific hospital's reimbursement rate include the size of the hospital, its teaching status and its geographic location.

While we are unable to predict the extent to which our business may be affected by future regulatory developments, we believe that our substantial experience in dealing with governmental regulatory requirements and restrictions throughout the world, our emphasis on efficient means of distribution and our ongoing development of new and technologically-advanced products should enable us to continue to compete effectively within this increasingly regulated environment.

Sales and Marketing

We have diligently worked to attract and retain qualified, well-trained and motivated sales representatives. Our products are marketed by more than 3,000 sales representatives throughout the world. The breadth of our product offering and the quality of our sales force create synergies that we believe uniquely position us to continue to efficiently penetrate the musculoskeletal market. In the United States, our products are marketed by a combination of independent third-party distributors, independent commissioned sales agents and direct sales representatives, primarily based on the specific product group being represented and the market characteristics of specific geographies. In Europe, our products are promoted by sales representatives employed by subsidiaries, independent third-party distributors, and some independent commissioned sales agents, based primarily on the geographic location. In the rest of the world, we maintain direct selling organizations, as well as independent commissioned sales agents and independent third-party distributors in other key markets. In addition, we market certain products, such as our Oxford Partial Knee, directly to consumers.

Seasonality

Elective surgery-related products are influenced to some degree by seasonal factors, as the number of elective procedures declines during the summer months, particularly in European countries.

Customers

Our customers are the hospitals, surgeons, other physicians and healthcare providers who use our products in the course of their practices. Our business is dependent upon the relationships maintained by our distributors and salespersons with these customers, as well as our ability to design and manufacture products that meet customers' technical requirements at a competitive price.

Inventory and Trade Accounts Receivable

We have inventory located throughout the world with our customers, our distributors and direct salespersons for their use in marketing our products and in filling customer orders. As of May 31, 2014, inventory of approximately \$413.1 million was located with these distributors, salespersons and customers. We maintain trade accounts receivable balances based on credit terms that are generally consistent with industry and local market practices.

Distribution

We operate distribution facilities domestically in Warsaw, Indiana; Palm Beach Gardens, Florida; Jacksonville, Florida and Braintree, Massachusetts, and internationally in Hazeldonk, The Netherlands; Valencia, Spain; Tokyo, Japan; Seoul, South Korea; and North Ryde, Australia. We generally ship our orders via expedited courier service. Our backlog of firm orders is not considered material to understanding our business.

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Competition

Our business is highly competitive. Competition within the industry is primarily based on service, clinical results and product design. Price competition is also an important factor as healthcare providers continue to be concerned with costs. Major competitors in our five product categories are set forth below by product category.

Hip and Knee Products

Our hip and knee reconstructive products compete with numerous suppliers, including products offered by DePuy Synthes (a Johnson & Johnson company), Smith & Nephew plc, Stryker Orthopaedics (a division of Stryker Corp.), Zimmer, Inc. (a subsidiary of Zimmer Holdings, Inc.), Microport, Corin, DJO, Exactech, ConforMIS and Medacta. We believe our prices for hip and knee orthopedic reconstructive products are competitive with those in the industry. We believe our future success will depend upon, among other things, our service and responsiveness to our distributors and orthopedic specialists, the continued strong clinical results of our products, and upon our ability to design and market innovative and technologically-advanced products that meet the needs of the marketplace.

S.E.T. Products

Our sports medicine products compete primarily in the areas of procedure-specific implants and instruments, manual instruments and power instruments. Our products compete with numerous suppliers, including products offered by Smith & Nephew, Stryker, Linvatec Corp. (a subsidiary of CONMED Corporation), Mitek (a division of Ethicon, a Johnson & Johnson company) and Arthrex, Inc.

Our extremity products compete with numerous suppliers, including products offered by DePuy Synthes, Tornier, Inc., Zimmer, Inc., Smith & Nephew plc, Wright Medical, Exactech, Integra, DJO and Stryker Orthopaedics.

Our internal fixation trauma products compete with numerous suppliers, including products offered by DePuy Synthes, Zimmer, Smith & Nephew, DJO, Integra, Orthofix and Stryker Trauma (a division of Stryker Corp.).

Competitors in the external fixation trauma segment include Smith & Nephew, Stryker Trauma, DePuy Synthes, Zimmer and Orthofix, Inc. (a subsidiary of Orthofix International N.V.).

Spine, Bone Healing and Microfixation Products

Our spinal products compete with other spinal products primarily on the basis of breadth of product line, product recognition and price. Our spinal products compete with numerous suppliers, including products offered by Medtronic Sofamor Danek, Inc. (a subsidiary of Medtronic, Inc.), DePuy Synthes, NuVasive, Inc., Globus Medical, Inc., Stryker Spine (a division of Stryker Corp.), Zimmer Spine (a subsidiary of Zimmer Holdings, Inc.) and others.

Our osteobiologic products compete with other osteobiologics primarily on the basis of breadth of product line, product recognition and price. Our spinal products compete with numerous suppliers, including products offered by Medtronic Sofamor Danek, DePuy Synthes, Stryker Spine, Zimmer Spine and others.

Our electrical stimulation products primarily compete with those offered by Orthofix, DJO, Inc. (formerly ReAble Therapeutics, Inc.) and Smith & Nephew. Competition in the electrical stimulation market is on the basis of product design, service, price and success rates of various treatment alternatives. The stimulation market has faced increased reimbursement challenges by healthcare payers. Our craniomaxillofacial fixation products, specialty surgical instrumentation and neurosurgical cranial flap fixation products compete with those offered by DePuy Synthes, Stryker Leibinger Micro Implants (a division of Stryker Corp.), KLS-Martin, L.P., Osteomed Corp., Aesculap, Inc., Medtronic, Inc., Codman & Shurtleff, Inc. (a Johnson & Johnson company) and others.

Dental Reconstructive Products

Our dental reconstructive products compete in the areas of dental reconstructive implants and related products. Our dental implant products compete with numerous suppliers, including products offered by Nobel Biocare AB, Straumann AG, DENTSPLY International, Inc., Zimmer Dental (a subsidiary of Zimmer Holdings, Inc.) and others. Weaker economic conditions in recent years have resulted in greater penetration of the dental market by numerous smaller value-based competitors. We believe we can compete in the value market on an organic basis by repurposing our existing portfolio of technology and products.

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Cement, Biologics and Other Products

Our cement products compete with numerous suppliers, including products offered by DePuy Synthes, Smith & Nephew, Wright Medical, Exactech, Stryker Orthopaedics, Heraeus and Zimmer, Inc.

Raw Materials and Supplies

Our suppliers are a critical element of our supply chain. We have established strategic partnerships with key suppliers. This has enabled us to utilize purchasing scale, establish vendor managed inventory arrangements, enhance product innovation and reduce our risk. Long-term contracts allow us to develop mutually advantageous relationships with our suppliers by providing them with more visibility into our future demand and new product needs. Our Sales, Inventory and Operations Planning, or SIOP, process balances our inventory position and supply capacity with our forward looking sales plan through a reconciliation process. On a monthly basis, our SIOP process in each business unit reviews demand, supply, and inventory, and identifies potential future capacity or material gaps so that the proper corrective actions can be put in place.

The raw materials used in the manufacture of our hip and knee products, S.E.T. products, spine and bone healing products and dental products are principally nonferrous metallic alloys, stainless steel and polyethylene powder. With a few exceptions, none of our raw material requirements are limited to any material extent by critical supply or single origins. The demand for certain raw materials used by us, such as cobalt-chromium alloy and titanium may vary. The primary buyers of these metallic alloys are in the aerospace industry. If the demands of the aerospace industry should increase dramatically, we could experience complications in obtaining these raw materials.

Based on our current relationships with our suppliers, we do not anticipate a material shortage in the foreseeable future. Further, we believe that our inventory of raw materials is sufficient to meet any short-term supply shortages of metallic alloys. The results of our operations are not materially dependent on raw material costs.

Safety stock levels of critical materials are reviewed on a quarterly basis to ensure these stocks are appropriately set. Factors that determine these stock levels include future usage estimates, lead times, forecast accuracy, commodity pricing trends, worldwide market conditions and risk mitigation. In the case of single sourced materials, stock levels are established taking into account potential disruption to supply and, where practical, back-up supply points are identified for contingency.

Environmental Matters

We are subject to various federal, state and local laws and regulations regulating the discharge of materials into the environment and otherwise relating to the protection of the environment. We do not believe that we will be required to spend any material amounts in order to comply with these laws and regulations or that compliance with such laws and regulations will materially affect our capital expenditures, results of operations, financial condition or cash flows.

Employees

As of May 31, 2014, our domestic operations (including Puerto Rico) employed 4,204 persons, of whom 2,034 were engaged in production and 2,170 in research and development, sales, marketing, administrative and clerical efforts. Our international subsidiaries employed 5,075 persons, of whom 2,667 were engaged in production and 2,408 in research and development, sales, marketing, administrative and clerical efforts. None of our principal domestic manufacturing employees are represented by a labor union. The production employees at our Bridgend, South Wales facility are organized. Employees working at the facilities in Berlin, Germany; Valence, France and Valencia, Spain are represented by Workers' Councils. We believe that our relationship with our employees is satisfactory.

The establishment of our domestic orthopedic reconstructive manufacturing operations in north central Indiana, near other members of the orthopedic industry, provides access to the highly skilled machine operators required for the manufacture of our products. Our European manufacturing locations in South Wales, France, Spain and Germany also provide good sources for skilled manufacturing labor. Our Puerto Rican operations principally involve the assembly of purchased components into finished products using a skilled labor force. Our manufacturing operations in Jinhua, Zhejiang Province, and Changzhou, Jiangsu Province, China are growing and currently include approximately 950 persons who are included in the numbers above.

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Available Information

Our reports filed or furnished pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934, as amended, or the Exchange Act, are available free of charge in, or may be accessed through, the “Investor Relations” section of our website at www.biomet.com as soon as reasonably practicable after we file or furnish such material with or to the Securities and Exchange Commission, or the SEC. Any materials we file with the SEC are also available to the public at the SEC’s Public Reference Room at 100 F Street, NE, Washington, D.C. 20549. In addition, copies of these reports will be made available free of charge, upon written request to our Investor Relations Department at 56 East Bell Drive, Warsaw, IN 46582.

The information on Biomet’s website is not included as part of, nor incorporated by reference into, this Annual Report on Form 10-K except to the extent such information is separately set forth herein.

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Item 1A. Risk Factors.

The following factors, among others, could cause our future results to differ from those contained in forward-looking statements made in this annual report and presented elsewhere by management from time to time. Such factors, among others, may have a material adverse effect on our business, financial condition, results of operations and cash flows. The risks identified in this section are not exhaustive. We operate in a dynamic and competitive environment. New risk factors affecting us emerge from time to time and it is not possible for management to predict all such risk factors. Further, it is not possible to assess the impact of all risk factors on our business or the extent to which any single factor or combination of factors may cause actual results to differ materially from those contained in any forward-looking statements. Given these inherent risks and uncertainties, investors are cautioned not to place undue reliance on forward-looking statements as a prediction of actual results. Additional risks and uncertainties not currently known to us or that we currently deem to be immaterial may also materially and adversely affect our business or results of operations in the future. In addition, we undertake no obligation to publicly update or revise any forward-looking statements, whether as a result of new information, future events or otherwise. The following discussion of our risk factors speaks only as of the date on which they were made and should be read in conjunction with the consolidated financial statements and related notes included herein. Because of these and other factors, past financial performance should not be considered an indication of future performance. Any of the following risks could materially adversely affect our business, financial condition, results of operations or cash flows.

Risks Related to our Merger with Zimmer Holdings, Inc. (“Zimmer”)

There is no assurance when or if the merger will be completed. Any delay in completing the merger may substantially reduce the benefits that Zimmer and LVB expect to obtain from the merger.

Completion of the merger is subject to the satisfaction or waiver of a number of conditions as set forth in the Merger Agreement. There can be no assurance that Zimmer and LVB will be able to satisfy the closing conditions or that closing conditions beyond their control will be satisfied or waived. The obligations of each of Zimmer and LVB to complete the merger are subject to the satisfaction (or waiver) of the following conditions:

- absence of any law or order preventing the consummation of the transactions contemplated by the Merger Agreement (excluding any such law or order arising under any applicable antitrust, competition, fair trade or similar law other than the Hart-Scott-Rodino Act (the “HSR Act”), the EU Merger Regulation or applicable antitrust, competition, fair trade or similar laws of Japan);

- expiration or termination of any applicable waiting period under the HSR Act;

- approval of the European Commission (or, as applicable, any national competition authority in the European Union having jurisdiction under the EU Merger Regulation), and approval or expiration or termination of any applicable waiting period with respect to Japan;

- effectiveness of the registration statement on Form S-4 which we expect will be filed by Zimmer and absence of any stop order, or pending proceedings seeking a stop order, suspending such effectiveness;

- adoption of the Merger Agreement by LVB stockholders;

- approval for listing on the NYSE of the shares of Zimmer common stock to be issued to LVB stockholders in the merger, except that such approval will not be a condition to Zimmer’s and Merger Sub’s obligations to complete the merger if approval of Zimmer stockholders is necessary for such issuance;

- representations and warranties of the other party being true and correct, subject to, in certain cases, certain materiality or other thresholds, as of the date of the Merger Agreement and as of the closing of the merger, except for such representations and warranties that are made as of a specific date which must be true and correct as of such date;

the other party having performed or complied with, in all material respects, all agreements, covenants and obligations required by the Merger Agreement to be performed or complied with by it on or prior to the closing of the merger; and

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receipt of a certificate of a duly authorized officer of the other party certifying as to the satisfaction of the conditions relating to the representations and warranties of such party and the performance of the obligations of such party.

We cannot give any assurance that all of the conditions to the merger will either be satisfied or waived or when or if the merger will occur. If the merger and the integration of the companies' respective businesses are not completed within the expected timeframe of the closing of the merger, such delay may materially and adversely affect the synergies and other benefits that Zimmer and LVB expect to achieve as a result of the Merger and could result in additional transaction costs, loss of revenue or other effects associated with uncertainty about the merger.

Zimmer and LVB can agree at any time to terminate the Merger Agreement, even if LVB stockholders have already adopted the Merger Agreement and thereby approved the merger and the other transactions contemplated by the Merger Agreement. Zimmer and LVB can also terminate the Merger Agreement under other specified circumstances, including subject to certain limited exceptions, if the effective time for the merger has not occurred on or by April 24, 2015, subject to each party's right to extend such period for an additional ninety day period in the event that certain regulatory approvals have not been obtained prior to such date.

Zimmer and LVB may be unable to obtain the regulatory approvals required to complete the merger.

Completion of the merger is conditioned upon, among other conditions, the expiration or termination of any waiting period under the HSR Act, the approval of the European Commission pursuant to the EU Merger Regulation and the receipt of approval or expiration or termination of any waiting period under applicable antitrust, competition, fair trade or similar laws of Japan. Zimmer and LVB are pursuing all required consents, orders and approvals in accordance with the Merger Agreement. These consents, orders and approvals may impose conditions on or require divestitures relating to the divisions, operations or assets of Zimmer or LVB or may impose requirements, limitations or costs or place restrictions on the conduct of the combined company's business. The Merger Agreement requires Zimmer and LVB, among other things, to accept all such conditions, divestitures, requirements, limitations, costs or restrictions that may be imposed by regulatory entities. Such conditions, divestitures, requirements, limitations, costs or restrictions may jeopardize or delay completion of the merger, may reduce the anticipated benefits of the merger or may result in the abandonment of the merger. Further, no assurance can be given that the required consents, orders and approvals will be obtained or that the required conditions to closing will be satisfied, and, even if all such consents, orders and approvals are obtained and the conditions are satisfied, no assurance can be given as to the terms, conditions and timing of such consents, orders and approvals.

Failure to complete the merger could negatively impact the future business and financial results of LVB.

If the merger is not completed, our ongoing business may be adversely affected. We will be subject to several risks, including the following:

• having to pay certain costs relating to the merger, such as legal, accounting, financial advisory, filing and printing fees; and

• focusing our company's management on the merger instead of on pursuing other opportunities that could have been beneficial to us and our stockholders, in each case, without realizing any of the benefits of having the merger completed.

We cannot assure you that, if the merger is not completed, these risks will not materialize and will not materially adversely affect the business and financial results of either company.

Covenants in the Merger Agreement place certain restrictions on LVB's conduct of business prior to the closing of the merger.

The Merger Agreement restricts LVB from taking certain specified actions without Zimmer's consent while the merger is pending. These restrictions may prevent LVB from pursuing otherwise attractive business opportunities or other capital structure alternatives and making other changes to its business or executing certain of its business strategies prior to the completion of the merger.

The announcement and pendency of the merger could have an adverse effect on our business, financial condition, results of operations or business prospects.

The announcement and pendency of the merger could disrupt our businesses in the following ways, among others:

• Our employees may experience uncertainty regarding their future roles in the combined company, which might adversely affect our ability to retain, recruit and motivate key personnel;

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the attention of our management may be directed towards the completion of the merger and other transaction-related considerations and may be diverted from our day-to-day business operations, and matters related to the merger may require commitments of time and resources that could otherwise have been devoted to other opportunities that might have been beneficial to us; and

customers, suppliers and other third parties with business relationships with us may decide not to renew or decide to seek to terminate, change and/or renegotiate their relationships with us as a result of the merger, whether pursuant to the terms of their existing agreements with us or otherwise.

Any of these matters could adversely affect our business of, or harm our financial condition, results of operations or business prospects.

The Merger Agreement contains provisions that limit LVB's ability to pursue alternatives to the merger, which discourage a potential acquirer of LVB from making an alternative transaction proposal.

The Merger Agreement contains provisions that make it more difficult for LVB to sell its business to a party other than Zimmer. These provisions include the general prohibition on LVB taking certain actions prior to the termination of the Merger Agreement that might lead to or otherwise facilitate a proposal by a third party for a competing transaction. These provisions might discourage a third party that might have an interest in acquiring all or a significant part of the stock, properties or assets of LVB from considering or proposing such acquisition. In addition, Holdings, which owns approximately 97% of the outstanding shares of LVB common stock, has entered into a voting agreement with Zimmer agreeing to vote against (and withhold consent with respect to) any competing transaction.

Zimmer's share price may fluctuate prior to the completion of the merger, and the value of the merger consideration at the closing of the merger may not be the same as at the time of signing of the Merger Agreement or on the date of this report.

Upon completion of the merger, shares of LVB common stock will be converted into the merger consideration, which will consist of cash and shares of Zimmer common stock. Any change in the market price of Zimmer common stock prior to completion of the merger will affect the dollar value of the merger consideration that LVB stockholders will receive upon completion of the merger. Changes in the market price of Zimmer common stock could result from a variety of factors, many of which are beyond Zimmer's control, including:

general market and economic conditions, including market conditions in the orthopedic/musculoskeletal devices industry;

actual or expected variations in results of operations;

changes in recommendations by securities analysts;

operations and stock performance of industry participants;

significant acquisitions or strategic alliances by competitors;

sales of Zimmer common stock, including sales by Zimmer's directors and officers or significant investors;

recruitment or departure of key personnel;

early termination of customer or supplier agreements or loss of customers or relationships with suppliers; and

failure to achieve the perceived benefits of the merger as rapidly as, or to the extent, expected.

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The issuance of Zimmer common stock in connection with the merger could decrease the market price of Zimmer common stock.

In connection with the merger and as part of the merger consideration, Zimmer will issue shares of Zimmer common stock to LVB stockholders. The issuance of Zimmer common stock in the merger may result in fluctuations in the market price of Zimmer common stock, including a stock price decrease.

The merger may be completed even though material adverse changes may result from the announcement of the merger, industry-wide changes or other causes.

In general, either party can refuse to complete the merger if there is a material adverse effect (as defined in the Merger Agreement) affecting the other party prior to the closing of the merger. However, some types of changes do not permit either party to refuse to complete the merger, even if such changes would have a material adverse effect on Zimmer or LVB. If adverse changes occur but Zimmer and LVB must still complete the merger, the market price of Zimmer common stock may suffer.

Risks Related to Our Business

A majority of our net sales is derived from our sales of hip and knee reconstructive products.

Sales of our hip and knee products accounted for approximately 51.0%, 51.5% and 55.5% of our net sales for each of the three fiscal years ended May 31, 2014, 2013 and 2012, respectively. We expect sales of hip and knee products to continue to account for a significant portion of our net sales. Any event adversely affecting the sale of hip and knee products may, as a result, adversely affect our business, financial condition, results of operations and cash flows.

If we are unable to continue to develop and market new products and technologies in a timely manner, the demand for our products may decrease or our products could become obsolete, and our revenue and profitability may decline.

The market for our products is highly competitive and dominated by a small number of large companies. We are continually engaged in product development, research and improvement efforts. New products and line extensions of existing products represent a significant component of our historical growth. Our ability to continue to grow sales effectively depends on our capacity to keep up with existing or new products and technologies in the musculoskeletal products market.

In addition, if our competitors' new products and technologies reach the market before our products, our competitors may gain a competitive advantage or our products may be rendered obsolete.

The ultimate success of our product development efforts will depend on many factors, including, but not limited to, our ability to create innovative designs and materials, provide innovative surgical techniques, accurately anticipate and meet customers' needs, commercialize new products in a timely manner, differentiate our offerings from competitors' offerings, achieve positive clinical outcomes with new products, satisfy the increased demands by healthcare payors, providers and patients for shorter hospital stays, faster post-operative recovery and lower-cost procedures, provide adequate medical education relating to new products and manufacture and deliver products and instrumentation in sufficient volumes on time. Moreover, research and development efforts may require a substantial investment of time and resources before we are adequately able to determine the commercial viability of a new product, technology, material or other innovation. Our competition may respond more quickly to new or emerging technologies, undertake more effective marketing campaigns, adopt more aggressive pricing policies, have greater financial, marketing and other resources than us or may be more successful in attracting potential customers, employees and strategic partners.

Even in the event that we are able to successfully develop innovations, they may not produce revenue in excess of the costs of development and may be quickly rendered obsolete as a result of changing customer preferences, changing demographics, slowing industry growth rates, declines in the reconstructive implant market, the introduction of new products and technologies, evolving surgical philosophies, evolving industry standards or the introduction by our competitors of products embodying new technologies or features. New materials, product designs and surgical techniques that we develop may not be accepted or 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. If actual product life cycles, product demand or

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acceptance of new product introductions are less favorable than projected by management, a higher level of inventory write downs may result. Given these factors, we may be unable to continue our level of success in the industry. We rely on payments from third-party payors for payment on our products.

In the United States, healthcare providers that purchase our products (e.g., hospitals, physicians, dentists and other healthcare providers) generally rely on payments from third-party payors (principally federal Medicare, state Medicaid and private health insurance plans) to cover all or a portion of the cost of our musculoskeletal products. 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. Further, third-party payors are continuing to carefully review their coverage policies with respect to existing and new therapies and can, without notice, deny coverage for treatments that may include the use of our products. In the event that third-party payors deny coverage or reduce their current levels of reimbursement, demand for our products may decline or we may experience increased pressure to reduce the prices of our products, and we may be unable to sell certain products on a profitable basis, thereby materially adversely impacting our results of operations.

Our results of operations since January 1, 2013 have been and will continue to be impacted by the enactment of the Patient Protection and Affordable Health Care Act (P.L. 111-148). In addition, our business, financial condition, results of operations and cash flows could be significantly and adversely affected if this legislation ultimately results in lower reimbursements for our products or reduced medical procedure volumes or if certain other types of healthcare reform programs are adopted in our key markets.

In March 2010, the U.S. Congress adopted and President Obama signed into law comprehensive healthcare reform legislation through the passage of the Patient Protection and Affordable Health Care Act (P.L. 111-148) and the Healthcare and Education Reconciliation Act (P.L. 111-152). Among other initiatives, these bills impose a 2.3% excise tax on domestic sales of certain medical devices, including most of our products, following December 31, 2012. The excise tax applies to a majority of our medical device products. 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 per the healthcare law, nor do we expect to be able to offset the cost of the tax through higher sales volumes resulting from the expansion of health insurance coverage because of the demographics of the current uninsured population. The medical device excise tax regulations and interim guidance issued in late 2012 by the U.S. Department of Treasury did little to lessen the burden of complying with the excise tax statute. In addition, the law's Medicare payment reforms, such as accountable care organizations and bundled payments, could provide additional incentives for healthcare providers to reduce spending on our medical device products and reduce utilization of hospital procedures that use our products. Various healthcare reform proposals have also emerged at the state level. Other than the excise tax, which has affected our results of since January 1, 2013, we cannot predict with certainty what healthcare initiatives, if any, will be implemented at the state level, or the ultimate effect that federal healthcare reform or any future legislation or regulation will have on us. However, an expansion in government's role in the U.S. healthcare industry may lower reimbursements for procedures that involve our products, reduce medical procedure volumes and adversely affect our business and results of operations, possibly materially.

Outside of the United States, reimbursement systems vary significantly from country to country. In the majority of the international markets in which our products are sold, government-managed healthcare systems mandate the reimbursement rates and methods for medical devices and procedures. If adequate levels of reimbursement from third-party payors outside of the United States are not obtained, international sales of our products may decline. Many foreign markets, including Canada and some European and Asian countries, have tightened reimbursement rates. Our ability to continue to sell certain products profitably in these markets may diminish if the government-managed healthcare systems continue to reduce reimbursement rates.

As both the U.S. and foreign government regulators have become increasingly stringent, we may be subject to more rigorous regulation by governmental authorities in the future. Our products and operations are also often subject to the rules of industrial standards bodies, such as the International Standards Organization, or ISO. If we fail to adequately address any of these regulations, our business will be harmed.

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If pricing pressures cause us to decrease prices for our goods and services and we are unable to compensate for such reductions through product mix and reductions to our expenses, our results of operations will suffer.

We have experienced and expect to continue to experience decreasing prices for the goods and services we offer due to pricing pressure exerted by our customers in response to initiatives sponsored by government agencies, legislative bodies and managed care organizations and other third-party payors to limit the growth of healthcare costs, including price regulation and competitive pricing. Pricing pressure has also increased in our markets due to increased market power of our customers from continued consolidation among healthcare providers, trends toward managed care, the shift towards governments becoming the primary payers of healthcare expenses, and government laws and regulations relating to reimbursement and pricing generally. Reductions in reimbursement levels or coverage or other cost containment measures could unfavorably affect our future operating results. If we are unable to offset such price reductions through product mix or reductions in our expenses, our business, financial condition, results of operations and cash flows will be adversely affected.

We have incurred losses in the past and may incur losses in the future. If we incur losses over an extended period of time, the value of our common stock could decline.

For the fiscal years ended May 31, 2013 and 2012, we experienced net losses of \$623.4 million and \$458.8 million, respectively. We may not be profitable in future periods. Any failure to become profitable could, among other things, impair our ability to complete future financings or the cost of obtaining financing, and have a material adverse effect on our business. In addition, a lack of profitability could adversely affect the price of our common stock.

Reduction or interruption in supply and an inability to develop alternative sources for supply may adversely affect our manufacturing operations and related product sales.

We purchase many of the components and raw materials used in manufacturing our products from numerous suppliers in various countries. Generally we have been able to obtain adequate supplies of such raw materials and components. We work closely with our suppliers to try to ensure continuity of supply while maintaining high quality and reliability. However, we cannot guarantee that these efforts will be successful. In addition, due to the stringent regulations and requirements of the FDA regarding the manufacture of our products, we may not be able to quickly establish additional or replacement sources for certain components or materials. Further, an increase in demand from other industries which use some of the same metallic alloys or other materials as us (such as the aerospace industry) could reduce the availability or increase the cost of materials used in our products. A reduction or interruption in supply, and an inability to develop alternative sources for such supply, could adversely affect our ability to manufacture our products in a timely or cost-effective manner and to make our related product sales.

We, like other companies in the orthopedic industry, are involved in ongoing governmental investigations, the results of which may adversely impact our business and results of operations.

We are subject to various federal and state laws concerning healthcare fraud and abuse, including false claims laws and anti-kickback laws, such as the Federal Anti-Kickback Statute and similar state 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 United States, exclusion from participation in government healthcare programs, including Medicare, Medicaid and VA health programs. These laws are administered by, among others, the DOJ, the Office of the Inspector General of the U.S. Department of Health and Human Services, or OIG-HHS, the Securities and Exchange Commission, or SEC, the Office of Foreign Assets Control, the Bureau of Industry and Security of the U.S. Department of Commerce and state attorneys general. The interpretation and enforcement of these laws and regulations are uncertain and subject to change.

On September 25, 2007, we received a letter from the SEC informing us that it was conducting an informal investigation regarding possible violations of the Foreign Corrupt Practices Act, or FCPA, in the marketing and sale of medical devices in certain foreign countries by companies in the medical devices industry. The FCPA prohibits domestic concerns, including U.S. companies and their officers, directors, employees, shareholders acting on their behalf and agents, from offering, promising, authorizing or making payments to foreign officials for the purpose of obtaining or retaining business abroad or otherwise obtaining an improper advantage. This law also requires issuers of

publicly registered securities to maintain records which fairly and accurately reflect transactions and to maintain

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an adequate system of internal controls. In many countries, hospitals and clinics are government-owned and, therefore, healthcare professionals employed by such hospitals and clinics, with whom we regularly interact, may meet the definition of a foreign official for purposes of the FCPA. On November 9, 2007, we received a letter from the DOJ requesting that any information provided to the SEC also be provided to the DOJ on a voluntary basis.

On March 26, 2012, Biomet resolved the DOJ's and SEC's investigations by entering into a Deferred Prosecution Agreement, or DPA, with the DOJ and a Consent to Final Judgment, or Consent, with the SEC. Pursuant to the DPA, the DOJ has agreed to defer prosecution of Biomet in connection with this matter, provided that Biomet satisfies its obligations under the agreement over the term of the DPA. The DOJ has further agreed to not continue its prosecution and seek to dismiss its indictment should Biomet satisfy its obligations under the agreement over the term of the DPA. The DPA has a three-year term but provides that it may be extended in the sole discretion of the DOJ for an additional year. Pursuant to the Consent, Biomet consented to the entry of a Final Judgment which, among other things, permanently enjoined Biomet from violating the provisions of the Foreign Corrupt Practices Act.

In addition, pursuant to the terms of the DPA, an independent external compliance monitor has been appointed to review Biomet's compliance with the DPA, particularly in relation to Biomet's international sales practices, for at least the first 18 months of the three-year term of the DPA. The monitor has divided his review into two phases. The first phase consisted of the monitor familiarizing himself with our global compliance program, assessing the effectiveness of the program and making recommendations for enhancement of our compliance program based on that review. The second phase commenced in June 2013 and consists of the monitor testing implementation of his recommended enhancements to our compliance program. The monitor recently identified that certain of our compliance enhancements have been implemented too recently to be satisfactorily tested, and we continue to work with the monitor to allow for such transactional testing. The Consent Biomet entered into with the SEC mirrors the DPA's provisions with respect to the compliance monitor. Compliance with the DPA requires substantial cooperation of our employees, distributors and sales agents and the healthcare professionals with whom they interact. These efforts not only involve expense, but also require management and other key employees to focus extensively on these matters. Biomet agreed to pay a monetary penalty of \$17.3 million to resolve the charges brought by the DOJ. The terms of the DPA and the associated monetary penalty reflect Biomet's full cooperation throughout the investigation. Biomet further agreed in its Consent to disgorge profits and pay prejudgment interest in the aggregate amount of \$5.6 million. In October 2013, Biomet became aware of certain alleged improprieties regarding its operations in Brazil and Mexico. Biomet retained counsel and other experts to investigate both matters. Based on the results of the investigation, Biomet terminated, suspended or otherwise disciplined certain of the employees and executives involved in these matters, and took certain other remedial measures. Additionally, pursuant to the terms of the DPA, in April 2014, Biomet disclosed these matters to the independent compliance monitor and to the DOJ and SEC. On July 2, 2014, the SEC issued a subpoena to Biomet requiring that Biomet produce certain documents relating to such matters. Pursuant to the DPA, the DOJ has sole discretion to determine whether conduct by Biomet constitutes a violation or breach of the DPA. If the DOJ determines that the conduct underlying these investigations constitutes a violation or breach of the DPA, the DOJ could, among other things, extend or revoke the DPA or prosecute Biomet and/or the involved employees and executives. Biomet continues to cooperate with the SEC and DOJ and expects that discussions with the SEC and the DOJ will continue.

In June 2013, we received a subpoena from the U.S. Attorney's Office for the District of New Jersey requesting various documents relating to the fitting of custom-fabricated or custom-fitted orthoses, or bracing, to patients in New Jersey, Texas and Washington. We have produced responsive documents and are fully cooperating with the request of the U.S. Attorney's Office. We may need to devote significant time and resources to this inquiry and can give no assurances as to its final outcome.

In September 2010, we received a Civil Investigative Demand, or CID, issued by the U.S. Department of Justice Civil Division pursuant to the False Claims Act. The CID requests that we provide documents and testimony related to allegations that OtisMed Corp., Stryker Corp. and our company have violated the False Claims Act relating to the marketing of, and payment submissions for, OtisMed's OtisKnee (a trademark of Otis Med Corporation) knee replacement system. We have produced responsive documents and are fully cooperating in the

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investigation. We may need to devote significant time and resources to this inquiry and can give no assurances as to its final outcome.

In February 2010, we received a subpoena from the Office of the Inspector General of the U.S. Department of Health and Human Services requesting various documents relating to agreements or arrangements between physicians and our Interpore Cross subsidiary for the period from 1999 through the present and the marketing and sales activities associated with Interpore Cross's spinal products. We are cooperating with the request of the Office of the Inspector General. We may need to devote significant time and resources to this inquiry and can give no assurances as to its final outcome.

In April 2009, we received an administrative subpoena from the U.S. Attorney's Office for the District of Massachusetts requesting various documents relating primarily to the Medicare reimbursement of and certain business practices related to our non-invasive bone growth stimulators. It is our understanding that competitors in the non-invasive bone growth stimulation market received similar subpoenas. We received subsequent subpoenas in connection with the investigation in September 2009, June 2010 and February 2011 along with several informal requests for information. We are producing responsive documents and are fully cooperating in the investigation. We may need to devote significant time and resources to this inquiry and can give no assurances as to its final outcome.

In April 2009, we became aware of a qui tam complaint alleging violations of the federal and various state False Claims Acts filed in the U.S. District Court for the District of Massachusetts, where it is currently pending. Biomet, LVB Acquisition, Inc. and several of our competitors in the non-invasive bone growth stimulation market were named as defendants in this action. The allegations in the complaint are similar in nature to certain categories of requested documents in the above-referenced administrative subpoenas. The U.S. government has not intervened in the action. We are vigorously defending this matter and intend to continue to do so. We may need to devote significant time and resources to this inquiry and can give no assurances as to its final outcome.

From time to time, we are, and may continue to be, the subject of additional investigations. If, as a result of these investigations described above or any additional investigations, we are found to have violated one or more applicable laws, our business, financial condition, results of operations and cash flows could be materially adversely affected. If some of our existing business practices are challenged as unlawful, we may have to modify those practices, which could have a material adverse effect on our business, financial condition, results of operations and cash flows.

We could be subject to further governmental investigations or actions by other third parties as a result of our settlement with the DOJ, the SEC and the OIG-HHS.

As a result of our settlement in 2012 with the DOJ and SEC related to the FCPA investigation described above, we have been and may continue to be subject to further governmental investigations by foreign governments or other claims by third parties arising from the conduct subject to the investigation.

We intend to review and take appropriate actions with respect to any such investigations or proceedings; however, we cannot assure you that the costs of defending or fines imposed in resolving those civil or criminal investigations or proceedings would not have a material adverse effect on our financial condition, results of operations and cash flows. We could be adversely affected by violations of the FCPA and similar anti-corruption laws.

Our business operations and sales in countries outside the United States are subject to anti-corruption laws and regulations, including restrictions imposed by the FCPA and similar anti-corruption and anti-bribery laws in other jurisdictions.

We operate and sell our products in many parts of the world that have experienced governmental corruption to some degree and, in certain circumstances, strict compliance with anti-corruption laws may conflict with local customs and practices. While we train our employees concerning anti-corruption laws and issues and have internal controls and compliance policies and procedures in place designed for the maintenance of accurate books and records and that prohibit our employees or third-parties acting on our behalf from making improper payments, violations of those policies and failures of those internal controls have occurred in the past and could recur. We have entered into a DPA with the DOJ and SEC regarding violations of the FCPA, and are currently the subject of an SEC investigation regarding possible FCPA violations. See "We, like other companies in the orthopedic industry, are

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involved in ongoing governmental investigations, the results of which may adversely impact our business and results of operations.”

From time to time we become aware of allegations of potential improper payments made by our employees or agents. When this happens, we investigate the allegations and, if necessary, remediate the issue and disclose the matter to the appropriate regulators and the monitor under the DPA. We cannot provide assurance that our internal controls and procedures will always protect us from reckless or criminal acts committed by our employees or third-parties with whom we work. If we are found to be liable for violations of the FCPA or similar anti-corruption laws in international jurisdictions, either due to our own acts or out of inadvertence, or due to the acts or inadvertence of others, we could suffer criminal or civil penalties which could have a material and adverse effect on our results of operations, financial condition and cash flows.

Our business may be harmed as a result of product liability litigation.

Our involvement in the design, manufacture and sale of medical devices creates exposure to risks of product liability claims 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, particularly in the United States. In the past, we have received product liability claims relating to our products and anticipate that we will continue to receive claims in the future, some of which could have a material adverse impact on our business.

These claims are subject to many uncertainties and outcomes are not predictable. We may incur significant legal expenses regardless of whether we are found to be liable. In addition, we could experience a material design or manufacturing failure in our products, a quality system failure, other safety issues or heightened regulatory scrutiny that would warrant a recall of some of our products. Our existing product liability insurance coverage may be inadequate to satisfy liabilities we might incur. Moreover, even if any product liability loss is covered by an insurance policy, these policies have substantial self-insured retentions or deductibles that we remain responsible for. Any product liability claim brought against us, with or without merit, can be costly to defend and may negatively impact our ability to obtain third-party insurance coverage in future periods on a cost effective basis or at all.

As of August 8, 2014, we are a defendant in 2,434 product liability lawsuits relating to metal-on-metal hip implants, most of which were filed in 2014. The majority of these cases involve the M2a-Magnum hip system, 502 cases involve the M2a-38 hip system, 93 involve the M2a-Taper system, and 15 involve the M2a-Ringloc system. The cases are currently venued in various state and federal courts. 2,322 federal cases have been consolidated in one multi-district proceeding in the U.S. District Court for the Northern District of Indiana. We have seen a decrease in the number of claims filed since the last date to participate in the settlement reached in the multi-district litigation involving our metal-on-metal hip systems expired in April 2014.

On February 3, 2014, we announced the settlement of the Multi-District Litigation entitled MDL 2,391 - In Re: Biomet M2a-Magnum Hip Implant Product Liability Litigation. Lawsuits filed in the MDL by April 15, 2014 may participate in the settlement. We continue to evaluate the inventory of lawsuits in the MDL pursuant to the categories and procedures set forth in the settlement agreement, and as such the final payment amount is uncertain. As of May 31, 2014, we accrued \$123.5 million for contingencies associated with metal-on-metal hip products, which is increased from \$50.0 million as of November 30, 2013.

We believe that the payments under the settlement will exhaust our self-insured retention under its insurance program, which is \$50.0 million. If this should occur, we would submit an insurance claim for the amount by which ultimate losses under the settlement exceed the self-insured retention amount. We maintain \$100.0 million of third-party insurance coverage. Our insurance carriers have been placed on notice of the claims associated with metal-on-metal hip products that are subject to the settlement and have been placed on notice of the terms of the settlement. As is customary in these situations, certain of our insurance carriers have reserved all rights under their respective policies. We have received a letter from one of our carriers denying coverage, and certain of our other insurance carriers could also deny coverage for some or all of our insurance claims. We continue to believe our contracts with the insurance carriers are enforceable for these claims and the settlement agreement. However, we would be responsible for any amounts that its insurance carriers do not cover or for the amount by which ult