## SECURITIES AND EXCHANGE COMMISSION

# FORM 8-K

Current report filing

Filing Date: **2014-04-24** | Period of Report: **2014-04-24** | SEC Accession No. 0001193125-14-155810

(HTML Version on secdatabase.com)

# **FILER**

#### **ZIMMER HOLDINGS INC**

CIK:1136869| IRS No.: 134151777 | State of Incorp.:DE | Fiscal Year End: 1231

Type: 8-K | Act: 34 | File No.: 001-16407 | Film No.: 14780102 SIC: 3842 Orthopedic, prosthetic & surgical appliances & supplies

Mailing Address 345 EAST MAIN STREET WARSAW IN 46580 Business Address 345 EAST MAIN STREET WARSAW IN 46580 5742676131

# UNITED STATES SECURITIES AND EXCHANGE COMMISSION

WASHINGTON, D.C. 20549

## FORM 8-K

CURRENT REPORT
Pursuant to Section 13 or 15(d)
of the Securities Exchange Act of 1934

Date of Report (Date of Earliest Event Reported): April 24, 2014

# ZIMMER HOLDINGS, INC.

(Exact name of registrant as specified in its charter)

Delaware (State or other jurisdiction of incorporation) 001-16407 (Commission File Number) 13-4151777 (I.R.S. Employer Identification No.)

345 East Main Street Warsaw, Indiana (Address of principal executive offices)

46580 (Zip Code)

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

Not Applicable Former name or former address, if changed since last report

Check the appropriate box below if the Form 8-K filing is intended to simultaneously satisfy the filing obligation of the registrant under any of the following provisions:		
X	Written communications pursuant to Rule 425 under the Securities Act (17 CFR 230.425)	
	Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)	
	Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(b))	
	Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e-4(c))	

#### Item 8.01. Other Events

On April 24, 2014, Zimmer Holdings, Inc. ("Zimmer") and Biomet, Inc. ("Biomet") issued a joint press release announcing the execution of an Agreement and Plan of Merger (the "Merger Agreement"), dated as of April 23, 2014, by and among Zimmer, Owl Merger Sub, Inc., a Delaware corporation and an indirect wholly-owned subsidiary of Zimmer ("Merger Sub"), and LVB Acquisition, Inc., a Delaware corporation and the parent company of Biomet ("LVB"), pursuant to which Zimmer will acquire LVB, on the terms and subject to the conditions set forth in the Merger Agreement. A copy of the joint press release is attached hereto as Exhibit 99.1 and is incorporated herein by reference. In addition, on April 24, 2014, Zimmer made available supplemental information regarding the proposed transaction in connection with a presentation to analysts and investors. A copy of the presentation is attached hereto as Exhibit 99.2 and is incorporated herein by reference.

Zimmer also distributed a letter from its President and Chief Executive Officer, David Dvorak, to Zimmer's employees on April 24, 2014. A copy of the letter to employees is attached hereto as Exhibit 99.3 and is incorporated herein by reference.

#### **Cautionary Statement Regarding Forward-Looking Statements**

This document contains forward-looking statements within the meaning of the safe harbor provisions of the Private Securities Litigation Reform Act of 1995. Forward-looking statements may be identified by the use of forward-looking terms such as "may," "will," "expects," "believes," "anticipates," "plans," "estimates," "projects," "assumes," "guides," "targets," "forecasts," and "seeks" or the negative of such terms or other variations on such terms or comparable terminology. Such forward-looking statements include, but are not limited to, statements about the benefits of the proposed merger between Zimmer and LVB, including future financial and operating results, the combined company's plans, objectives, expectations and intentions, the expected timing of completion of the transaction and other statements that are not historical facts. Such statements are based upon the current beliefs and expectations of Zimmer's management and are subject to significant risks and uncertainties that could cause actual outcomes and results to differ materially. These risks and uncertainties include, but are not limited to: the possibility that the anticipated synergies and other benefits from the proposed merger of Zimmer and LVB will not be realized, or will not be realized within the expected time periods; the inability to obtain regulatory approvals of the merger (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 the transaction may not be satisfied on a timely basis or at all; the risk that the proposed transaction fails to close for any other reason; the risks and uncertainties related to Zimmer's ability to successfully integrate the operations, products and employees of Zimmer and Biomet; the effect of the potential disruption of management's attention from ongoing business operations due to the pending merger; 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; risks relating to the value of the Zimmer shares to be issued in the transaction; access to available financing (including financing for the acquisition or refinancing of Zimmer's or Biomet's debt) on a timely basis and on reasonable terms; the outcome of any legal proceedings related to the proposed merger; the risks and uncertainties normally incidental to the orthopaedic industry, including price and product competition; the success of the companies' quality and operational excellence initiatives; changes in customer demand for Zimmer's or Biomet's products and services caused by demographic changes or other factors; the impact of healthcare reform measures, including the impact of the U.S. excise tax on medical devices; reductions in reimbursement levels by third-party payors and cost containment efforts of healthcare purchasing organizations; dependence on new product development, technological advances and innovation; shifts in the product category or regional sales mix of Zimmer's or Biomet's products and services; supply and prices of raw materials and products; control of costs and expenses; the ability to obtain and maintain adequate intellectual property protection; the ability to form and implement alliances; challenges relating to changes in and compliance with governmental laws and regulations, including regulations of the U.S. Food and Drug Administration (the "FDA") and foreign government regulators, such as more stringent requirements for regulatory clearance of products; the ability to remediate matters identified in any inspectional observations or warning letters issued by the FDA; changes in tax obligations arising from tax reform measures or examinations by tax authorities; product liability and intellectual property litigation losses; the ability to retain the independent agents and distributors who market Zimmer's and Biomet's products; dependence on a limited number of suppliers for key raw materials and outsourced activities; changes in general industry and market conditions, including domestic and international growth rates and general domestic and international economic conditions, including interest rate and currency exchange rate fluctuations; and the impact of the ongoing economic uncertainty affecting countries in the Euro zone on the ability to collect accounts receivable in affected countries. For a further list and description of such risks and uncertainties, see Zimmer's periodic reports filed with the U.S. Securities and Exchange Commission (the "SEC"). Copies of these filings, as well as subsequent filings, are available online at www.sec.gov, www.zimmer.com or on request from Zimmer. Zimmer disclaims any intention or obligation to update or revise any forward-looking statements, whether as a result of new information, future events or otherwise, except as may be set forth in the companies' respective periodic reports. Readers of this communication are cautioned not to place undue reliance on these forward-looking statements, since, while management believes the assumptions on which the forward-looking statements are based are reasonable, there can be no assurance that these forward-looking statements will prove to be accurate. This cautionary statement is applicable to all forward-looking statements contained in this document.

#### Additional Information and Where to Find It

Zimmer will file with the SEC a registration statement on Form S-4, in which a consent solicitation statement will be included as a prospectus, and other documents in connection with the proposed acquisition of LVB. The consent solicitation statement/prospectus will be sent to the stockholders of LVB, INVESTORS AND SECURITYHOLDERS OF LVB ARE URGED TO READ THE CONSENT SOLICITATION/PROSPECTUS, AND ANY OTHER FILINGS THAT MAY BE MADE WITH THE SEC IN CONNECTION WITH THE MERGER WHEN THEY BECOME AVAILABLE, AS THEY WILL CONTAIN IMPORTANT INFORMATION ABOUT THE MERGER. The registration statement and consent solicitation statement/prospectus and other documents which will be filed by Zimmer with the SEC, when filed, will be available free of charge at the SEC's website at www.sec.gov or from Zimmer at www.zimmer.com. Such documents are not currently available. You may also read and copy any reports, statements and other information filed by Zimmer. LVB and Biomet with the SEC at the SEC public reference room at 100 F Street N.E., Room 1580, Washington, D.C. 20549. Please call the SEC at (800) 732-0330 or visit the SEC's website for further information on its public reference room. Certain executive officers and directors of LVB have interests in the proposed transaction that may differ from the interests of stockholders generally, including benefits conferred under retention, severance and change in control arrangements and continuation of director and officer insurance and indemnification. This document shall not constitute an offer to sell or the solicitation of an offer to buy any securities, nor shall there be any sale of securities in any jurisdiction in which such offer, solicitation or sale would be unlawful prior to appropriate registration or qualification under the securities laws of such jurisdiction. No offering of securities shall be made except by means of a prospectus meeting the requirements of Section 10 of the Securities Act of 1933, as amended.

#### Item 9.01. Financial Statements and Exhibits

#### (d) Exhibits

Exhibit No.	<u>Description</u>
99.1	Joint Press Release of Zimmer Holdings, Inc. and Biomet, Inc., dated April 24, 2014
99.2	Zimmer Holdings, Inc. Investor Presentation, dated April 24, 2014
99.3	Letter from Zimmer Holdings, Inc. President and Chief Executive Officer David Dvorak to Zimmer Employees, distributed April 24, 2014

#### **SIGNATURES**

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned hereunto duly authorized.

Dated: April 24, 2014

ZIMMER HOLDINGS, INC.

By: /s/ Chad F. Phipps

Name: Chad F. Phipps

Title: Senior Vice President, General Counsel and

Secretary

#### EXHIBIT INDEX

Exhibit No.	<u>Description</u>
99.1	Joint Press Release of Zimmer Holdings, Inc. and Biomet, Inc., dated April 24, 2014
99.2	Zimmer Holdings, Inc. Investor Presentation, dated April 24, 2014
99.3	Letter from Zimmer Holdings, Inc. President and Chief Executive Officer David Dvorak to Zimmer Employees, distributed April 24, 2014





# **NEWS**

Zimmer Contacts:

Media
Jim Gill
574-371-1984
jim.gill@zimmer.com

Investors
Robert J. Marshall Jr.
574-371-8042
robert.marshall@zimmer.com

**Biomet Contacts:** 

Media
Bill Kolter
574-372-1535
bill.kolter@biomet.com

Pat Richardson
574-372-3941
pat.richardson@biomet.com

# Zimmer Holdings, Inc. to Combine with Biomet, Inc. in Transaction Valued at \$13.35 Billion

Creates Leading Musculoskeletal Innovator to Shape Solutions for Evolving Healthcare Industry

Double-Digit Accretion to Zimmer's Adjusted Diluted Earnings Per Share in First Year

Zimmer to Host Conference Call at 8:00 AM ET Today

(WARSAW, IN) April 24, 2014 - Zimmer Holdings, Inc. (NYSE and SIX: ZMH) ("Zimmer" or the "Company") and Biomet, Inc.'s parent company ("Biomet") today announced that their respective Boards of Directors have approved a definitive agreement under which Zimmer will acquire Biomet in a cash and stock transaction valued at approximately \$13.35 billion, including the assumption of net debt. The transaction, which is subject to customary closing conditions and regulatory approvals, is expected to close in the first quarter of 2015.

The merger of Zimmer and Biomet will position the combined company as a leader in the \$45 billion musculoskeletal industry and is aligned with Zimmer's strategic framework, which focuses on growth, operational excellence and prudent capital allocation. The combined company is expected to deliver attractive growth by offering a

more comprehensive and scalable portfolio of solutions with enhanced cross-selling opportunities. In addition, the combined company is expected to advance innovation to benefit healthcare stakeholders, and stockholders are expected to benefit from a more diversified and predictable revenue mix consistent with the comprehensive portfolio. Upon closing, the transaction is expected to be double-digit accretive to Zimmer's adjusted diluted earnings per share in the first year. Cash flows from operations are expected to increase by 1.5 times Zimmer's stand-alone estimates.

"This is a milestone combination that brings together two highly complementary organizations and is consistent with our mission to lead the industry in delivering value to healthcare providers, their patients and stockholders," said David Dvorak, Zimmer President and CEO. "The transaction positions the combined company as a leader in the musculoskeletal industry with a broad portfolio of products, technologies and services, enabling us to help shape how solutions are developed and delivered. We believe that current demographic and macroeconomic trends affecting the healthcare industry will reward companies that successfully partner with other key stakeholders to improve patient care in a cost-effective manner. Together with Biomet we will expand the scope of our innovation programs and will enhance our efforts to provide integrated services and comprehensive solutions that address the needs of our customers. At the same time, we believe that this merger will further support our long-term growth and stockholder value creation strategies."

Mr. Dvorak continued, "This combination is about achieving growth and cultivating best-in-class solutions. We have a great deal of respect for what the management team and employees have accomplished at Biomet, and we are confident in their ability to be a very important part of the combined organization as we bring our two world-class companies together and cement Warsaw, Indiana as the musculoskeletal innovation capital of the world. Both companies share a common set of values and a track record of success integrating acquisitions, which gives me great confidence that we will achieve a smooth transition and capitalize on the opportunity to create a new company that is comprised of the best of Zimmer and Biomet. We look forward to combining the strengths of both teams to restore mobility, alleviate pain and improve the quality of life for patients around the world."

Jeffrey R. Binder, Biomet's President and Chief Executive Officer, said, "The combination with Zimmer will prepare us to compete as a stronger entity in the medical device industry of the future. Our combined scale will extend the reach and influence with which we pursue our common passion: delivering products and services that benefit our customers and the patients we ultimately serve. Biomet and Zimmer share a 36-year history of mutual respect. Both companies are deeply rooted in the communities in which we operate and believe that we can only be successful in business if we are successful in helping healthcare providers improve the lives of patients. We are equally committed to delivering quality products and outstanding clinical results and to legal and ethical behavior in the markets where we do business. And as companies focused almost exclusively in the musculoskeletal industry, we are passionate about orthopaedics and the related medical technology markets that we serve."

Mr. Binder continued, "Biomet and Zimmer are blessed with talented team members and independent sales people who are dedicated to their companies and to their customers. With today's announcement we are now additionally committed to blending and maximizing the best of our combined talents, capabilities, technologies and cultures to bring to life a great new company."

#### Strategic and Financial Benefits of the Transaction

Zimmer and Biomet believe that the merger positions the combined company for enhanced innovation opportunities, consistent with Zimmer's value creation framework. The complementary nature of the two businesses adds diversity and scale across various geographies and product categories.

A more comprehensive portfolio of solutions and commitment to innovation: Zimmer and Biomet share a commitment to delivering innovative,

cost-effective solutions to address the healthcare system's unmet needs. The combined company will offer an even broader range of personalized solutions that benefit providers, surgeons and their patients. Through its integrated business model, the combined company will be positioned to enhance the value chain for its stakeholders.

**Musculoskeletal diversification and scalable platforms:** Given the complementary nature of the portfolios, the combined company will offer a greater depth and breadth of musculoskeletal solutions to improve clinical outcomes and patient satisfaction levels. The combination will enhance enterprise diversification with broader franchises in the Knee, Hip, Surgical, Spine and Dental categories, as well as in the faster-growing Sports Medicine, Extremities and Trauma categories.

Global distribution channels and cross-selling opportunities: Both Zimmer and Biomet have proven teams of talented and experienced employees and sales representatives who have strong customer relationships and are committed to medical training and education. Zimmer and Biomet expect to leverage complementary sales channels in major markets to achieve cross-selling opportunities, while also strengthening their presence in emerging markets through the combination. The combined company's broader portfolio is expected to help its sales force to be more effective in all geographies, increasing its ability to help physicians and healthcare systems improve patient outcomes in a cost-effective manner.

**Stronger financial profile and solid earnings accretion:** The 2013 combined calendar year revenues of Zimmer and Biomet total approximately \$7.8 billion, with combined adjusted EBITDA of \$2.8 billion. The transaction is expected to be double-digit accretive to Zimmer's adjusted diluted earnings per share in the first year following the closing. Zimmer also expects to achieve net annual synergies of approximately \$270 million by the third year following the closing of the transaction, with approximately \$135 million anticipated in the first year.

**Strong balance sheet and cash flow generation:** The combined company is expected to generate cash flow from operations of more than 1.5 times Zimmer's stand-alone financials. In addition, Zimmer expects the strong cash flow to enhance the combined company's future financial flexibility and allow Zimmer to maintain a stable dividend of 15 to 20 percent of net income following the closing of the transaction. Finally, the combined company will be disciplined in how it uses investor capital. Zimmer is committed to repaying outstanding debt.

#### **Headquarters and Management**

The combined company will continue to be headquartered in Warsaw, Indiana, maintain regional offices around the world and is anticipated to preserve a long-term commitment to its talented team members. Upon completion of the transaction, David Dvorak will be President and Chief Executive Officer of the combined company. In conjunction with the closing of the transaction, two representatives of Biomet's principal stockholders will join the combined company's Board, which will be expanded accordingly. Zimmer and Biomet have highly recognizable and well respected names, and following the closing, the combined company will conduct business under a consolidated name that will leverage the strengths of both brands.

#### **Financing**

The transaction is valued at \$13.35 billion and consists of a combination of cash and common stock. Zimmer will pay \$10.35 billion in cash and will also issue to Biomet's equity holders an aggregate number of shares of Zimmer common stock valued at \$3.0 billion. The cash portion will be funded by existing cash on hand, as well as proceeds obtained from a newly committed \$3.0 billion senior unsecured term loan and newly issued senior notes. Zimmer has entered into a fully executed 364-day bridge facility, which it intends to reduce with the issuance of permanent financing. In addition, Zimmer expects to refinance certain of its debt as part of the transaction, including its existing \$250 million notes due 2014 and bank debt outstanding, as well as certain Biomet debt. Zimmer believes that the strong cash flow resulting from the combination will allow it to pay down debt. The Company expects to maintain its investment grade credit ratings.

At closing, Zimmer stockholders are expected to own approximately 84 percent of the combined company, and Biomet shareholders are expected to own approximately 16 percent.

#### **Approvals and Time to Closing**

The transaction is expected to close in the first quarter of 2015 and is subject to, among other things, the expiration or termination of the applicable waiting periods under the Hart-Scott-Rodino Antitrust Improvements Act of 1976, as amended, and the European Union Merger Regulation, as well as other customary closing conditions. On April 24, 2014, Zimmer entered into a voting agreement with the holder of approximately 95% of Biomet's outstanding common stock, pursuant to which such stockholder agreed to deliver a written consent.

In connection with the transaction, Biomet Inc.'s parent will withdraw the registration statement previously filed with the U.S. Securities and Exchange Commission in connection with its proposed initial public offering.

#### Advisors

Credit Suisse Securities (USA) LLC is acting as exclusive financial advisor to Zimmer and White & Case LLP is acting as legal advisor. BofA Merrill Lynch acted as lead financial and strategic advisor, and Goldman Sachs acted as co-advisor, to Biomet and its shareholders on this transaction. Cleary Gottlieb Steen & Hamilton LLP is acting as Biomet's legal advisor, including as regulatory legal advisor in Europe, and Weil, Gotshal & Manges LLP is acting as regulatory legal advisor in the U.S.

#### **Zimmer First Quarter 2014 Earnings Results**

In a separate press release issued today, Zimmer announced its earnings results for the first quarter ended March 31, 2014.

#### Conference Call, Webcast and Presentation

Zimmer will host a conference call today, April 24, 2014, at 8:00 a.m. Eastern Time. The live audio webcast and accompanying presentation can be accessed via Zimmer's Investor Relations website at http://investor.zimmer.com. The audio webcast will be archived for replay following the conference.

Individuals who wish to dial into the conference call may do so at (888) 878-3901. International callers should dial (706) 634-9520 and enter the conference ID15793245. A digital recording will be available. To access the recording, US/Canada callers should dial (855) 859-2056 or (800) 585-8367, or for International callers, dial (404) 537-3406, and enter the conference ID15793245.

#### About Zimmer Holdings, Inc.

Founded in 1927 and headquartered in Warsaw, Indiana, Zimmer designs, develops, manufactures and markets orthopaedic reconstructive, spinal and trauma devices, dental implants, and related surgical products. Zimmer has operations in more than 25 countries around the world and sells products in more than 100 countries. Zimmer's 2013 sales were approximately \$4.6 billion. Zimmer is supported by the efforts of more than 9,000 employees worldwide.

#### **About Biomet**

Biomet, Inc. and its subsidiaries design, manufacture and market surgical and non-surgical products used primarily by orthopedic surgeons and other musculoskeletal medical specialists. Biomet's product portfolio includes hip and knee reconstructive products; sports medicine, extremities and trauma products; spine, bone healing and microfixation products; dental reconstructive products; and cement, biologics and other products. Headquartered in Warsaw, Indiana, Biomet and its subsidiaries currently distribute products in approximately 90 countries.

#### Note on Non-GAAP Financial Measures

As used in this press release, the term "adjusted" refers to operating performance measures that exclude inventory step-up and other inventory and manufacturing related

charges, special items, amortization of acquisition related transaction financing fees and intangible assets, make-whole payments connected with debt extinguishments and certain tax adjustments. Included in special items are acquisition and integration costs and asset impairment charges related to acquisitions as well as employee termination benefits, consulting and professional fees, certain litigation matters, dedicated personnel expenses, certain contract terminations and asset impairment charges connected with global restructuring and operational excellence initiatives.

#### **Cautionary Statement Regarding Forward-Looking Statements**

This communication contains forward-looking statements within the meaning of the safe harbor provisions of the Private Securities Litigation Reform Act of 1995. Forward-looking statements may be identified by the use of forward-looking terms such as "may," "will," "expects," "believes," "anticipates," "plans," "estimates," "projects," "assumes," "guides," "targets," "forecasts," and "seeks" or the negative of such terms or other variations on such terms or comparable terminology. Such forward-looking statements include, but are not limited to, statements about the benefits of the proposed merger between Zimmer and LVB Acquisition, Inc. ("LVB"), the parent company of Biomet, including future financial and operating results, the combined company's plans, objectives, expectations and intentions, the expected timing of completion of the transaction and other statements that are not historical facts. Such statements are based upon the current beliefs and expectations of Zimmer's and LVB's management and are subject to significant risks and uncertainties that could cause actual outcomes and results to differ materially. These risks and uncertainties include, but are not limited to: the possibility that the anticipated synergies and other benefits from the proposed merger of Zimmer and LVB will not be realized, or will not be realized within the expected time periods; the inability to obtain regulatory approvals of the merger (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 the transaction may not be satisfied on a timely basis or at all; the risk that the

proposed transaction fails to close for any other reason; the risks and uncertainties related to Zimmer's ability to successfully integrate the operations, products and employees of Zimmer and Biomet; the effect of the potential disruption of management's attention from ongoing business operations due to the pending merger; 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; risks relating to the value of the Zimmer shares to be issued in the transaction; access to available financing (including financing for the acquisition or refinancing of Zimmer's or Biomet's debt) on a timely basis and on reasonable terms; the outcome of any legal proceedings related to the proposed merger; the risks and uncertainties normally incidental to the orthopaedic industry, including price and product competition; the success of the companies' quality and operational excellence initiatives; changes in customer demand for Zimmer's or Biomet's products and services caused by demographic changes or other factors; the impact of healthcare reform measures, including the impact of the U.S. excise tax on medical devices; reductions in reimbursement levels by third-party payors and cost containment efforts of healthcare purchasing organizations; dependence on new product development, technological advances and innovation; shifts in the product category or regional sales mix of Zimmer's or Biomet's products and services; supply and prices of raw materials and products; control of costs and expenses; the ability to obtain and maintain adequate intellectual property protection; the ability to form and implement alliances; challenges relating to changes in and compliance with governmental laws and regulations, including regulations of the U.S. Food and Drug Administration (the "FDA") and foreign government regulators, such as more stringent requirements for regulatory clearance of products; the ability to remediate matters identified in any inspectional observations or warning letters issued by the FDA; changes in tax obligations arising from tax reform measures or examinations by tax authorities; product liability and intellectual property litigation losses; the ability to retain the independent agents and distributors who market Zimmer's and Biomet's products; dependence on a limited number of suppliers for key raw materials and outsourced activities; changes in general industry and market conditions, including domestic and international growth rates and general domestic and international economic conditions,

including interest rate and currency exchange rate fluctuations; and the impact of the ongoing economic uncertainty affecting countries in the Euro zone on the ability to collect accounts receivable in affected countries. For a further list and description of such risks and uncertainties, see Zimmer's, LVB's and Biomet's periodic reports filed with the U.S. Securities and Exchange Commission (the "SEC"). Copies of these filings, as well as subsequent filings, are available online at www.sec.gov, www.zimmer.com, www.biomet.com or on request from Zimmer or Biomet, as applicable. Zimmer, Biomet and LVB disclaim any intention or obligation to update or revise any forward-looking statements, whether as a result of new information, future events or otherwise, except as may be set forth in the companies' respective periodic reports. Readers of this communication are cautioned not to place undue reliance on these forward-looking statements since, while management believes the assumptions on which the forward-looking statements are based are reasonable, there can be no assurance that these forward-looking statements will prove to be accurate. This cautionary statement is applicable to all forward-looking statements contained in this communication.

#### Additional Information and Where to Find It

Zimmer will file with the SEC a registration statement on Form S-4, in which a consent solicitation statement will be included as a prospectus, and other documents in connection with the proposed acquisition of LVB. The consent solicitation statement/prospectus will be sent to the stockholders of LVB. INVESTORS AND SECURITYHOLDERS OF LVB ARE URGED TO READ the consent solicitation/prospectus, AND ANY OTHER FILINGS THAT MAY BE MADE WITH THE SEC IN CONNECTION WITH THE MERGER WHEN THEY BECOME AVAILABLE, AS THEY WILL CONTAIN IMPORTANT INFORMATION ABOUT THE MERGER. The registration statement and consent solicitation statement/prospectus and other documents which will be filed by Zimmer with the SEC, when filed, will be available free of charge at the SEC's website at www.sec.gov, or from Zimmer at www.zimmer.com. Such documents are not currently available. You may also read and copy any reports, statements and other information filed by Zimmer, LVB and Biomet with the SEC at the

SEC public reference room at 100 F Street N.E., Room 1580, Washington, D.C. 20549. Please call the SEC at (800) 732-0330 or visit the SEC's website for further information on its public reference room. Certain executive officers and directors of LVB have interests in the proposed transaction that may differ from the interests of stockholders generally, including benefits conferred under retention, severance and change in control arrangements and continuation of director and officer insurance and indemnification. This communication shall not constitute an offer to sell or the solicitation of an offer to buy any securities, nor shall there be any sale of securities in any jurisdiction in which such offer, solicitation or sale would be unlawful prior to appropriate registration or qualification under the securities laws of such jurisdiction. No offering of securities shall be made except by means of a prospectus meeting the requirements of Section 10 of the Securities Act of 1933, as amended.

# Combination Creates Leading Innovator in the Musculoskeletal Industry

April 24, 2014

**David Dvorak**President and Chief Executive Officer

Jim Crines
EVP, Finance, and Chief Financial Officer



## **Cautionary Statement Regarding Forward-Looking Statements**

This communication contains forward-looking statements within the meaning of the safe harbor provisions of the Private Securities Litigation Reform Act of 1995 Forward-looking statements may be identified by the use of forward-looking terms such as "may," "will," "expects," "believes," "anticipates," "plans," "estimates "projects," "assumes," "guides," "targets," "forecasts," and "seeks" or the negative of such terms or other variations on such terms or comparable terminology. Such forward-looking statements include, but are not limited to, statements about the benefits of the proposed merger between Zimmer and LVB Acquisition, Inc. ("LVB"), the parent company of Biomet, including future financial and operating results, the combined company's plans, objectives, expectations and intentions, the expected timing of completion of the transaction and other statements that are not historical facts. Such statements are based upon the current beliefs and expectations of Zimmer's management and are subject to significant risks and uncertainties that could cause actual outcomes and results to differ materially These risks and uncertainties include, but are not limited to: the possibility that the anticipated synergies and other benefits from the proposed merger of Zimmer and LVB will not be realized, or will not be realized within the expected time periods; the inability to obtain regulatory approvals of the merger (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 the transaction may not be satisfied on a timely basis or at all; the risk that the proposed transaction fails to close for any other reason; the risks and uncertainties related to Zimmer's ability to successfully integrate the operations, products and employees of Zimmer and Biomet, the effect of the potential disruption of management's attention from ongoing business operations due to the pending merger; 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; risks relating to the value of the Zimmer shares to be issued in the transaction; access to available financing (including financing for the acquisition or refinancing of Zimmer's or Biomet's debt) on a timely basis and on reasonable terms; the outcome of any legal proceedings related to the proposed merger; the risks and uncertainties normally incidental to the orthopaedic industry, including price and product competition; the success of the companies 'quality and operational excellence initiatives; changes in customer demand for Zimmer's or Biomet's products and services caused by demographic changes or other factors; the impact of healthcare reform measures, including the impact of the U.S. excise tax on medical devices; reductions in reimbursement levels by third-party payors and cost containment efforts of healthcare purchasing organizations; dependence on new product development, technological advances and innovation; shifts in the product category or regional sales mix of Zimmer's or Biomet's products and services; supply and prices of raw materials and products; control of costs and expenses; the ability to obtain and maintain adequate intellectual property protection; the ability to form and implement alliances; challenges relating to changes in and compliance with governmental laws and regulations, including regulations of the U.S. Food and Drug Administration (the "FDA") and foreign government regulators, such as more stringent requirements for regulatory clearance of products; the ability to remediate matters identified in any inspectional observations or warning letters issued by the FDA; changes in tax obligations arising from tax reform measures or examinations by tax authorities; product liability and intellectual property litigation losses; the ability to retain the independent agents and distributors who market Zimmer's and Biomet's products; dependence on a limited number of suppliers for key raw materials and outsourced activities; changes in general industry and market conditions, including domestic and international growth rates and general domestic and international economic conditions, including interest rate and currency exchange rate fluctuations; and the impact of the ongoing economic uncertainty affecting countries in the Euro zone on the ability to collect accounts receivable in affected countries. For a further list and description of such risks and uncertainties, see Zimmer's periodic reports filed with the U.S. Securities and Exchange Commission (the "SEC"). Copie these filings, as well as subsequent filings, are available online at www.sec.gov, www.zimmer.com or on request from Zimmer. Zimmer disclaims any intention or obligation to update or revise any forward-looking statements, whether as a result of new information, future events or otherwise, except as may be set forth in the companies' respective periodic reports. Readers of this communication are cautioned not to place undue reliance on these forward-looking statements, since, while management believes the assumptions on which the forward-looking statements are based are reasonable, there can be no assurance that these forwardlooking statements will prove to be accurate. This cautionary statement is applicable to all forward-looking statements contained in this communication



#### Additional information and where to find it

Zimmer will file with the SEC a registration statement on Form S-4, in which a consent solicitation statement will be included as a prospectus, and other documents in connection with the proposed acquisition of LVB. The consent solicitation statement/prospectus will be sent to the stockholders of LVB. INVESTORS AND SECURITYHOLDERS OF LVB ARE URGED TO READ THE CONSENT SOLICITATION/PROSPECTUS, AND ANY OTHER FILINGS THAT MAY BE MADE WITH THE SEC IN CONNECTION WITH THE MERGER WHEN THEY BECOME AVAILABLE, AS THEY WILL CONTAIN IMPORTANT INFORMATION ABOUT THE MERGER. The registration statement and consent solicitation statement/prospectus and other documents which will be filed by Zimmer with the SEC, when filed, will be available free of charge at the SEC's website at www.sec.gov or from Zimmer at www.zimmer.com. Such documents are not currently available. You may also read and copy any reports, statements and other information filed by Zimmer, LVB and Biomet with the SEC at the SEC public reference room at 100 F Street N.E., Room 1580, Washington, D.C. 20549. Please call the SEC at (800) 732-0330 or visit the SEC's website for further information on its public reference room. Certain executive officers and directors of LVB have interests in the proposed transaction that may differ from the interests of stockholders generally, including benefits conferred under retention, severance and change in control arrangements and continuation of director and officer insurance and indemnification. This communication shall not constitute an offer to sell or the solicitation of an offer to buy any securities, nor shall there be any sale of securities in any jurisdiction in which such offer, solicitation or sale would be unlawful prior to appropriate registration or gualification under the securities laws of such jurisdiction. No offering of securities shall be made except by means of a prospectus meeting the requirements of Section 10 of the Securities Act of 1933, as amended.





# Creates leading musculoskeletal innovator to shape solutions for the evolving healthcare market



વ

# 1. Transaction overview



## **Transaction overview**

- Acquisition of Biomet for \$10.35 billion in cash and aggregate amount of Zimmer shares valued at ~\$3.0 billion(1)
- Biomet shareholders to own approximately 16% of combined company at closing
- Leverage of approximately 3.7x total debt / Adjusted EBITDA (4.0x excluding synergies) at closing
  - Fully committed financing structure in place
- Closing expected in the first quarter of 2015 (subject to regulatory approvals)

Financial figures and statistics presented on a Pro Forma basis.

Zimmer to issue fixed number of shares valued at \$91.73 per share (the 5 day volume weighted average price immediately preceding the signing of the merger agreement)



# 2. Strategic rationale



#### Biomet fits Zimmer's value creation framework



#### **Growth:**

- Increases competitiveness in core franchises
- Enhances revenue diversification by creating critical mass in faster growing and adjacent businesses
- Expands innovation capabilities
- Strengthens presence in emerging markets

#### **Operational Excellence:**

Achieve approximately \$270mm in revenue and operating synergies by 2017

Source of funding for growth

Opportunity to accelerate business model innovation

Drive advanced manufacturing capabilities and streamline logistics

#### **Capital Allocation:**

**Meets ROIC targets** 

Combined cash flow from operations of more than 1.5x Zimmer stand-alone

Focus free cash flow on debt repayment and dividend

Potential for cash flow improvement through streamlined capital spending and working capital efficiencies

Driving operating margin expansion through scale



## Comprehensive portfolio of solutions and commitment to innovation

- Establish broader portfolio of musculoskeletal products, technologies and services
- Combine shared heritage of engineering excellence and material science expertise
- Accelerate pipeline of clinically relevant solutions that address unmet needs
- Partner with providers, patients and payers to improve outcomes in a cost effective manner



Shaping how solutions are developed and delivered in the rapidly evolving healthcare industry



# Musculoskeletal diversification and scalable platforms

- Enhance competitive offering in Knees and Hips
- Enhance critical mass in faster growing Sports Medicine, Extremities and Trauma categories
- Establish scalable platforms in Surgical, Spine and Dental
- Accelerate business model innovation with advanced manufacturing and streamlined logistics



a

# Global distribution channels and cross-selling opportunities

- Combine customer focused sales forces with comprehensive global reach
- Leverage complementary sales channels to achieve cross-selling opportunities
- Capitalize on enhanced scale to drive increased focus on surgeon specialties
- Transform go-to-market capabilities to address the needs of consolidating delivery networks



# Enhances Zimmer stockholder value

- More diversified and predictable revenues
- Significant cash flow generation
- Anticipated double-digit accretion to adjusted earnings
- Deal ROIC expected to exceed WACC by the end of year three
- Enterprise ROIC expected to exceed WACC in year one

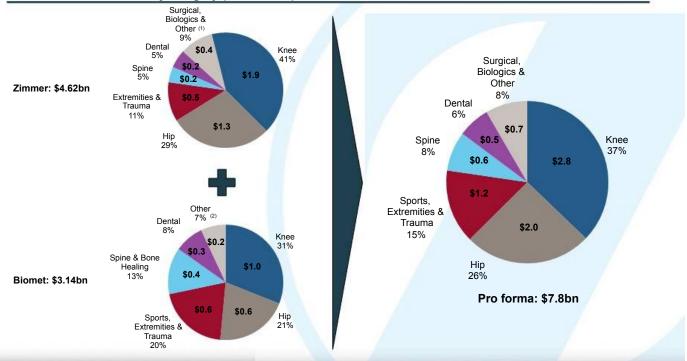


3. Combined portfolio



# Combination creates leading innovator in the musculoskeletal industry

#### 2013 revenue breakdown by category (\$ in billions)



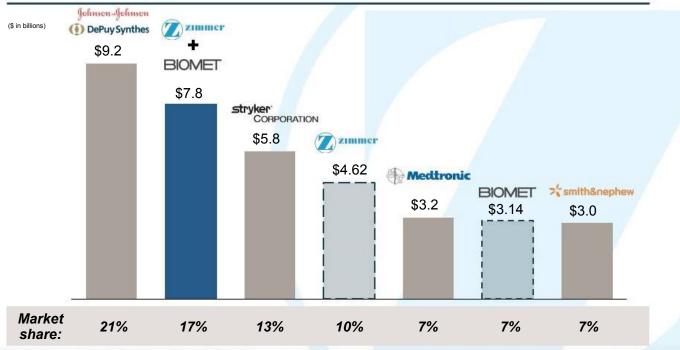
Zimmer Surgical, Biologics & Other includes surgical, bone cement and tourniquet products.

Biomet Other includes Biologics, cardiothoracic solutions, neurosurgical solutions, operating room supplies, casting materials, general surgical instruments, wound care products and other surgical products.



# Combination creates leading pure-play musculoskeletal company

Top musculoskeletal players - 2013 revenue and market share



Source: Zimmer management and company filings.

Note: Numbers represent revenue estimate and market share in \$45bn musculoskeletal industry



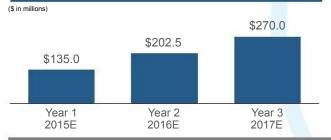
4. Synergies and integration



## Overview of anticipated synergies

- Expect to achieve \$270 million of net annual operating earnings synergies by the third year post-closing
  - Consistent with other precedent medical device mergers
- Costs to achieve synergies estimated at 1.5x run-rate synergies in aggregate split over two years (\$405 million in aggregate)





#### **Key action items**

- Reduce manufacturing lead time
- Strategic sourcing
- Streamline redundancies
- Natural attrition

Expect to achieve majority of synergies through disciplined expense management, advanced manufacturing and streamlined logistics



# Integration approach: driving value creation

- Maintain focus on execution of existing business, continuity of customer support and development efforts
- Define go-forward operating style (i.e., retain entrepreneurial and team culture)
- Leverage co-located operations to drive rapid collaboration
- Focus on retaining talent from both Zimmer and Biomet
- Joint steering team with representatives from both Zimmer and Biomet
- Experienced set of commercial and functional integration teams





# 5. Conclusion



18

# Summary

- Strengthens the Company's competitiveness in \$45 billion musculoskeletal market
- Delivers a comprehensive portfolio of innovative solutions with expanded cross-selling opportunities
- Enhances musculoskeletal diversification with strong scalable platforms in faster growing Sports Medicine, Extremities and Trauma categories
- Provides significant operating efficiencies that benefit all constituents and address evolving market demands
- Bolsters cash flow in support of debt repayment and dividends
- Leverages experienced management team with track record of successful execution and integration

Highly aligned with Zimmer value creation framework focus on growth, operational excellence and prudent capital allocation



# **Questions & Answers**



20



April 24, 2014

To All Zimmer Employees:

Today is an exciting day for Zimmer!

In addition to reporting solid first quarter earnings, we also announced a milestone agreement to combine with Biomet in a transaction valued at approximately \$13.35 billion. This compelling combination creates a leading innovator in the musculoskeletal industry, while cementing Warsaw, Indiana as the musculoskeletal innovation capital of the world.

Bringing together Zimmer and Biomet will be a major win for all of our healthcare stakeholders. We are combining two companies with complementary portfolios of solutions and proven innovation capabilities, supported by leading global sales teams and a highly skilled manufacturing force. Through this merger, we will underscore our commitment to support healthcare providers and their patients with a broader range of personalized solutions, superior technology and new innovations that enhance clinical outcomes and improve quality of life.

The attached news release outlines the many benefits of the transaction in more detail. In addition, I have attached a list of Frequently Asked Questions that I hope will address some of your immediate questions.

This transaction is in large part about growth. Both Zimmer and Biomet have proven teams of talented and experienced employees and sales representatives who have strong Customer relationships, and we expect that there will be additional opportunities for employees and sales representatives of both companies as part of a larger, more diversified global organization. Together, we expect to have the necessary scale and resources to compete more effectively in the rapidly evolving global healthcare marketplace. Zimmer and Biomet also expect to be able to support long-term growth by leveraging highly complementary sales channels in major markets to achieve cross-selling opportunities, while bolstering all of our business franchises in emerging international markets.

We expect to close the transaction in the first quarter of 2015 following the regulatory approval process. Until then, Zimmer and Biomet will remain separate companies and it is business as usual. In the coming weeks, we will be forming teams to assist with the planning of our integration, and it is our objective to draw upon the best talent from both companies to lead the way in our continued innovation.

Upon completion of the transaction, I will be President and Chief Executive Officer of the combined company. Zimmer and Biomet have highly recognizable and well-respected names, and following the closing, the combined company will conduct business under a consolidated name that will leverage the strengths of both brands. We will continue to operate out of Warsaw and will maintain regional offices and facilities around the world.

Importantly, Zimmer has a history of successfully integrating companies both large and small. Our team knows what it takes and is committed to treating all of our employees and sales representatives with respect and dignity throughout the integration process. We fully expect a seamless transition following the closing of the transaction.

#### First Quarter 2014 Financial Results

In conjunction with the announcement of our combination, we also reported first quarter 2014 financial results. Together, we delivered another solid quarter, driven by innovative new product offerings, and we reaffirmed our sales guidance for the full year 2014. The Company reported first quarter net sales of \$1.161 million, an increase of 3.2% constant currency over the first quarter of 2013. Adjusted diluted earnings per share for the quarter were \$1.50, an increase of 6.4% over the prior year period. Your commitment to innovate and improve is driving us ahead and is also what has allowed us to take this next transformational step in our Company's growth.

We expect today's announcement will lead to increased interest in Zimmer from the media and our investors, and it is important we speak with one voice on this matter. If anyone from the investment community or media contacts you, please forward all inquiries to Jim Gill at <u>james.gill@zimmer.com</u> or (574) 371-1984. Investor inquiries should be forwarded to Bob Marshall at <u>robert.marshall@zimmer.com</u> or (574) 371-8042.

Over the next few months, I will be holding Town Hall Meetings across the global organization to discuss our integration plans as well as the progress we have made on our culture-shaping journey. If you have additional questions, please feel free to email them to <a href="mailto:ComingTogether@zimmer.com">ComingTogether@zimmer.com</a> and we will do our best to answer them in a timely manner. We look forward to keeping you updated on our progress, and thank you for your continued focus and dedication.

Sincerely,

David

### **Cautionary Statement Regarding Forward-Looking Statements**

This communication contains forward-looking statements within the meaning of the safe harbor provisions of the Private Securities Litigation Reform Act of 1995. Forward-looking statements may be identified by the use of forward-looking terms such as "may," "will," "expects," "believes," "anticipates," "plans," "estimates," "projects," "assumes," "guides," "targets," "forecasts," and "seeks" or the negative of such terms or other variations on such terms or comparable terminology. Such forward-looking statements include, but are not limited to, statements about the benefits of the proposed merger between Zimmer and LVB Acquisition, Inc. ("LVB"), the parent company of Biomet, including future financial and operating results, the combined company's plans, objectives, expectations and intentions, the expected timing of completion of the transaction and other statements that are not historical facts. Such statements are based upon the current beliefs and expectations of Zimmer's management and are subject to significant risks and uncertainties that could cause actual outcomes and results to differ materially. These risks and uncertainties include, but are not limited to: the possibility that the anticipated synergies and other benefits from the proposed merger of Zimmer and LVB will not be realized, or will not be realized within the expected time periods; the inability to obtain regulatory approvals of the merger (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 the transaction may not be satisfied on a timely basis or at all; the risk that the proposed transaction fails to close for any other reason; the risks and uncertainties related to Zimmer's ability to successfully integrate the operations, products and employees of Zimmer and Biomet; the effect of the potential disruption of management's attention from ongoing business operations due to the pending merger; 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; risks relating to the value of the Zimmer shares to be issued in the transaction; access to available financing (including financing for the acquisition or refinancing of Zimmer's or Biomet's debt) on a timely basis and on reasonable terms; the outcome of any legal proceedings related to the proposed merger; the risks and uncertainties normally incidental to the orthopaedic industry, including price and product competition; the success of the companies' quality and operational excellence initiatives; changes in customer demand for Zimmer's or Biomet's products and services caused by demographic changes or other factors; the impact of healthcare reform measures, including the impact of the U.S. excise tax on medical devices; reductions in reimbursement levels by third-party payors and cost containment efforts of healthcare purchasing organizations; dependence on new product development, technological advances and innovation; shifts in the product category or regional sales mix of Zimmer's or Biomet's products and services; supply and prices of raw materials and products; control of costs and expenses; the ability to obtain and maintain adequate intellectual property protection; the ability to form and implement alliances; challenges relating to changes in and compliance with governmental laws and regulations, including regulations of the U.S. Food and Drug Administration (the "FDA") and foreign government regulators, such as more stringent requirements for regulatory clearance of products; the ability to remediate matters identified in any inspectional observations or warning letters issued by the FDA; changes in tax obligations arising from tax reform measures or examinations by tax authorities; product liability and intellectual property litigation losses; the ability to retain the independent agents and distributors who market Zimmer's and Biomet's products; dependence on a limited number of suppliers for key raw materials and outsourced activities; changes in general industry and market conditions, including domestic and international growth rates and general domestic and international economic conditions, including interest rate and currency exchange rate fluctuations; and the impact of the ongoing economic uncertainty affecting countries in the Euro zone on the ability to collect accounts receivable in affected countries. For a further list and description of such risks and uncertainties, see Zimmer's periodic reports filed with the U.S. Securities and Exchange Commission (the "SEC"). Copies of these filings, as well as subsequent filings, are available online at www.sec.gov, www.zimmer.com or on request from Zimmer. Zimmer disclaims any intention or obligation to update or revise any forward-looking statements, whether as a result of new information, future events or otherwise, except as may be set forth in the companies' respective periodic reports. Readers of this communication are cautioned not to place undue reliance on these forwardlooking statements, since, while management believes the assumptions on which the forward-looking statements are based are reasonable, there can be no assurance that these forward-looking statements will prove to be accurate. This cautionary statement is applicable to all forward-looking statements contained in this communication.

#### Additional Information and Where to Find It

Zimmer will file with the SEC a registration statement on Form S-4, in which a consent solicitation statement will be included as a prospectus, and other documents in connection with the proposed acquisition of LVB. The consent solicitation statement/prospectus will be sent to the stockholders of LVB. INVESTORS AND SECURITYHOLDERS OF LVB ARE URGED TO READ THE CONSENT SOLICITATION/PROSPECTUS, AND ANY OTHER FILINGS THAT MAY BE MADE WITH THE SEC IN CONNECTION WITH THE MERGER WHEN THEY BECOME AVAILABLE, AS THEY WILL CONTAIN IMPORTANT INFORMATION ABOUT THE MERGER. The registration statement and consent solicitation statement/prospectus and other documents which will be filed by Zimmer with the SEC, when filed, will be available free of charge at the SEC's website at www.sec.gov or from Zimmer at www.zimmer.com. Such documents are not currently available. You may also read and copy any reports, statements and other information filed by Zimmer, LVB and Biomet with the SEC at the SEC public reference room at 100 F Street N.E., Room 1580, Washington, D.C. 20549. Please call the SEC at (800) 732-0330 or visit the SEC's website for further information on its public reference room. Certain executive officers

and directors of LVB have interests in the proposed transaction that may differ from the interests of stockholders generally, including benefits conferred under retention, severance and change in control arrangements and continuation of director and officer insurance and indemnification. This communication shall not constitute an offer to sell or the solicitation of an offer to buy any securities, nor shall there be any sale of securities in any jurisdiction in which such offer, solicitation or sale would be unlawful prior to appropriate registration or qualification under the securities laws of such jurisdiction. No offering of securities shall be made except by means of a prospectus meeting the requirements of Section 10 of the Securities Act of 1933, as amended.



# **Biomet Combination: Employee FAQ**

## 1. What was announced today?

Zimmer has announced an agreement to combine with Biomet in a cash and stock transaction valued at approximately \$13.35 billion, including the assumption of net debt.

This combination will create a leading musculoskeletal innovator to shape solutions for the evolving healthcare industry. We believe that bringing together Zimmer and Biomet will be a major win for all of our healthcare stakeholders.

We expect the transaction to close in the first quarter of 2015. Until then, we remain an independent company and it is business as usual.

#### 2. Who is Biomet?

Biomet is privately owned and one of the largest and most respected medical device companies in the world, with core competencies in large joint reconstruction (Knees and Hips) and a meaningful presence in other emerging businesses, including: Sports Medicine, Extremities & Trauma; Spine, Bone Healing and Microfixation; Dental; and Cement, Biologics and Other.

Biomet is known for excellence in product engineering, innovation and Customer service. We believe it is the ideal complement to Zimmer.

Biomet's website <u>www.biomet.com</u> is a great place to learn more about the company and its mission, management team, latest news and more.

## 3. Why is Zimmer combining with Biomet? How does this fit into Zimmer's strategy?

This is a milestone combination that will position the combined company as a pure-play leader in the \$45 billion musculoskeletal industry.

We expect that this transaction will accelerate Zimmer's pace of innovation, as well as our efforts to provide integrated services and new solutions that address the needs of our Customers. Our commitment to high-quality manufacturing also will not change.

Through this combination, we believe that we will enhance our ability to innovate and improve, while underscoring our commitment to support healthcare providers and their patients with superior technology and new innovations that enhance clinical outcomes and improve quality of life.

The combination will enhance enterprise diversification with strong franchises in the Knee, Hip, Surgical, Spine and Dental categories, as well as in the faster-growing Sports Medicine, Extremities and Trauma categories.

We are excited to take this strategic, transformational step in our Company's growth.

# 4. After the transaction closes, where will the combined company be headquartered? What will it be called? Who will lead it?

The combined company will continue to operate out of Warsaw and we will maintain regional offices and facilities around the world. We are proud to cement Warsaw as the musculoskeletal innovation capital of the world, and we remain committed to the community.

David Dvorak will continue to lead the organization as President and CEO.

Zimmer and Biomet have highly recognizable and well respected names, and following the closing, the combined company will conduct business under a consolidated name that will leverage the strengths of both brands.

Many other important decisions will be made as the integration planning commences in earnest in the coming weeks. Stay tuned for updates throughout the process.

## 5. When is the transaction expected to close?

Following the necessary regulatory approval process, we expect to complete the transaction in the first quarter of 2015. Until then, we remain an independent company and it is business as usual.

### 6. What can employees expect in the interim?

We expect that today's announcement will have no impact on day-to-day operations. Until the transaction is completed, it will be business as usual at Zimmer.

In the coming weeks, we will be forming teams to assist with the planning of our integration.

We will continue to communicate developments regarding the transaction as we move through the process.

# 7. What are plans to integrate the two companies?

Both companies have talented teams and a similar history and culture of excellence. While it is premature to discuss specifics, in the coming weeks we are establishing an integration-planning team that will begin working to address how we can best utilize each other's strengths and bring our companies together.

Zimmer has a track record of successfully integrating acquisitions both large and small, including the major integration of Centerpulse, as well as the integrations of Implex, ORTHOsoft, Dornoch, Normed, Knee Creations, SoPlus and Synvasive.

Our team knows what it takes to plan and execute integrations well, and is committed to treating all of our employees and sales representatives with respect and dignity throughout the integration process. We fully expect this will be a seamless transition upon the closing of the transaction.

# 8. What happens to each company's sales force? Labor force?

While it's premature to speculate about those specifics now, both companies recognize the importance of a strong sales team and skilled labor force.

We believe that the combined company will have an industry-leading global sales and service organization, and we will take the appropriate steps to ensure that our Customers continue to receive the superior levels of service that they have come to expect from both of our companies.

We will also preserve a long-term commitment to our combined skilled labor force, which is critical to the production of our platforms and systems. Our expertise in device manufacturing is critical to our success.

We believe that this transaction will provide an even broader range of personalized solutions that benefit our Customers.

Through this combination, we will have greater sales and distribution capabilities, allowing us to strengthen our relationships with our Customers and partners, both in major markets and in smaller emerging markets.

## 9. Will there be any layoffs as a result of the transaction?

This transaction is in large part about growth. Our businesses are highly complementary and there are strong teams at both companies.

While there may be some overlap at the corporate level, we will primarily look to address our combined workforce through natural attrition. Overall, we expect there will be exciting opportunities for employees and sales representatives of both companies as part of a larger, more diversified global organization.

In the course of the integration-planning work, decisions will be made concerning organizational structure and design for the combined company. As decisions are made, we will continue to communicate with you.

Until the transaction is completed, we remain an independent company, and it will be business as usual at Zimmer.

### 10. Should Zimmer employees expect any changes to benefits and compensation?

Until the transaction closes, we will remain an independent company and there will be no changes to benefits and compensation plans.

While today's announcement is an important milestone, there are many decisions left to be made. Details on benefits will be provided as transition plans are finalized.

# 11. Will there be new opportunities in terms of jobs and relocation? Will I be asked to relocate? Will I have the opportunity to relocate?

While today's announcement is an important milestone, there are many decisions left to be made.

Both Zimmer and Biomet have proven teams of talented and experienced employees, and sales representatives with strong Customer relationships. We expect there will be exciting opportunities for employees and sales representatives of both companies as part of a larger, more diversified global organization.

Together, we believe that we will have the scale and resources to become an even stronger leader in the rapidly evolving global healthcare industry.

### 12. How will the transaction affect our relationship with surgeons, providers and patients?

Prior to the closing of the transaction, our Customers and partners will experience no changes in their interactions with our Zimmer team. We expect a seamless transition for all of our healthcare stakeholders after the transaction closes.

Among the many benefits for healthcare providers, the combined company's broader portfolio of innovative solutions is expected to help its sales force to be more effective in all geographies, increasing its ability to help physicians and healthcare systems improve patient outcomes in a cost-effective manner.

As part of the integration process, we will be evaluating the best ways to leverage the combined strengths of Zimmer and Biomet to meet the needs of the evolving healthcare environment.

# 13. How will the transaction affect our relationship with payers?

There will be no change in how we work with payers prior to the closing of the transaction.

After the transaction closes, we expect that payers will benefit from Zimmer's position as a cost-effective supplier that is better able to offer data-driven solutions.

## 14. How will the transaction affect our relationship with our suppliers?

Again, it is business as usual for Zimmer and our suppliers until the transaction closes.

We value our relationship with our suppliers. As part of the integration process, we will be evaluating the best ways to leverage the combined organization.

#### 15. What do I do if I' m asked about the transaction?

We expect that today's announcement will lead to increased interest in Zimmer from the media and our investors, and it is extremely important that we speak with one voice on this matter. Please forward all media inquiries to Jim Gill at <a href="mailto:james.gill@zimmer.com">james.gill@zimmer.com</a> or (574) 371-1984. Investor inquiries should be forward to Bob Marshall at robert.marshall@zimmer.com or (574) 371-8042.

#### 16. Where can employees obtain additional information?

If you have additional questions, please feel free to direct them to ComingTogether@zimmer.com.

### **Cautionary Statement Regarding Forward-Looking Statements**

This communication contains forward-looking statements within the meaning of the safe harbor provisions of the Private Securities Litigation Reform Act of 1995. Forward-looking statements may be identified by the use of forward-looking terms such as "may," "will," "expects," "believes," "anticipates," "plans," "estimates," "projects," "assumes," "guides," "targets," "forecasts," and "seeks" or the negative of such terms or other variations on such terms or comparable terminology. Such forward-looking statements include, but are not limited to, statements about the benefits of the proposed merger between Zimmer and LVB Acquisition, Inc. ("LVB"), the parent company of Biomet, including future financial and operating results, the combined company's plans, objectives, expectations and intentions, the expected timing of completion of the transaction and other statements that are not historical facts. Such statements are based upon the current beliefs and expectations of Zimmer's management and are subject to significant risks and uncertainties that could cause actual outcomes and results to differ materially. These risks and uncertainties include, but are not limited to: the possibility that the anticipated synergies and other benefits from the proposed merger of Zimmer and LVB will not be realized, or will not be realized within the expected time periods; the inability to obtain regulatory approvals of the merger (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 the transaction may not be satisfied on a timely basis or at all; the risk that the proposed transaction fails to close for any other reason; the risks and uncertainties related to Zimmer's ability to successfully integrate the operations, products and employees of Zimmer and Biomet; the effect of the potential disruption of management's attention from ongoing business operations due to the pending merger; 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; risks relating to the value of the Zimmer shares to be issued in the transaction; access to available financing (including financing for the acquisition or refinancing of Zimmer's or Biomet's debt) on a timely basis and on reasonable terms; the outcome of any legal proceedings related to the proposed merger; the risks and uncertainties normally incidental to the orthopaedic industry, including price and product competition; the success of the companies' quality and operational excellence initiatives; changes in Customer demand for Zimmer's or Biomet's products and services caused by demographic changes or other factors; the impact of healthcare reform measures, including the impact of the U.S. excise tax on medical devices; reductions in reimbursement levels by third-party payors and cost containment efforts of healthcare purchasing organizations; dependence on new product development, technological advances and innovation; shifts in the product category or regional sales mix of Zimmer's or Biomet's products and services; supply and prices of raw materials and products; control of costs and expenses; the ability to obtain and maintain adequate intellectual property protection; the ability to form and implement alliances; challenges relating to changes in and compliance with governmental laws and regulations, including regulations of the U.S. Food and Drug Administration (the "FDA") and foreign government regulators, such as more stringent requirements for regulatory clearance of products; the ability to remediate matters identified in any inspectional observations or warning letters issued by the FDA; changes in tax obligations arising from tax reform measures or examinations by tax authorities; product liability and intellectual property litigation losses; the ability to retain the independent agents and distributors who market Zimmer's and Biomet's products; dependence on a limited number of suppliers for key raw materials and outsourced activities; changes in general industry and market conditions, including domestic and international growth rates and general domestic and international economic conditions, including interest rate and currency exchange rate fluctuations; and the impact of the ongoing economic uncertainty affecting countries in the Euro zone on the ability to collect accounts receivable in affected countries. For a further list and description of such risks and uncertainties, see Zimmer's periodic reports filed with the U.S. Securities and Exchange Commission (the "SEC"). Copies of these filings, as well as subsequent filings, are available online at www.sec.gov, www.zimmer.com or on request from Zimmer. Zimmer disclaims any intention or obligation to update or revise any forward-looking statements, whether as a result of new information, future events or otherwise, except as may be set forth in the companies' respective periodic reports. Readers of this communication are cautioned not to place undue reliance on these forwardlooking statements, since, while management believes the assumptions on which the forward-looking statements are based are reasonable, there can be no assurance that these forward-looking statements will prove to be accurate. This cautionary statement is applicable to all forward-looking statements contained in this communication.

#### Additional Information and Where to Find It

Zimmer will file with the SEC a registration statement on Form S-4, in which a consent solicitation statement will be included as a prospectus, and other documents in connection with the proposed acquisition of LVB. The consent solicitation statement/prospectus will be sent to the stockholders of LVB. INVESTORS AND SECURITYHOLDERS OF LVB ARE URGED TO READ THE CONSENT SOLICITATION/PROSPECTUS, AND ANY OTHER FILINGS THAT MAY BE MADE WITH THE SEC IN CONNECTION WITH THE MERGER WHEN THEY BECOME AVAILABLE, AS THEY WILL CONTAIN IMPORTANT INFORMATION ABOUT THE MERGER. The registration statement and consent solicitation statement/prospectus and other documents which will be filed by Zimmer with the SEC, when filed, will be available free of charge at the SEC's website at www.sec.gov or from Zimmer at www.zimmer.com. Such documents are not currently available. You may also read and copy any reports, statements and other information filed by Zimmer, LVB and Biomet with the SEC at the SEC public reference room at 100 F Street N.E., Room 1580, Washington, D.C. 20549. Please call the SEC at (800) 732-0330 or visit the SEC's website for further information on its public reference room. Certain executive officers

and directors of LVB have interests in the proposed transaction that may differ from the interests of stockholders generally, including benefits conferred under retention, severance and change in control arrangements and continuation of director and officer insurance and indemnification. This communication shall not constitute an offer to sell or the solicitation of an offer to buy any securities, nor shall there be any sale of securities in any jurisdiction in which such offer, solicitation or sale would be unlawful prior to appropriate registration or qualification under the securities laws of such jurisdiction. No offering of securities shall be made except by means of a prospectus meeting the requirements of Section 10 of the Securities Act of 1933, as amended.