BIOMET INC
Form 10-Q
April 10, 2013
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UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-Q

(Mark One)

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

For the quarterly period ended February 28, 2013.

OR

¨ 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 000-54505

Commission File Number 001-15601

LVB ACQUISITION, INC.
BIOMET, INC.
(Exact name of registrant as specified in its charter)

Delaware Indiana	26-0499682 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)

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 þ No ¨

BIOMET, INC. Yes þ No ¨

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, 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 þ No ¨

BIOMET, INC. Yes þ No ¨

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	¨
Non-accelerated filer	þ	Smaller reporting company	¨

BIOMET, INC.

Large accelerated filer	¨	Accelerated filer	¨
Non-accelerated filer	þ	Smaller reporting company	¨

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act).

LVB ACQUISITION, INC. Yes ¨ No þ

BIOMET, INC. Yes ¨ No þ

The number of shares of the registrants' common stock outstanding as of March 31, 2013:

LVB ACQUISITION, INC. 552,361,916 shares of common stock

BIOMET, INC. 1,000 shares of common stock

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PART I. FINANCIAL INFORMATION

Explanatory Note

This Form 10-Q is a combined quarterly report being filed separately by two registrants: LVB Acquisition, Inc. (“LVB”) and Biomet, Inc. Unless the context indicates otherwise, any reference in this report to the “Company,” “we,” “us” and “our” refer to LVB, Biomet, Inc. and their subsidiaries. Each registrant hereto is filing on its own behalf all of the information contained in this quarterly 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.

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Item 1. Condensed Consolidated Financial Statements.
LVB Acquisition, Inc. and Subsidiaries Condensed Consolidated Balance Sheets
(in millions, except shares)

	(Unaudited) February 28, 2013	May 31, 2012
Assets		
Current assets:		
Cash and cash equivalents	$217.4	$492.4
Accounts receivable, less allowance for doubtful accounts receivables of $36.0 ($36.5 at May 31, 2012)	545.9	491.6
Investments	—	2.5
Income tax receivable	4.4	5.0
Inventories	643.3	543.2
Deferred income taxes	62.1	52.5
Prepaid expenses and other	129.9	124.1
Total current assets	1,603.0	1,711.3
Property, plant and equipment, net	679.4	593.6
Investments	22.1	13.9
Intangible assets, net	3,662.4	3,930.4
Goodwill	3,927.5	4,114.4
Other assets	107.3	56.8
Total assets	$10,001.7	$10,420.4
Liabilities & Shareholders' Equity		
Current liabilities:		
Current portion of long-term debt	$34.5	$35.6
Accounts payable	87.2	116.2
Accrued interest	43.9	56.5
Accrued wages and commissions	130.4	122.0
Other accrued expenses	189.0	180.2
Total current liabilities	485.0	510.5
Long-term liabilities:		
Long-term debt, net of current portion	5,943.9	5,792.2
Deferred income taxes	1,100.9	1,257.8
Other long-term liabilities	205.9	177.8
Total liabilities	7,735.7	7,738.3
Commitments and contingencies		
Shareholders' equity:		
Common stock, par value $0.01 per share; 740,000,000 shares authorized; 552,361,916 and 552,308,376 shares issued and outstanding	5.5	5.5
Contributed and additional paid-in capital	5,656.0	5,623.3
Accumulated deficit	(3,471.7)	(3,069.6)
Accumulated other comprehensive income	76.2	122.9
Total shareholders' equity	2,266.0	2,682.1
Total liabilities and shareholders' equity	$10,001.7	$10,420.4

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

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LVB Acquisition, Inc. and Subsidiaries Condensed Consolidated Statements of Operations and Comprehensive Income (Loss)
(in millions)

	(Unaudited) For the Three Months Ended		(Unaudited) For the Nine Months Ended	
	February 28, 2013	February 29, 2012	February 28, 2013	February 29, 2012
Net sales	$771.5	$708.9	$2,269.0	$2,098.6
Cost of sales	271.9	219.7	736.0	669.9
Gross profit	499.6	489.2	1,533.0	1,428.7
Selling, general and administrative expense	293.8	268.4	886.7	800.9
Research and development expense	35.0	30.1	107.2	93.2
Amortization	74.1	82.6	230.2	250.0
Goodwill and intangible assets impairment charge	334.1	—	334.1	—
Operating income (loss)	(237.4)	108.1	(25.2)	284.6
Interest expense	88.8	117.2	310.8	363.4
Other (income) expense	10.9	(2.8)	172.4	9.3
Other expense, net	99.7	114.4	483.2	372.7
Loss before income taxes	(337.1)	(6.3)	(508.4)	(88.1)
Provision (benefit) from income taxes	(32.6)	10.2	(106.2)	(18.4)
Net loss	(304.5)	(16.5)	(402.2)	(69.7)
Other comprehensive income (loss):				
Change in unrealized holding value on available-for-sale securities, net of tax	1.5	0.2	3.6	4.4
Interest rate swap unrealized gain (loss), net of tax	6.6	(0.6)	5.9	17.4
Foreign currency related gains (losses)	(63.9)	25.8	(56.2)	(26.8)
Unrecognized actuarial gain (loss) on pension assets, net of tax	0.3	(0.1)	—	(0.3)
Other comprehensive income (loss)	(55.5)	25.3	(46.7)	(5.3)
Comprehensive income (loss)	$(360.0)	$8.8	$(448.9)	$(75.0)

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

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LVB Acquisition, Inc. and Subsidiaries Condensed Consolidated Statements of Cash Flows
(in millions)

	(Unaudited) Nine Months Ended	
	February 28, 2013	February 29, 2012(1)
Cash flows provided by (used in) operating activities:		
Net loss	$(402.2)	$(69.7)
Adjustments to reconcile net loss to net cash provided by operating activities:		
Depreciation and amortization	364.8	388.0
Amortization and write off of deferred financing costs	27.3	8.3
Stock-based compensation expense	32.3	12.2
Loss on extinguishment of debt	155.2	—
Recovery of doubtful accounts receivable	(0.4)	(2.6)
Realized gain on investments	(0.2)	(1.9)
Goodwill and intangible assets impairment charge	334.1	—
Loss on impairment of investments	—	19.3
Deferred income taxes	(165.4)	(120.7)
Other	5.9	(1.6)
Changes in operating assets and liabilities, net of acquired assets:		
Accounts receivable	(53.1)	(38.4)
Inventories	(33.6)	9.6
Prepaid expenses	(7.9)	(1.2)
Accounts payable	(28.0)	(4.2)
Income taxes	5.5	19.1
Accrued interest	(12.6)	61.7
Accrued expenses and other	52.1	13.4
Net cash provided by operating activities	273.8	291.3
Cash flows provided by (used in) investing activities:		
Proceeds from sales/maturities of investments	5.5	42.0
Purchases of investments	(6.4)	(0.3)
Net proceeds from sale of assets	14.0	13.7
Capital expenditures	(149.7)	(122.7)
Acquisitions, net of cash acquired - Trauma Acquisition	(280.0)	—
Other acquisitions, net of cash acquired	(17.2)	(14.4)
Net cash used in investing activities	(433.8)	(81.7)
Cash flows provided by (used in) financing activities:		
Debt:		
Payments under European facilities	(1.0)	(1.1)
Payments under senior secured credit facilities	(25.2)	(26.6)
Proceeds under asset based revolver	80.0	—
Payments under asset based revolver	(80.0)	—
Proceeds from senior and senior subordinated notes due 2020 and term loans	3,396.2	—
Tender/retirement of senior notes due 2017 and term loans	(3,423.0)	—
Payment of fees related to refinancing activities	(77.8)	—
Equity:		
Repurchase of LVB Acquisition, Inc. shares	(0.1)	(1.2)
Net cash used in financing activities	(130.9)	(28.9)
Effect of exchange rate changes on cash	15.9	(12.5)

Increase (decrease) in cash and cash equivalents	(275.0)	168.2
Cash and cash equivalents, beginning of period	492.4	327.8
Cash and cash equivalents, end of period	$217.4	$496.0
Supplemental disclosures of cash flow information:		
Cash paid during the period for:		
Interest	$315.5	$294.0
Income taxes	$49.0	$76.9

(1) Certain amounts have been adjusted to conform to the current presentation.

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

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Biomet, Inc. and Subsidiaries Condensed Consolidated Balance Sheets
(in millions, except shares)

	(Unaudited) February 28, 2013	May 31, 2012
Assets		
Current assets:		
Cash and cash equivalents	$217.4	$492.4
Accounts receivable, less allowance for doubtful accounts receivables of $36.0 ($36.5 at May 31, 2012)	545.9	491.6
Investments	—	2.5
Income tax receivable	4.4	5.0
Inventories	643.3	543.2
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Liabilities & Shareholder's Equity		
Current liabilities:		
Current portion of long-term debt	$34.5	$35.6
Accounts payable	87.2	116.2
Accrued interest	43.9	56.5
Accrued wages and commissions	130.4	122.0
Other accrued expenses	189.0	180.2
Total current liabilities	485.0	510.5
Long-term liabilities:		
Long-term debt, net of current portion	5,943.9	5,792.2
Deferred income taxes	1,100.9	1,257.8
Other long-term liabilities	205.9	177.8
Total liabilities	7,735.7	7,738.3
Commitments and contingencies		
Shareholder's equity:		
Common stock, without par value; 1,000 shares authorized; 1,000 shares issued and outstanding	—	—
Contributed and additional paid-in capital	5,661.5	5,628.8
Accumulated deficit	(3,471.7)	(3,069.6)
Accumulated other comprehensive income	76.2	122.9
Total shareholder's equity	2,266.0	2,682.1
Total liabilities and shareholder's equity	$10,001.7	$10,420.4

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

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Biomet, Inc. and Subsidiaries Condensed Consolidated Statements of Operations and Comprehensive Income (Loss)
(in millions)

	(Unaudited) For the Three Months Ended		(Unaudited) For the Nine Months Ended	
	February 28, 2013	February 29, 2012	February 28, 2013	February 29, 2012
Net sales	$771.5	$708.9	$2,269.0	$2,098.6
Cost of sales	271.9	219.7	736.0	669.9
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Interest expense	88.8	117.2	310.8	363.4
Other (income) expense	10.9	(2.8)	172.4	9.3
Other expense, net	99.7	114.4	483.2	372.7
Loss before income taxes	(337.1)	(6.3)	(508.4)	(88.1)
Provision (benefit) from income taxes	(32.6)	10.2	(106.2)	(18.4)
Net loss	(304.5)	(16.5)	(402.2)	(69.7)
Other comprehensive income (loss):				
Change in unrealized holding value on available-for-sale securities, net of tax	1.5	0.2	3.6	4.4
Interest rate swap unrealized gain (loss), net of tax	6.6	(0.6)	5.9	17.4
Foreign currency related gains (losses)	(63.9)	25.8	(56.2)	(26.8)
Unrecognized actuarial gain (loss) on pension assets, net of tax	0.3	(0.1)	—	(0.3)
Other comprehensive income (loss)	(55.5)	25.3	(46.7)	(5.3)
Comprehensive income (loss)	$(360.0)	$8.8	$(448.9)	$(75.0)

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

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Biomet, Inc. and Subsidiaries Condensed Consolidated Statements of Cash Flows
(in millions)

	(Unaudited) Nine Months Ended	
	February 28, 2013	February 29, 2012[1]
Cash flows provided by (used in) operating activities:		
Net loss	$(402.2)	$(69.7)
Adjustments to reconcile net loss to net cash provided by operating activities:		
Depreciation and amortization	364.8	388.0
Amortization and write off of deferred financing costs	27.3	8.3
Stock-based compensation expense	32.3	12.2
Loss on extinguishment of debt	155.2	—
Recovery of doubtful accounts receivable	(0.4)	(2.6)
Realized gain on investments	(0.2)	(1.9)
Goodwill and intangible assets impairment charge	334.1	—
Loss on impairment of investments	—	19.3
Deferred income taxes	(165.4)	(120.7)
Other	5.9	(1.6)
Changes in operating assets and liabilities, net of acquired assets:		
Accounts receivable	(53.1)	(38.4)
Inventories	(33.6)	9.6
Prepaid expenses	(7.9)	(1.2)
Accounts payable	(28.0)	(4.2)
Income taxes	5.5	19.1
Accrued interest	(12.6)	61.7
Accrued expenses and other	52.1	13.4
Net cash provided by operating activities	273.8	291.3
Cash flows provided by (used in) investing activities:		
Proceeds from sales/maturities of investments	5.5	42.0
Purchases of investments	(6.4)	(0.3)
Net proceeds from sale of assets	14.0	13.7
Capital expenditures	(149.7)	(122.7)
Acquisitions, net of cash acquired - Trauma Acquisition	(280.0)	—
Other acquisitions, net of cash acquired	(17.2)	(14.4)
Net cash used in investing activities	(433.8)	(81.7)
Cash flows provided by (used in) financing activities:		
Debt:		
Payments under European facilities	(1.0)	(1.1)
Payments under senior secured credit facilities	(25.2)	(26.6)
Proceeds under asset based revolver	80.0	—
Payments under asset based revolver	(80.0)	—
Proceeds from senior and senior subordinated notes due 2020 and term loans	3,396.2	—
Tender/retirement of senior notes due 2017 and term loans	(3,423.0)	—
Payment of fees related to refinancing activities	(77.8)	—
Equity:		
Repurchase of LVB Acquisition, Inc. shares	(0.1)	(1.2)
Net cash used in financing activities	(130.9)	(28.9)
Effect of exchange rate changes on cash	15.9	(12.5)

Increase (decrease) in cash and cash equivalents	(275.0)	168.2
Cash and cash equivalents, beginning of period	492.4	327.8
Cash and cash equivalents, end of period	$217.4	$496.0
Supplemental disclosures of cash flow information:		
Cash paid during the period for:		
Interest	$315.5	$294.0
Income taxes	$49.0	$76.9

(1) Certain amounts have been adjusted to conform to the current presentation.

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

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LVB ACQUISITION, INC.
BIOMET, INC.
Notes to Condensed Consolidated Financial Statements (Unaudited)
Note 1—Basis of Presentation.
The accompanying unaudited condensed consolidated financial statements include the accounts of LVB Acquisition, Inc. ("LVB" and "Parent") and Biomet, Inc. and its subsidiaries (individually and collectively with its subsidiaries referred to as "Biomet", and together with LVB, the "Company", "we", "us" or "our"). Biomet is a wholly owned subsidiary of LVB. LVB has no other operations beyond its ownership of Biomet. Intercompany accounts and transactions have been eliminated in consolidation.
The unaudited condensed consolidated financial statements have been prepared in accordance with U.S. generally accepted accounting principles ("GAAP") for condensed financial information, the instructions to Form 10-Q and Article 10 of Regulation S-X. As a result, they do not include all of the information and footnotes required by U.S. GAAP for complete financial statements. In the opinion of management, all adjustments (consisting of normal recurring accruals) considered necessary for a fair presentation of the financial condition, results of operations and cash flows for the periods presented have been included. Operating results for the three and nine months ended February 28, 2013 are not necessarily indicative of the results that may be expected for the fiscal year ending May 31, 2013. For further information, including the Company's significant accounting policies, refer to the audited consolidated financial statements and notes thereto included in the Company's Annual Report on Form 10-K for the fiscal year ended May 31, 2012 (the "2012 Form 10-K").
The May 31, 2012 condensed consolidated balances have been derived from the audited financial statements included in the 2012 Form 10-K.
Recent Accounting Pronouncements
Goodwill Impairment Testing—In September 2011, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("ASU") 2011-8, "Intangibles-Goodwill and Other (Topic 350): Testing Goodwill for Impairment" ("ASU 2011-8"). The new guidance is intended to simplify how entities test goodwill for impairment. It includes provisions that permit an entity to first assess qualitative factors in determining whether it is "more likely than not" that the fair value of a reporting unit is less than its carrying amount as a basis for determining whether it is necessary to perform the two-step goodwill impairment test. The more-likely-than-not threshold is defined as having a likelihood of more than 50%. The new guidance is effective for annual and interim goodwill impairment tests performed for fiscal years beginning after December 15, 2011. The changes to Topic 350 were effective for the Company beginning June 1, 2012. The adoption did not have a material impact on the Company's consolidated financial statements.

Note 2—Acquisition.
Trauma Acquisition
On May 24, 2012, DePuy Orthopaedics, Inc. accepted the Company's binding offer to purchase certain assets representing substantially all of DePuy's worldwide trauma business (the "Trauma Acquisition"), which involves researching, developing, manufacturing, marketing, distributing and selling products to treat certain bone fractures or deformities in the human body, including certain intellectual property assets, and to assume certain liabilities, for approximately $280.0 million in cash. The Company acquired the DePuy worldwide trauma business to strengthen its trauma business and to continue to build a stronger presence in the global trauma market. On June 15, 2012, the Company announced the initial closing of the transaction. During the first and second quarters of fiscal year 2013, subsequent closings in various foreign countries occurred on a staggered basis, with the final closing occurring on December 7, 2012.
The Trauma Acquisition net sales for the three and nine months ended February 28, 2013 were $59.4 million and $150.9 million, respectively.
The acquisition has been accounted for as a business combination. The preliminary purchase price was allocated to the acquired assets and liabilities based on the estimated fair value of the acquired assets at the date of acquisition. As of February 28, 2013, the Company recorded a preliminary allocation of the purchase price to acquired tangible and

identifiable intangible assets and liabilities assumed based on their fair value at the initial acquisition date. The Company is in the process of obtaining valuations of certain tangible and intangible assets and determining certain employee liabilities. The Company expects to complete the purchase price allocation in fiscal year 2013 after all valuations have been finalized.

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Note 2—Acquisition, Continued.

The preliminary purchase price allocation at February 28, 2013 consisted of the following:

(in millions)	February 28, 2013
Inventory	$98.9
Prepaid expenses and other	2.1
Instruments	29.2
Other property, plant and equipment	23.3
Liabilities assumed	(4.0)
Intangible assets	70.0
Goodwill	60.5
Preliminary purchase price	$280.0

The asset purchase agreement contains a provision requiring an adjustment to the purchase price if the amount of delivered inventory and/or instruments is more or less than the target amount of these items. No adjustments to the purchase price pursuant to this provision has been made. The results of operations of the business have been included subsequent to the respective country closing dates in the accompanying condensed consolidated financial statements. Acquisition-related costs for the three and nine months ended February 29, 2013 were $1.1 million and $10.3 million, respectively, and are recorded in cost of sales and selling, general and administrative expenses. The Company does not expect the goodwill value to be tax deductible.

The pro forma information required under Accounting Standards Codification 805 is impracticable to include due to different fiscal year ends and individual country closings.

Note 3—Inventories.

Inventories are stated at the lower of cost or market, with cost determined under the first-in, first-out method. The Company reviews inventory on hand and writes down excess and slow-moving inventory based on an assessment of future demand and historical experience. Inventories consisted of the following:

(in millions)	February 28, 2013	May 31, 2012
Raw materials	$81.9	$78.3
Work-in-process	48.1	42.4
Finished goods	513.3	422.5
Inventories, net	$643.3	$543.2

Note 4—Property, Plant and Equipment.

Property, plant and equipment are carried at cost less accumulated depreciation. Depreciation is computed using the straight-line method over the estimated useful life of the asset. Depreciation of instruments is included within cost of sales. Related maintenance and repairs are expensed as incurred.

The Company reviews property, plant and equipment for impairment whenever events or changes in circumstances indicate that the carrying value of an asset may not be recoverable. An impairment loss would be recognized when estimated undiscounted future cash flows relating to the asset, or asset group, are less than its carrying value, with the amount of the loss equal to the excess of carrying value of the asset, or asset group, over the estimated fair value.

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Note 4—Property, Plant and Equipment, Continued.
Useful lives by major product category consisted of the following:

	Useful life
Land improvements	20 years
Buildings and leasehold improvements	30 years
Machinery and equipment	5-10 years
Instruments	4 years

Property, plant and equipment consisted of the following:

(in millions)	February 28, 2013	May 31, 2012
Land and land improvements	$40.8	$40.2
Buildings and leasehold improvements	102.1	89.9
Machinery and equipment	390.4	342.3
Instruments	780.5	633.3
Construction in progress	35.9	29.1
Total property, plant and equipment	1,349.7	1,134.8
Accumulated depreciation	(670.3)	(541.2)
Total property, plant and equipment, net	$679.4	$593.6

Note 5—Investments.
At February 28, 2013, the Company's investment securities were classified as follows:

(in millions)	Amortized Cost	Unrealized Gains	Losses	Fair Value
Available-for-sale:				
Equity securities	$0.2	$0.1	$—	$0.3
Time deposit	15.9	0.1	—	16.0
Greek bonds	1.1	3.8	—	4.9
Total available-for-sale investments	$17.2	$4.0	$—	$21.2

	Amortized Cost	Realized Gains	Losses	Fair Value
Trading:				
Equity securities	$0.8	$0.1	$—	$0.9
Total trading investments	$0.8	$0.1	$—	$0.9

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Note 5—Investments, Continued.
At May 31, 2012, the Company's investment securities were classified as follows:

(in millions)	Amortized Cost	Unrealized Gains	Losses	Fair Value
Available-for-sale:				
Equity securities	$0.4	$—	$(0.2)	$0.2
Time deposit	9.5	—	—	9.5
Greek bonds	6.3	—	—	6.3
Total available-for-sale investments	$16.2	$—	$(0.2)	$16.0

	Amortized Cost	Realized Gains	Losses	Fair Value
Trading:				
Equity securities	$0.4	$—	$—	$0.4
Total trading investments	$0.4	$—	$—	$0.4

The Company recorded proceeds on the sales/maturities of investments of $5.5 million for the three and nine months ended February 28, 2013 and $8.3 million and $42.0 million for the three and nine months ended February 29, 2012, respectively. The Company purchased investments of $6.4 million during the nine months ended February 28, 2013 and $0.1 million and $0.3 million for the three and nine months ended February 29, 2012, with no purchases during the three months ended February 28, 2013.
The Company holds Greek bonds which are designated as available-for-sale securities. The bonds have maturities ranging from 1 to 30 years. As of February 28, 2013, the face value of the bonds was $11.2 million. The Company recorded realized losses of $2.8 million and $19.3 million on the Greek bonds related to other-than-temporary impairment for the three and nine months ended February 29, 2012, respectively, which is included in other (income) expense. There was no other-than-temporary impairment for the three and nine months ended February 28, 2013 as fair value was higher than cost.

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Note 6—Goodwill and Other Intangible Assets.
The balance of goodwill as of February 28, 2013 and May 31, 2012 was $3,927.5 million and $4,114.4 million, respectively. The change in goodwill is primarily related to the impairment charge described below and foreign currency fluctuations partially offset by the goodwill recorded related to the Trauma Acquisition, which is described in Note 2 – Acquisition.
The Company operates in one reportable segment and evaluates goodwill for impairment at the reporting unit level. The reporting units are based on the Company's current administrative organizational structure and the availability of discrete financial information.
During the third quarter of fiscal year 2013, the Company recorded a $334.1 million goodwill and definite and indefinite-lived intangible assets impairment charge related to its Dental Reconstructive reporting unit, primarily due to declining industry market growth rates in certain European and Asia Pacific markets and corresponding unfavorable margin trends.
The impairment charge was a result of the finalization of our preliminary impairment work as of November 30, 2012.

The Company used the income approach, specifically the discounted cash flow method, to determine the fair value of the Dental Reconstructive reporting unit and the associated amount of the impairment charges. This approach calculates fair value by estimating the after-tax cash flows attributable to a reporting unit and then discounting these after-tax cash flows to a present value using a risk-adjusted discount rate. This methodology is consistent with how the Company estimates the fair value of its reporting units during its annual goodwill and indefinite lived intangible asset impairment tests. In applying the income approach to calculate the fair value of the Dental Reconstructive reporting unit, the Company used assumptions about future revenue contributions and cost structures. The application of the income approach for both goodwill and intangibles requires judgment in determining a risk-adjusted discount rate at the reporting unit level. The Company based this determination on estimates of the weighted-average costs of capital of market participants. The Company performed a peer company analysis and considered the industry weighted-average return on debt and equity from a market participant perspective.
To calculate the amount of the impairment charge related to the Dental Reconstructive reporting unit, the Company allocated the reporting unit's fair value to all of its assets and liabilities, including certain unrecognized intangible assets, in order to determine the implied fair value of goodwill. This allocation process required judgment and the use of additional valuation assumptions in deriving the individual fair values of the Company's Dental Reconstructive reporting unit's assets and liabilities as if the reporting units had been acquired in a business combination.
The Company determined the fair value of intangible assets using an income based approach to determine the fair value. The approach calculated the fair value by estimating the after-tax cash flows attributable to the asset and then discounting these after-tax cash flows to a present value using a risk-adjusted discount rate. The calculated fair value was compared to the carrying value to determine if any impairment existed.
The Company performs its annual assessment for impairment as of March 31 for all reporting units, or on an interim basis if an event occurs or circumstances change that would more likely than not reduce the fair value of a reporting unit below its carrying amount. The estimates and assumptions underlying the fair value calculations used in the Company's annual impairment tests are uncertain by their nature and can vary significantly from actual results. Factors that management must estimate include, but are not limited to, industry and market conditions, sales volume and pricing, raw material costs, capital expenditures, working capital changes, cost of capital, and tax rates. These factors are especially difficult to predict when global financial markets are volatile. The estimates and assumptions used in its impairment tests are consistent with those the Company uses in its internal planning. These estimates and assumptions may change from period to period. If the Company uses different estimates and assumptions in the future, impairment charges may occur and could be material.
The Company has identified a total of three reporting units with a material amount of goodwill that are at a higher risk of potential failure of step one of the goodwill impairment test in the future. These reporting units include its U.S. Reconstructive reporting unit ($2,973.4 million of goodwill), its International reporting unit ($523.5 million of goodwill) and its Europe reporting unit ($299.4 million). The level of excess fair value over carrying value for these higher risk reporting units were each less than 10% for the latest step one impairment test.

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Note 6—Goodwill and Other Intangible Assets, Continued.

The Company uses an accelerated method for amortizing customer relationship intangibles, as the value for those relationships is greater at the beginning of their life. The accelerated method was calculated using historical customer attrition rates. The remaining finite-lived intangibles are amortized on a straight line basis. The decrease in the net intangible asset balance is primarily due to the impairment charge described below and amortization, partially offset by the intangibles recorded related to the Trauma Acquisition, which is described in Note 2 – Acquisition.

The following table summarizes the changes in the carrying amount of goodwill:

(in millions)	February 28, 2013
Beginning of period	$4,114.4
Goodwill acquired	62.0
Currency translation	(15.9)
Impairment charge	(233.0)
End of Period	$3,927.5

Intangible assets consisted of the following at February 28, 2013 and May 31, 2012:

(in millions)	February 28, 2013					
	Gross Carrying Amount	Impairment Charge	New Carrying Amount	Accumulated Amortization	Impairment Charge	Net Carrying Amount
Core technology	$1,699.9	$(39.0)	$1,660.9	$(451.2)	$4.1	$1,213.8
Completed technology	604.2	(55.2)	549.0	(240.7)	36.7	345.0
Product trade names	192.5	—	192.5	(61.3)	—	131.2
Customer relationships	2,387.5	(46.1)	2,341.4	(786.1)	9.9	1,565.2
Non-compete contracts	4.6	—	4.6	(3.8)	—	0.8
Sub-total	4,888.7	(140.3)	4,748.4	(1,543.1)	50.7	3,256.0
Corporate trade names	312.2	(11.5)	300.7	—	—	300.7
Currency translation	127.3	—	127.3	(21.6)	—	105.7
Total	$5,328.2	$(151.8)	$5,176.4	$(1,564.7)	$50.7	$3,662.4

(in millions)	May 31, 2012					
	Gross Carrying Amount	Impairment Charge	New Carrying Amount	Accumulated Amortization	Impairment Charge	Net Carrying Amount
Core technology	$1,856.1	$(185.7)	$1,670.4	$(457.7)	$74.3	$1,287.0
Completed technology	594.2	—	594.2	(206.7)	—	387.5
Product trade names	184.5	—	184.5	(52.6)	—	131.9
Customer relationships	2,666.1	(306.8)	2,359.3	(859.3)	191.6	1,691.6
Non-compete contracts	4.6	—	4.6	(3.1)	—	1.5
Sub-total	5,305.5	(492.5)	4,813.0	(1,579.4)	265.9	3,499.5
Corporate trade names	323.5	(11.3)	312.2	—	—	312.2
Currency translation	147.2	—	147.2	(28.5)	—	118.7
Total	$5,776.2	$(503.8)	$5,272.4	$(1,607.9)	$265.9	$3,930.4

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Note 6—Goodwill and Other Intangible Assets, Continued.

The weighted average useful life of the intangibles at February 28, 2013 is as follows:

	Weighted Average Useful Life
Core technology	16 years
Completed technology	10 years
Product trade names	14 years
Customer relationships	15 years
Non-compete contracts	2 years
Corporate trade names	Indefinite life

Expected amortization expense for the intangible assets stated above for the years ending May 31, 2013 through 2017 is $303.8 million, $287.0 million, $270.0 million, $262.0 million, and $257.5 million, respectively.

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Note 7—Debt.

The terms and carrying value of each debt instrument at February 28, 2013 and May 31, 2012 are set forth below:

(U.S. dollars and euros in millions)	Maturity Date	Interest Rate	Currency	February 28, 2013	May 31, 2012
Debt Instruments					
European facilities	No Maturity Date	Interest Free	EUR	€2.0	€2.8
				$2.6	$3.5
Term loan facility	March 25, 2015	LIBOR + 3.00%	USD	$104.6	$2,234.7
Term loan facility	July 25, 2017	LIBOR + 3.75%	USD	$2,122.1	$—
Term loan facility	March 25, 2015	LIBOR + 3.00%	EUR	€168.2	€835.6
				$220.1	$1,039.6
Term loan facility	July 25, 2017	LIBOR + 4.00%	EUR	€661.0	€—
				$864.9	$—
Cash flow revolving credit facility	April 25, 2017	LIBOR + 3.50%	USD	$—	$—
Cash flow revolving credit facility	April 25, 2017	LIBOR + 3.50%	USD/EUR	$—	$—
Asset-based revolving credit facility	July 25, 2017	LIBOR + 1.75%	USD	$—	$—
Asset-based revolving credit facility	July 25, 2017	LIBOR + 1.75%	EUR	€—	€—
Senior cash pay notes	October 15, 2017	10%	USD	$—	$761.0
Senior PIK toggle notes	October 15, 2017	10.375% - 11.125%	USD	$—	$771.0
Senior subordinated notes	October 15, 2017	11.625%	USD	$—	$1,015.0
Senior notes	August 1, 2020	6.500%	USD	$1,825.0	$—
Senior subordinated notes	October 1, 2020	6.500%	USD	$800.0	$—
Premium on notes				$39.1	$3.0
Total debt				$5,978.4	$5,827.8

The Company has the option to choose the frequency with which it resets and pays interest on its term loans. The Company currently pays interest on the majority of its term loans and interest rate swaps each month. The remaining term loan and swap interest is paid quarterly. Interest on the 6.500% senior notes due 2020 is paid semiannually in February and August. Interest on the 6.500% senior subordinated notes due 2020 is paid semiannually in April and October.

The Company currently elects to use 1-month LIBOR for setting the interest rates on 55% of its U.S. dollar-denominated and 95% of its euro-denominated term loans. The 1-month LIBOR rate for the majority of the U.S. dollar-denominated term loan as of February 28, 2013 was 0.20%. The majority of the euro-denominated term loan had a 1-month LIBOR rate of 0.06% as of February 28, 2013. The 3-month LIBOR rate for the U.S. dollar-denominated term loan was 0.31% as of February 28, 2013 and the 3-month LIBOR rate for the euro-denominated term loan was 0.12% as of February 28, 2013. The Company’s term loan facilities require payments each year in an amount equal to (x) 0.25% of the product of (i) the aggregate principal amount of all euro-denominated term loans and dollar-denominated term loans outstanding under the original credit agreement on the closing date multiplied by (ii) a fraction, the numerator of which is the aggregate principal amount of euro-denominated term B loans and dollar-denominated term B loans outstanding on August 2, 2012 (after giving effect to certain conversions to occur on or after August 2, 2012 pursuant to the amended and restated credit agreement) and the denominator of which is the aggregate principal amount of all outstanding term loans on August 2, 2012 and (y) 0.25% of the aggregate principal amount of all outstanding euro-denominated term B-1 loans and dollar-denominated term B-1 loans, in each case in equal calendar quarterly installments until maturity of the loan and after giving effect to the application of any prepayments. Through February 28, 2013, the total amount of required payments under the Company's term loan facilities was $25.2 million. The cash flow and asset-based revolving credit facilities and the notes do not have terms for mandatory principal paydowns. To calculate the U.S. dollar equivalent on outstanding balances, the Company used a currency conversion rate of 1 euro to $1.3084 and $1.2441, which represents the currency exchange rate from euros to U.S. dollars on February 28, 2013 and May 31, 2012, respectively.

The Company's revolving borrowing base available under all debt facilities at February 28, 2013 was $795.5 million, which is net of the borrowing base limitations relating to the asset-based revolving credit facility.

Note 7—Debt, Continued.
As of February 28, 2013, $12.4 million of financing fees related to the Company's credit agreement remain in long-term assets and continue to be amortized through interest expense over the remaining life of the credit agreement. Additionally, $70.7 million of new financing fees related to the refinancing referenced below are also in long-term assets and will be amortized through interest expense over the remaining lives of the new debt instruments.

Each of Biomet, Inc.'s existing wholly owned domestic subsidiaries fully, unconditionally, jointly, and severally guarantee the 6.500% senior notes due 2020 on a senior unsecured basis and the 6.500% senior subordinated notes due 2020 on a senior subordinated unsecured basis, in each case to the extent such subsidiaries guarantee Biomet, Inc.'s senior secured credit facilities. LVB Acquisition, Inc. is neither an issuer nor guarantor of the notes described within this footnote.

Notes Offerings and Concurrent Tender Offers

On August 8, 2012, Biomet completed its offering of $1,000.0 million aggregate principal amount of new 6.500% senior notes due 2020. Biomet used the net proceeds of that offering to fund a tender offer for any and all of its outstanding $10^{3}/_{8}\%$ / $11^{1}/_{8}\%$ senior PIK toggle notes due 2017 ("Senior Toggle Notes") including related fees and expenses, to redeem the remaining Senior Toggle Notes not tendered in the tender offer and to redeem $140.0 million aggregate principal amount of the $11^{5}/_{8}\%$ senior subordinated notes due 2017 ("$11^{5}/_{8}\%$ Senior Subordinated Notes"). Approximately 70% of the Senior Toggle Notes were tendered in August 2012. The remaining Senior Toggle Notes and $140.0 million aggregate principal amount of the $11^{5}/_{8}\%$ Senior Subordinated Notes were redeemed in September 2012.

On October 2, 2012, Biomet, Inc. completed its offering of $825.0 million aggregate principal amount of 6.500% senior notes due 2020 as part of a further issuance of 6.500% senior notes due 2020. The Company used the net proceeds of this offering to fund a tender offer for any and all of its 10% senior notes due 2017 ("10% Senior Notes"), including related fees and expenses and to redeem 10% Senior Notes not accepted for purchase in such tender offer. Concurrently with this offering, Biomet also completed an offering of $800.0 million aggregate principal amount of 6.500% senior subordinated notes due 2020. Biomet used the net proceeds of the subordinated notes offering together with cash on hand, to fund a tender offer for up to $800.0 million aggregate principal amount of its $11^{5}/_{8}\%$ Senior Subordinated Notes, including related fees and expenses and to redeem $11^{5}/_{8}\%$ Senior Subordinated Notes not accepted for purchase in such tender offer, $343.4 million in aggregate principal amount, or approximately 45.12% of the 10% Senior Notes outstanding, were validly tendered and not withdrawn, and $384.2 million aggregate principal amount, or approximately 43.91% of the $11^{5}/_{8}\%$ Senior Subordinated Notes outstanding, were validly tendered and not withdrawn, in each case as of the early tender deadline of October 1, 2020. On November 1, 2012, Biomet retired all outstanding 10% Senior Notes and $11^{5}/_{8}\%$ Senior Subordinated Notes not accepted for purchase in the tender offer using cash on hand and asset-based revolver proceeds.

The Company recorded a loss on the retirement of bonds of $155.2 million during the nine months ended February 28, 2013 in other (income) expense, related to the tender/retirement of the Senior Toggle Notes, 10% Senior Notes and $11^{5}/_{8}\%$ Senior Subordinated Notes, with no loss recorded during the three months ended February 28, 2013. The Company wrote off deferred financing fees related to the tender/retirement of the Senior Toggle Notes, 10% Senior Notes and $11^{5}/_{8}\%$ Senior Subordinated Notes described above and the replacement of the existing cash flow revolvers, asset-based revolver and term loans described below of $3.4 million and $17.1 million during the three and nine months ended February 28, 2013, respectively, in other (income) expense.

Amendment and Restatement Agreement-Senior Secured Credit Facilities

On August 2, 2012, Biomet entered into an amendment and restatement agreement that amended its existing senior secured credit facilities. The amendment (i) extended the maturing of approximately $1,007.2 million of its U.S. dollar-denominated term loans and approximately €631.3 million of its euro-denominated term loans under the credit facility to July 25, 2017 and (ii) refinanced and replaced the then-existing alternative currency revolving credit commitments under the credit facility with a new class of alternative currency revolving credit commitments in an aggregate amount of $165.0 million and refinanced and replaced the then-existing U.S. dollar revolving credit commitments under the credit facility with a new class of U.S. dollar-denominated revolving credit commitments in an aggregate amount of $165.0 million. The new revolving credit commitments will mature on April 25, 2017, except that if as of December 23, 2014, there is an outstanding aggregate principal amount of non-extended U.S. dollar and euro term loans in excess of $200.0 million, then such revolving credit commitments will mature on December 24, 2014. The remaining term loans of the lenders under the senior secured credit facilities who did not elect to extend such loans will continue to mature on March 25, 2015.

Note 7—Debt, Continued.

Joinder Agreement

On October 4, 2012, LVB, Biomet and certain subsidiaries of Biomet entered into a joinder agreement (the "Joinder") with Bank of America, N.A., as Administrative Agent, Swing Line Lender and L/C Issuer, each lender from time to time party thereto and each of the other parties identified as an "Extending Term Lender." The Joinder was entered into pursuant to that certain Credit Agreement, dated as of September 25, 2007, as amended and restated by that certain Amendment and Restatement Agreement dated as of August 2, 2012 (the "Amendment"), by and among Biomet, LVB, certain subsidiaries of Biomet, Bank of America, N.A. and each lender from time to time party thereto. The Amendment, among other things, provides Biomet with the ability to request an extension of the scheduled maturity dates of its existing term loans in one or more series of tranches.

By entering into the Joinder, the joining lenders have agreed to extend the maturity of (i) approximately $392.7 million of Biomet's U.S. dollar-denominated term loans and (ii) approximately €32.9 million of Biomet's euro-denominated term loans, to July 25, 2017. The term loans extended pursuant to the Joinder are on terms identical to the terms loans that were extended pursuant to the Amendment. The remaining term loans of the lenders who have not elected to extend their loans will continue to mature on March 25, 2015.

Refinancing of Asset-Based Revolving Credit Facility

On November 14, 2012, Biomet replaced and refinanced its asset-based revolving credit facility with a new asset-based revolving credit facility that has a U.S. tranche of up to $400.0 million and a European borrower tranche denominated in euros of up to the euro-equivalent of $100.0 million. The European borrower tranche is secured by certain foreign assets of European subsidiary borrowers and the U.S. borrowers under the U.S. tranche guarantee the obligations of any such European subsidiary borrowers (and such guarantees are secured by the current assets collateral that secures the direct obligations of such U.S. borrowers under such U.S. tranche).

Refinancing of U.S. dollar-denominated term loan

On December 27, 2012, Biomet completed a $730.0 million add-on to the extended U.S. dollar-denominated term loan. The proceeds from the add-on were used to refinance the non-extended U.S. dollar-denominated term B loan, which was net of fees associated with the add-on closing. The terms of the add-on are consistent with the terms in the Amendment and Restatement Agreement-Senior Secured Credit Facilities explanation above.

Note 8—Fair Value Measurements.

Assets and Liabilities Measured at Fair Value on a Recurring Basis

Fair value measurements are principally applied to (1) financial assets and liabilities such as marketable equity securities and debt securities, (2) investments in equity and other securities, and (3) derivative instruments consisting of interest rate swaps. These items are marked-to-market at each reporting period to fair value. The information in the following paragraphs and tables primarily addresses matters relative to these financial assets and liabilities.

- Level 1 – Inputs are quoted prices in active markets for identical assets or liabilities. The Company's Level 1 assets include money market investments and marketable equity securities.
- Level 2 – Inputs include quoted prices for similar assets or liabilities in active markets, quoted prices for identical or similar assets or liabilities in markets that are not active, and inputs (other than quoted prices) that are observable for the asset or liability, either directly or indirectly. The Company's Level 2 assets and liabilities primarily include Greek bonds, time deposits, interest rate swaps, pension plan assets (equity securities, debt securities and other) and foreign currency exchange contracts whose value is determined using a pricing model with inputs that are observable in the market or can be derived principally from or corroborated by observable market data.
- Level 3 – Inputs are unobservable for the asset or liability. The Company's Level 3 assets include other equity investments. See the section below titled Level 3 Valuation Techniques for further discussion of how the Company determines fair value for investments classified as Level 3.

Note 8—Fair Value Measurements, Continued.

The following table provides information by level for assets and liabilities that are measured at fair value on a recurring basis at February 28, 2013 and May 31, 2012:

(in millions)	Fair Value at February 28, 2013	Fair Value Measurements Using Inputs Considered as Level 1	Level 2	Level 3
Assets:				
Money market funds	$122.4	$122.4	$—	$—
Time deposits	16.0	—	16.0	—
Greek bonds	4.9	—	4.9	—
Pension plan assets	128.4	—	128.4	—
Foreign currency exchange contracts	0.2	—	0.2	—
Other	0.3	0.2	—	0.1
Total assets	$272.2	$122.6	$149.5	$0.1
Liabilities:				
Interest rate swaps	$66.6	$—	$66.6	$—
Foreign currency exchange contracts	1.5	—	1.5	—
Total liabilities	$68.1	$—	$68.1	$—

(in millions)	Fair Value at May 31, 2012	Fair Value Measurements Using Inputs Considered as Level 1	Level 2	Level 3
Assets:				
Money market funds	$303.1	$303.1	$—	$—
Time deposits	36.3	—	36.3	—
Greek bonds	6.3	—	6.3	—
Pension plan assets	108.7	—	108.7	—
Foreign currency exchange contracts	0.2	—	0.2	—
Other	0.2	—	—	0.2
Total assets	$454.8	$303.1	$151.5	$0.2
Liabilities:				
Interest rate swaps	$76.2	$—	$76.2	$—
Foreign currency exchange contracts	0.2	—	0.2	—
Total liabilities	$76.4	$—	$76.4	$—

Level 3 Valuation Techniques

Financial assets are considered Level 3 when their fair values are determined using pricing models, discounted cash flow methodologies or similar techniques and at least one significant model assumption or input is unobservable. Level 3 financial assets also include certain investment securities for which there is limited market activity where the determination of fair value requires significant judgment or estimation. Level 3 investment securities primarily include other equity investments for which there was a decrease in the observation of market pricing. As of February 28, 2013 and May 31, 2012, these securities were valued primarily using internal cash flow valuation that incorporates transaction details such as contractual terms, maturity, timing and amount of future cash flows, as well as assumptions about liquidity and credit valuation adjustments of marketplace participants.

Note 8—Fair Value Measurements, Continued.

The estimated fair value of the Company's long-term debt, including the current portion, at February 28, 2013 was $6,073.5 million, compared to a carrying value of $5,978.4 million. The fair value of the Company's traded debt was estimated using quoted market prices for the same or similar instruments. The fair value of the Company's variable rate term debt was estimated using the carrying value as this debt has rates which approximate market interest rates. In determining the fair values and carrying values, the Company considers the terms of the related debt and excludes the impacts of debt discounts and interest rate swaps.

Assets and Liabilities that are Measured at Fair Value on a Nonrecurring Basis

During the three and nine months ended February 28, 2013, the Company measured nonfinancial long-lived assets and liabilities at fair value in conjunction with the impairment of the dental reporting unit. The Company used the income approach to measure the fair value of the reporting unit and related intangible assets. See Note 6 for a full description of key assumptions. The inputs used in the impairment fair value analysis fall within Level 3 due to the significant unobservable inputs used to determine fair value. During the three and nine months ended February 29, 2012, the Company had no significant measurements of assets or liabilities at fair value on a nonrecurring basis subsequent to their initial recognition.

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Note 9—Derivative Instruments and Hedging Activities.

The Company is exposed to certain market risks relating to its ongoing business operations, including foreign currency risk, interest rate risk and commodity price risk. The Company currently manages foreign currency risk and interest rate risk through the use of derivatives.

Derivatives Designated as Hedging Instruments

Foreign Currency Instruments—Certain assets, liabilities and forecasted transactions are exposed to foreign currency risk, primarily the fluctuation of the U.S. dollar against the euro. The Company has hedged a portion of its net investment in its European subsidiaries with the issuance of a €875.0 million (approximately $1,207.4 million at September 25, 2007) principal amount euro term loan on September 25, 2007. The Company's net investment in its European subsidiaries at the hedging date of September 25, 2007 was €1,238.0 million ($1,690.0 million). As of February 28, 2013, the Company's net investment in European subsidiaries totaled €1,918.2 million ($2,487.3 million) and the outstanding principal balance of the euro term loan was €829.2 million ($1,085.0 million). The difference of €1,089.0 million ($1,402.3 million) is unhedged as of February 28, 2013. Hedge effectiveness is tested quarterly to determine whether hedge treatment is still appropriate. The Company tests effectiveness on this net investment hedge by determining if the net investment in its European subsidiaries is greater than the outstanding euro-denominated debt balance. Any amount of a derivative instrument designated as a hedge determined to be ineffective is recorded as other (income) expense.

Interest Rate Instruments—The Company uses interest rate swap agreements (cash flow hedges) in both U.S. dollars and euros as a means of fixing the interest rate on portions of its floating-rate debt instruments. As of February 28, 2013, the Company had a swap liability of $66.6 million, which consisted of $23.8 million short-term and $44.6 million long-term, partially offset by a $1.8 million credit valuation adjustment. As of May 31, 2012, the Company had a swap liability of $76.2 million, which consisted of $36.0 million short-term and $41.0 million long-term, partially offset by a $0.8 million credit valuation adjustment.

The table below summarizes existing swap agreements at February 28, 2013 and May 31, 2012:

(U.S. dollars and euros in millions)					Fair Value at February 28, 2013	Fair Value at May 31, 2012
		Notional				
Structure	Currency	Amount	Effective Date	Termination Date	Asset (Liability)	Asset (Liability)
5 years	EUR	€230.0	September 25, 2007	September 25, 2012	$ —	$ (3.5)
5 years	EUR	40.0	March 25, 2008	March 25, 2013	(0.1)	(1.4)
5 years	EUR	200.0	September 25, 2012	September 25, 2017	(11.9)	(9.5)
5 years	EUR	200.0	September 25, 2012	September 25, 2017	(11.7)	(9.3)
5 years	USD	$585.0	September 25, 2007	September 25, 2012	—	(8.9)
5 years	USD	190.0	March 25, 2008	March 25, 2013	(0.4)	(4.2)
5 years	USD	325.0	December 26, 2008	December 25, 2013	(5.4)	(9.0)
5 years	USD	195.0	September 25, 2009	September 25, 2014	(8.0)	(10.5)
2 years	USD	190.0	March 25, 2013	March 25, 2015	(2.1)	(1.0)
3 years	USD	270.0	December 27, 2013	September 25, 2016	(6.3)	(3.8)
5 years	USD	350.0	September 25, 2012	September 25, 2017	(11.3)	(8.0)
5 years	USD	350.0	September 25, 2012	September 25, 2017	(11.2)	(7.9)

Credit valuation adjustment	1.8	0.8
Total interest rate instruments	$ (66.6)	$ (76.2)

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Note 9—Derivative Instruments and Hedging Activities, Continued.

The interest rate swaps are recorded in other accrued expenses and other long-term liabilities. As a result of cash flow hedge treatment being applied, all unrealized gains and losses related to the derivative instruments are recorded in accumulated other comprehensive income (loss) and are reclassified into operations in the same period in which the hedged transaction affects earnings. Hedge effectiveness is tested quarterly to determine if hedge treatment is still appropriate. The amount of ineffectiveness was not material for any period presented. The tables below summarize the effective portion and ineffective portion of the Company's interest rate swaps for the three and nine months ended February 28, 2013 and February 29, 2012:

(in millions)	Three Months Ended		Nine Months Ended	
Derivatives in cash flow hedging relationship	February 28, 2013	February 29, 2012	February 28, 2013	February 29, 2012
Interest rate swaps:				
Amount of gain (loss) recognized in OCI	$10.7	$(0.6)	$9.5	$17.4
Amount of (gain) loss reclassified from accumulated OCI into interest expense (effective portion)	—	—	—	—
Amount (gain) loss recognized in other income (expense) (ineffective portion and amount excluded from effectiveness testing)	—	—	—	—

As of February 28, 2013, the effective interest rate, including the applicable lending margin, on 63.32% ($1,410.0 million) of the outstanding principal of the Company's U.S. dollar term loan was fixed at 5.83% through the use of interest rate swaps. The effective interest rate on 53.06% (€440.0 million) of the outstanding principal of the Company's euro term loan was fixed at 5.68% through the use of interest rate swaps. The remaining unhedged balances of the U.S. dollar and euro term loans had effective interest rates of 3.90% and 3.73%, respectively. As of February 28, 2013 and May 31, 2012, the Company's effective weighted average interest rate on all outstanding debt, including the interest rate swaps, was 6.50% and 7.80%, respectively.

Derivatives Not Designated as Hedging Instruments

Foreign Currency Instruments—The Company faces transactional currency exposures that arise when it or its foreign subsidiaries enter into transactions, primarily on an intercompany basis, denominated in currencies other than their functional currency. The Company enters into short-term forward currency exchange contracts in order to mitigate the currency exposure related to these intercompany payables and receivables arising from intercompany trade. The Company does not designate these contracts as hedges; therefore, all forward currency exchange contracts are recorded at their fair value each period, with the resulting gains and losses recorded in other (income) expense. Any foreign currency remeasurement gains or losses recognized in a period are generally offset with gains or losses on the forward currency exchange contracts. As of February 28, 2013, the fair value of the Company's derivatives not designated as hedging instruments on a gross basis were assets of $0.2 million recorded in prepaid expenses and other, and liabilities of $1.5 million recorded in other accrued expenses.

Note 10—Accumulated Other Comprehensive Income (Loss).

Other comprehensive income (loss) includes currency translation adjustments, certain derivative-related activity, changes in the value of available-for-sale investments and changes in pension assets. The Company generally deems its foreign investments to be essentially permanent in nature and does not provide for taxes on currency translation adjustments arising from translating the investment in a foreign currency to U.S. dollars. When the Company determines that a foreign investment is no longer permanent in nature, estimated taxes are provided for the related deferred tax liability (asset), if any, resulting from currency translation adjustments.

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Note 10—Accumulated Other Comprehensive Income (Loss), Continued.
Accumulated other comprehensive income (loss) and the related components are included in the table below:

(in millions)	February 28, 2013	May 31, 2012
Unrealized gain (loss) on available-for-sale securities, net of tax	$3.1	$(0.5)
Unrealized gain (loss) on interest rate swaps, net of tax	(41.4)	(47.3)
Foreign currency translation adjustments	117.5	173.7
Unrecognized actuarial gain (loss) on pension assets, net of tax	(3.0)	(3.0)
	$76.2	$122.9

Note 11—Stock-based Compensation and Stock Plans.
The Company expenses all stock-based payments to employees and non-employee distributors, including stock options, leveraged share awards and restricted stock units, based on the grant date fair value over the required award service period using the graded vesting attribution method. For awards with a performance vesting condition, the Company recognizes expense when the performance condition is considered probable to occur. Stock-based compensation expense recognized was $5.8 million and $3.5 million for the three months ended February 28, 2013 and February 29, 2012 and $32.3 million and $12.2 million for the nine months ended February 28, 2013 and February 29, 2012, respectively. The increase in the expense was related to the modification that is described below.
On July 2, 2012, LVB launched a tender offer to eligible employees to exchange all of the stock options and restricted stock units held by such employees for new stock options and restricted stock units. Following the expiration of the tender offer on July 30, 2012, LVB accepted for exchange eligible options to purchase an aggregate of 29,532,500 shares of common stock of LVB and eligible restricted stock units underlying an aggregate of 3,665,000 shares of common stock of LVB. In accordance with the terms and conditions of the tender offer, on July 31, 2012, LVB granted 29,821,500 new options and 10,795,000 new restricted stock units in exchange for the cancellation of such tendered options and restricted stock units.
The objective of the tender offer was to provide employees who elected to participate with new options and new restricted stock units, the terms of which preserve the original incentive effect of the Company’s equity incentive programs in light of market and industry-wide economic conditions. The terms of the new stock options differed in respect to the tendered options principally with respect to:

- Exercise Price—The exercise price for the new stock options was lowered to the current fair value of $7.88 per share.
- Vesting Periods—All prior options that were vested as of the completion date of the tender offer remain vested. All time-vesting options which were unvested as of the completion date of the tender offer will continue to vest on the same schedule on which they were originally granted. All unvested replacement extended time vesting options and modified performance options will vest on a schedule which is generally two years longer than the original vesting schedule, but in no case past 2017.
- Performance Vesting Threshold—The new modified performance options will vest over the new vesting period if, as of the end of the Company’s most recent fiscal year ending on or prior to such vesting date, Biomet, Inc. has achieved the EBITDA target for such fiscal year determined by the Compensation Committee of the Board of Directors of the Company on or before the ninetieth (90^{th}) day of such fiscal year and consistent with the Company’s business plan.

The terms of the new restricted stock units are different from the tendered restricted stock units with respect to the vesting schedule, performance conditions and settlement. The new restricted stock units are granted subject to either a time-based vesting or a performance-based vesting requirement. Unlike the exchanged restricted stock units, the new restricted stock units do not vest in full on May 31, 2016 regardless of satisfaction of the vesting conditions. In addition, following the termination of employment with the Company, new restricted stock units, whether vested or unvested, will be forfeited if such employee provides services to any competitor of the Company. In addition, participants holding new restricted stock units will also receive new awards called management dividend awards representing the right to receive a cash payment. Management dividend awards vest on a one-to-one basis with each new time-based restricted stock unit. Vested management dividend awards will be paid by cash distributions promptly following each anniversary of the grant date until the earlier of an initial public offering of the Company or the fifth anniversary of the grant date, subject to withholding taxes. Upon termination of employment for any reason, management dividend awards will be forfeited. The new restricted stock units were granted under the Company's 2012 Restricted Stock Unit Plan, which was adopted by LVB on July 31, 2012. The maximum number of shares of common stock, par value $0.01 per share, that may be issued under the Company's 2012 Restricted Stock Unit Plan is 14,000,000, subject to adjustment as described in the Plan.

Note 11—Stock-based Compensation and Stock Plans, Continued.

On March 27, 2013, the Compensation Committee of LVB approved and adopted an Amended LVB Acquisition, Inc. 2012 Restricted Stock Unit Plan. The amendment permits certain participants in the Plan to be eligible to elect to receive a cash award with respect to their vested time-based restricted stock units subject to certain conditions, including the satisfaction of certain Company performance thresholds with respect to adjusted EBITDA and unlevered free cash flow. To the extent the Company performance conditions have been satisfied for the applicable fiscal year, eligible participants will be entitled to elect to receive a cash award based on the fair market value of the Parent's common stock on the first day of the applicable election period, payable in three installments over a two-year period, with respect to their vested time-based restricted stock units and such vested time-based restricted stock unit will be forfeited upon such election. Payment of the cash award is subject to the participants' continued employment through the payment date (other than with respect to a termination by the Company without cause).

During the second quarter of fiscal year 2013, the distributor options were modified to lower the exercise price to the current fair value of $7.88 per share.

Note 12—Income Taxes.

The Company applies guidance issued by the FASB for uncertainty in income taxes. The Company records the liability for unrecognized tax benefits ("UTBs") as a long-term liability.

The Company conducts business globally and, as a result, certain of its subsidiaries file income tax returns in the U.S. federal jurisdiction, and various state and foreign jurisdictions. In the normal course of business, the Company is subject to examinations by taxing authorities throughout the world, including major jurisdictions such as Australia, Canada, France, Germany, Japan, the Netherlands, Spain, the United Kingdom and the United States. In addition, certain state and foreign tax returns are under examination by various regulatory authorities. The Company is no longer subject to U.S. federal income tax examinations for the fiscal years prior to and including the year ended May 31, 2008.

The Company regularly reviews issues that are raised from ongoing examinations and open tax years to evaluate the adequacy of its liabilities. As the various taxing authorities continue with their audit/examination programs, the Company will adjust its reserves accordingly to reflect these settlements. As of February 28, 2013, the Company does not anticipate a significant change in its worldwide gross liabilities for unrecognized tax benefits within the succeeding twelve months.

The Company's effective income tax rates were 9.6% and 20.9% for the three and nine months ended February 28, 2013 compared to (161.9)% and 20.9% for the three and nine months ended February 29, 2012. Primary factors in determining the effective tax rate include the mix of various jurisdictions in which profits are projected to be earned and taxed, as well as assertions regarding the expected repatriation of earnings of the Company's foreign operations. The effective tax rates for the three and nine months ended February 28, 2013 were also impacted by a non-deductible goodwill impairment charge of $233.0 million, which was treated as a non-deductible permanent difference and contributed significantly to the effective tax rate being lower than U.S. statutory tax rates. Fluctuations in effective tax rates between comparable periods also reflect the discrete tax benefit or expense of items in continuing operations that represent tax effects not attributable to current-year ordinary income. Discrete items, consisting primarily of the tax benefit associated with the reduction of net deferred tax liabilities due to the impairment of intangible assets, as well as the prospective reduction of the United Kingdom statutory corporate tax rate enacted in July 2012 and finalization of the 2011 income tax returns had the effect of increasing the effective income tax rates by 9.0% and 6.7%, respectively, in the three and nine months ended February 28, 2013. The effective income tax rates for the three and nine months ended February 29, 2012 increased by 84.4% and 18.7%, respectively, due to discrete items consisting primarily of the tax benefit associated with the reduction of net deferred tax liabilities due to the prospective reduction of corporate tax rates in Japan and the United Kingdom, restructuring-related adjustments and finalization of the 2010 income tax returns.

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Note 13—Segment Reporting.
The Company operates in one reportable segment, musculoskeletal products, which includes the designing, manufacturing and marketing of large joint reconstructive; sports, extremities and trauma ("S.E.T."); spine and bone healing; dental; and other products. Other products consist primarily of microfixation products, autologous therapies, general instruments and operating room supplies. The Company operates in various geographies. These geographic markets are comprised of the United States, Europe and International. Major markets included in the International geographic market are Canada, South America, Mexico and the Asia Pacific region.
Net sales by product category for the three and nine months ended February 28, 2013 and February 29, 2012 were as follows:

	Three Months Ended		Nine Months Ended	
(in millions)	February 28, 2013	February 29, 2012[1]	February 28, 2013	February 29, 2012[1]
Net sales by product:				
Large Joint Reconstructive	$423.9	$422.7	$1,261.1	$1,259.2
S.E.T.	161.4	94.3	440.9	263.4
Spine & Bone Healing	72.1	74.9	224.3	224.9
Dental	64.4	65.6	188.5	198.5
Other	49.7	51.4	154.2	152.6
Total	$771.5	$708.9	$2,269.0	$2,098.6

(1) Certain amounts have been adjusted to conform to the current presentation. The current presentation aligns with how the Company presently manages and markets its products.

Net sales by geography for the three and nine months ended February 28, 2013 and February 29, 2012 were as follows:

	Three Months Ended		Nine Months Ended	
(in millions)	February 28, 2013	February 29, 2012	February 28, 2013	February 29, 2012
Net sales by geography:				
United States	$472.9	$432.8	$1,395.9	$1,273.8
Europe	184.7	176.7	521.5	520.3
International[1]	113.9	99.4	351.6	304.5
Total	$771.5	$708.9	$2,269.0	$2,098.6

(1) International primarily includes Canada, South America, Mexico and the Asia Pacific region.

Long-term assets by geography as of February 28, 2013 and May 31, 2012 were as follows:

(in millions)	February 28, 2013	May 31, 2012
Long-term assets [1] by geography:		
United States	$6,388.2	$6,817.5
Europe	893.3	722.7
International	987.8	1,098.2
Total	$8,269.3	$8,638.4

(1) Defined as property, plant and equipment, intangibles and goodwill.

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Note 14—Guarantor and Non-Guarantor Financial Statements.

Each of Biomet's existing wholly owned domestic subsidiaries fully, unconditionally, jointly, and severally guarantee the senior notes on a senior unsecured basis and the senior subordinated notes on a senior subordinated unsecured basis, in each case to the extent such subsidiaries guarantee Biomet's senior secured cash flow facilities. Certain amounts reported in the prior year elimination column have been corrected to more accurately reflect the allocation of intercompany profit between the guarantor and the non-guarantor subsidiaries and to conform to the current period presentation. The Company believes such amounts are immaterial. LVB is neither an issuer nor guarantor of the notes described in Note 7.

The following financial information presents the composition of the combined guarantor subsidiaries:

CONDENSED CONSOLIDATING BALANCE SHEETS

	February 28, 2013				
(in millions)	Biomet, Inc.	Guarantors	Non-Guarantors	Eliminations	Total
Assets					
Current assets:					