BIOMET INC
Form 424B3
April 14, 2009
Table of Contents

PROSPECTUS SUPPLEMENT

(to prospectus dated May 21, 2008 and the prospectus supplements dated July 15, 2008, August 29, 2008, September 10, 2008, October 10, 2008, October 15, 2008, January 13, 2009, January 14, 2009, April 8, 2009, and April 14, 2009)

Filed Pursuant to Rule 424(b)(3)

Registration No. 333-150655

BIOMET, INC.

$775,000,000 10% Senior Notes due 2017

$775,000,000 10 3/8%/11 1/8% Senior Toggle Notes due 2017

$1,015,000,000 11 5/8% Senior Subordinated Notes due 2017

This prospectus supplement updates and supplements the prospectus dated May 21, 2007 and the prospectus supplements dated July 15, 2008, August 29, 2008, September 10, 2008, October 10, 2008, October 15, 2008, January 13, 2009, January 14, 2009, April 8, 2009, and April 14, 2009.

See Risk Factors beginning on page 15 of the prospectus and on page 28 of Form 10-Q filed on April 14, 2009 for a discussion of certain risks that you should consider before investing in the notes.

Neither the Securities and Exchange Commission nor any state securities commission has approved or disapproved of these securities or passed upon the adequacy or accuracy of this prospectus. Any representation to the contrary is a criminal offense.

This prospectus supplement and the accompanying prospectus have been prepared for and may be used by Goldman, Sachs & Co. and any affiliates of Goldman, Sachs & Co. in connection with offers and sales of the notes related to market-making transactions in the notes affected from time to time. Goldman, Sachs & Co. or its affiliates may act as principal or agent in such transactions, including as agent for the counterparty when acting as principal or as agent for both counterparties, and may receive compensation in the form of discounts and commissions, including from both counterparties, when it acts as agents for both. Such sales will be made at prevailing market prices at the time of sale, at prices related thereto or at negotiated prices. We will not receive any proceeds from such sales.

RECENT DEVELOPMENTS

We have attached to this prospectus supplement Form 10-Q of Biomet, Inc. for the period ended November 30, 2008. The attached information updates and supplements Biomet, Inc. s Prospectus dated May 21, 2007 and the prospectus supplements dated July 15, 2008, August 29, 2008, September 10, 2008, October 10, 2008, October 15, 2008, January 13, 2009, January 14, 2009, April 8, 2009, and April 14, 2009.

You should rely only on the information contained or incorporated by reference in this prospectus supplement and the accompanying prospectus. We have not authorized any person to provide you with any information or represent anything about us or this offering that is not contained in this prospectus supplement and the accompanying prospectus. If given or made, any such other information or representation should not be relied upon as having been authorized by us. This prospectus supplement and the accompanying prospectus does not offer to sell nor ask for offers to buy any of the securities in any jurisdiction where it is unlawful, where the person making the offer is not qualified to do so, or to any person who cannot legally be offered the securities. You should not assume that the

information contained or incorporated by reference in this prospectus supplement and the accompanying prospectus is accurate as of any date other than the date on the front cover of this prospectus supplement and the accompanying prospectus or the date of any document incorporated by reference herein.

The date of this prospectus supplement is April 14, 2009.

Table of Contents

UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-Q

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

For the quarterly period ended February 28, 2009

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 No. 001-15601

BIOMET, INC.

(Exact name of registrant as specified in its charter)

Indiana	**35-1418342**
(State or other jurisdiction of	***(I.R.S. Employer***
incorporation or organization)	***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)

(Former name, former address and former fiscal year, if changed since last report)

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. Yes x 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):

Large accelerated filer ¨	Accelerated filer ¨
Non-accelerated filer x (Do not check if a smaller reporting company)	Smaller reporting company ¨

Indicate by checkmark whether the registered is a shell company (as defined in Rule 12b-2 of the Act). Yes ¨ No x

As of February 28, 2009, there was no established public trading market for any of the common stock of the registrant. As of February 28, 2009, there were 1,000 shares of common stock of the registrant outstanding, 100.0% of which were owned by LVB Acquisition, Inc.

Table of Contents

			Page
Part I.	Financial Information		
	Item 1.	Financial Statements:	
		Condensed Consolidated Balance Sheets as of February 28, 2009 and May 31, 2008	1
		Condensed Consolidated Statements of Operations for the Three and Nine Months Ended February 28, 2009, Three Months Ended February 29, 2008, for the Period July 12, 2007 to February 29, 2008, and for the Period June 1, 2007 to July 11, 2007	2
		Condensed Consolidated Statements of Cash Flows for the Nine Months Ended February 28, 2009, for the Period July 12, 2007 to February 29, 2008, and for the Period June 1, 2007 to July 11, 2007	3
		Notes to Condensed Consolidated Financial Statements	4
	Item 2.	Management s Discussion and Analysis of Financial Condition and Results of Operations	22
	Item 3.	Quantitative and Qualitative Disclosures About Market Risk	32
	Item 4T.	Controls and Procedures	32
Part II.	Other Information		
	Item 1.	Legal Proceedings	34
	Item 1A.	Risk Factors	34
	Item 6.	Exhibits	34

Table of Contents

PART I. FINANCIAL INFORMATION

Item 1. Financial Statements.
Biomet, Inc. and Subsidiaries Condensed Consolidated Balance Sheets

(in millions)

	February 28, 2009 *(Unaudited)*	May 31, 2008
ASSETS		
Current assets:		
Cash and cash equivalents	$ 339.3	$ 127.6
Accounts receivable, net	490.1	486.2
Income tax receivable	19.5	48.8
Inventories	511.8	539.7
Deferred income taxes	98.4	100.7
Prepaid expenses and other	41.6	46.7
Total current assets	1,500.7	1,349.7
Property, plant and equipment, net	601.4	640.9
Investments	29.6	41.3
Intangible assets, net	5,590.9	6,208.2
Goodwill	4,689.5	5,422.8
Other assets	105.3	118.9
Total assets	$ 12,517.4	$ 13,781.8
LIABILITIES & SHAREHOLDERS EQUITY		
Current liabilities:		
Short-term borrowings	$ 86.9	$ 75.4
Accounts payable	70.2	83.7
Accrued interest	139.8	80.9
Accrued wages and commissions	55.1	79.1
Other accrued expenses	187.3	245.4
Total current liabilities	539.3	564.5
Long-term liabilities:		
Long-term debt	6,115.1	6,225.4
Deferred income taxes	1,801.9	2,112.5
Other long-term liabilities	238.6	43.1
Total liabilities	8,694.9	8,945.5
Shareholders equity:		
Additional paid-in capital	28.8	25.8
Contributed capital	5,548.2	5,521.9
Accumulated deficit	(1,542.5)	(964.2)
Accumulated other comprehensive income (loss)	(212.0)	252.8
Total shareholders equity	3,822.5	4,836.3
Total liabilities and shareholders equity	$ 12,517.4	$ 13,781.8

See notes to the condensed consolidated financial statements.

Table of Contents

Biomet, Inc. and Subsidiaries Condensed Consolidated Statements of Operations

(in millions)

	(Unaudited) Three Months Ended		(Unaudited) Nine Months Ended	(Unaudited)	
	February 28, 2009	February 29, 2008	February 28, 2009	July 12, 2007 - February 29, 2008 (Successor)	June 1 - July 11, 2007 (Predecessor)
Net sales	$ 615.0	$ 603.1	$ 1,864.8	$ 1,498.9	$ 248.8
Cost of sales	186.1	262.1	562.5	613.5	102.3
Gross margin	428.9	341.0	1,302.3	885.4	146.5
Selling, general and administrative expense	244.0	233.3	752.2	833.8	194.2
Research and development expense	20.0	23.6	66.9	58.6	34.0
In-process research and development				479.0	
Amortization	94.5	89.1	275.8	227.1	0.5
Goodwill & intangible assets impairment charge	448.5		448.5		
Operating loss	(378.1)	(5.0)	(241.1)	(713.1)	(82.2)
Interest expense, net	132.3	142.9	412.6	371.7	0.3
Other (income) expense	9.7	1.3	30.3	1.1	(0.6)
Other (income) expense, net	142.0	144.2	442.9	372.8	(0.3)
Loss before income taxes	(520.1)	(149.2)	(684.0)	(1,085.9)	(81.9)
Benefit from income taxes	(41.4)	(60.7)	(105.7)	(213.2)	(27.3)
Net loss	$ (478.7)	$ (88.5)	$ (578.3)	$ (872.7)	$ (54.6)

See notes to the condensed consolidated financial statements.

Table of Contents

Biomet, Inc. and Subsidiaries Condensed Consolidated Statements of Cash Flows

(in millions)

	(Unaudited) Nine Months Ended February 28, 2009	(Unaudited) July 12, 2007 - February 29, 2008 (Successor)	June 1 - July 11, 2007 (Predecessor)
Cash flows provided by operating activities:			
Net loss	$ (578.3)	$ (872.7)	$ (54.6)
Adjustments to reconcile net loss to net cash from operating activities:			
Depreciation and amortization	396.2	315.3	9.3
Amortization of deferred financing costs	8.5	7.4	
In-process research and development charge		479.0	
Stock based compensation expense	26.3	11.5	
Inventory step-up related to merger		160.3	
Allowance for doubtful accounts receivable	(7.4)		
Loss (gain) and impairment on investments	13.6		(7.0)
Goodwill and intangible asset impairment charge	448.5		
Provision for inventory obsolescence	0.9		
Deferred income taxes	(146.0)	(146.0)	76.7
Excess tax benefit from exercise of stock options			(3.9)
Other	3.9	(0.3)	
Changes in operating assets and liabilities, net of effects from acquisition:			
Accounts receivable	(44.6)	(8.3)	5.8
Inventories	(22.7)	(53.0)	(12.0)
Prepaid expenses	1.1	41.9	
Accounts payable	(6.9)	(11.8)	(1.6)
Accrued (refundable) income taxes	52.4	3.7	
Accrued interest	59.3	171.0	
Share-based compensation accrual related to merger			112.8
Other	(8.4)	(14.5)	(66.1)
Net cash provided by operating activities	196.4	83.5	59.4
Cash flows provided by (used in) investing activities:			
Net proceeds from investments		80.1	42.8
Capital expenditures	(127.4)	(129.4)	(22.0)
Acquisitions, net of cash acquired	(9.5)	(0.4)	(9.8)
Acquisition of Biomet, Inc.		(11,658.4)	
Net cash provided by (used in) investing activities	(136.9)	(11,708.1)	11.0
Cash flows provided by financing activities:			
Debt:			
Net proceeds under amended revolving credit agreement	22.1	9.5	0.2
Proceeds (payments) under senior secured credit facility	(26.9)	(69.0)	
Proceeds under asset based revolver	165.4		
Proceeds from long-term debt related to merger		6,270.9	
Proceeds from premium on bonds payable		6.0	
Payment of deferred financing costs		(87.1)	
Equity:			
Capital contributions	3.7	5,401.9	
Repurchase of common shares	(0.7)		(2.8)
Excess tax benefit from exercise of stock options			3.9

Gain on interest rate swap contracts		0.1	
Net cash provided by financing activities	163.6	11,532.3	1.3
Effect of exchange rate changes on cash	(11.4)	11.9	0.1
Increase (decrease) in cash and cash equivalents	211.7	(80.4)	71.8
Cash and cash equivalents, beginning of period	127.6	176.9	105.1
Cash and cash equivalents, end of period	$ 339.3	$ 96.5	$ 176.9
Supplemental disclosures of cash flow information:			
Cash paid (received) during the period for:			
Interest	$ 343.7	$ 78.0	$
Income taxes	$ (0.7)	$ 29.4	$

See notes to the condensed consolidated financial statements.

Table of Contents

Biomet, Inc. and Subsidiaries Notes to Condensed Consolidated Financial Statements (Unaudited)

Note 1 Merger.

On December 18, 2006, Biomet, Inc. (Biomet or the Company) entered into an Agreement and Plan of Merger with LVB Acquisition, LLC, a Delaware limited liability company (LVB), and LVB Acquisition Merger Sub, Inc., an Indiana corporation and a wholly-owned subsidiary of LVB (Purchaser), which agreement was amended and restated as of June 7, 2007 (the Merger Agreement). Pursuant to the Merger Agreement, on June 13, 2007, Purchaser commenced a cash tender offer (the Offer) to purchase all of Biomet s outstanding common shares, without par value. The Offer expired on July 11, 2007, with approximately 82% of the outstanding shares having been tendered to Purchaser. At a special meeting of shareholders held on September 5, 2007, more than 91% of the Company s shareholders voted to approve the proposed merger and LVB acquired the Company on September 25, 2007 through a reverse subsidiary merger with Biomet, Inc. being the surviving company of the merger (the Merger and, together with the Offer , the Transactions). LVB is controlled by a consortium of private equity funds: Blackstone Capital Partners V L.P., GS Capital Partners VI Fund, L.P., KKR 2006 Fund L.P. and Texas Pacific Group (each a Sponsor and collectively, the Sponsors). The Sponsors, along with other investors, contributed $5,387.5 million of equity in connection with the Transactions. The remaining purchase price of $6,245.4 million included various proceeds from credit facilities. The unaudited condensed consolidated financial statements should be read in conjunction with Biomet s Annual Report on Form 10-K for the fiscal year ended May 31, 2008, as amended.

The Merger was accounted for under the purchase method of accounting pursuant to Statements of Financial Accounting Standards (SFAS) No. 141, *Business Combinations*. Accordingly, the effect of the Merger has been included in the Company s condensed consolidated statement of operations subsequent to July 11, 2007 (the Merger Date), and the respective assets and liabilities have been recorded at their estimated fair values in the Company s condensed consolidated balance sheet as of the Merger Date, with the excess purchase price recorded as goodwill. As of July 12, 2007, the Successor Company began operating under a new basis of accounting for its financial statements. Because of the new basis of accounting, the Predecessor Company s historical financial information is not comparable to the Successor Company s financial information for periods after July 12, 2007. The term Successor Company refers to Biomet following its acquisition by Purchaser on July 12, 2007 and the term Predecessor Company refers to Biomet prior to its acquisition on July 12, 2007.

The Company has allocated the purchase price to the fair value of the assets and liabilities of Biomet based on estimated fair values utilizing generally accepted valuation methodologies. Both assets and liabilities were valued as of July 11, 2007 based on the excess earnings method. On July 12, 2007, 82.4% of the step-up was recorded and combined with 17.6% of the Predecessor Company. On September 25, 2007 (the Closing Date), the remaining fair value step-up of 17.6% was recorded. The additional step-up included an increase in the in-process research and development (IPRD) charge of $86.2 million, increase of the property plant and equipment fair value of $14.2 million, and an increase in the fair value of inventory of $28.2 million. Also, the Tender Facility (as defined in Note 8 below) starting on July 12, 2007 was refinanced on the Closing Date into various other credit facilities. See Note 8 Debt below for a description of those facilities. See summary below of the allocation of the total purchase price:

	(in millions)
Cash	$ 57.0
Short-term investments	126.0
Accounts receivable	494.0
Inventories	714.3
Deferred tax assets	60.6
Prepaids and other assets	134.4
Property, plant and equipment	608.0
In-process research and development	479.0
Intangible assets	6,304.5
Goodwill	5,303.0
Deferred tax liabilities	(2,184.9)
Other liabilities	(463.0)
Purchase Price	$ 11,632.9

The purchase price allocation was based on information then available to the Company, and expectations, assumptions, and valuation methodologies deemed reasonable by the Company s management. No assurance can be given, however, that the underlying assumptions used to estimate expected technology-based product revenues, development costs or profitability, or the events associated with such technology, will occur as projected. Goodwill recorded as a result of the Merger is not deductible for income tax purposes.

Note 2 Summary of Significant Accounting Policies and Nature of Operations.

General The Company is one of the largest orthopedic medical device companies in the United States and worldwide with operations and offices in over 50 locations throughout the world and distribution in approximately 90 countries. The Company designs, manufactures and markets a comprehensive range of both surgical and non-surgical products used primarily by orthopedic surgeons and other musculoskeletal medical specialists. For approximately 30 years, the Company has applied advanced engineering and manufacturing technology to the development of highly durable joint replacement systems.

Basis of Presentation The unaudited condensed consolidated financial statements include the accounts of Biomet, Inc. and its subsidiaries (individually and collectively referred to as Biomet , the Company , we , us , or our). The unaudited condensed consolidated financial statemen include all accounts of Biomet and all of its wholly-owned subsidiaries. The unaudited condensed consolidated financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America for condensed financial information. In the opinion of management, all adjustments (consisting of normal recurring accruals) considered necessary for a fair presentation have been included. The Company s results of operations for the nine months ended February 28, 2009 are not comparative to the Company s results of operations for the period June 1, 2007 to July 11, 2007 because of the new basis of accounting resulting from the Merger Date of July 11, 2007. The purchase price allocation included an IPRD charge of $479.0 million, and step-ups in fair value of inventory of $160.3 million and $80.4 million for fixed assets. The amounts were fully recorded as of the Closing Date of the Merger. Operating results for the period ended February 28, 2009 are not necessarily indicative of the results that may be expected for the fiscal year ending May 31, 2009. 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 Form 10-K for the fiscal year ended May 31, 2008, as amended.

Products The Company operates in one business segment, musculoskeletal products, which includes the design, manufacture and marketing of products in four major categories: reconstructive products, fixation devices, spinal products and other products. The Company has three reportable geographic segments: United States, Europe and International.

Table of Contents

Biomet, Inc. and Subsidiaries Notes to Condensed Consolidated Financial Statements (Unaudited) (continued)

Note 2 Summary of Significant Accounting Policies and Nature of Operations (continued).

Reconstructive Orthopedic reconstructive implants are used to replace joints that have deteriorated as a result of disease (principally osteoarthritis) or injury. Reconstructive joint surgery involves the modification of the area surrounding the affected joint and the implantation of one or more manufactured components, and may involve the use of bone cement. The Company s primary orthopedic reconstructive joints are knees, hips and shoulders, but the Company manufactures other joints as well. The Company also produces the associated instruments required by orthopedic surgeons to implant the Company s reconstructive products, as well as bone cements and cement delivery systems. In addition, dental reconstructive devices and associated instrumentation are used for oral rehabilitation through the replacement of teeth and repair of hard and soft tissues.

Fixation Fixation devices are used for setting and stabilizing damaged bones to support and/or augment the body s natural healing process. Electrical stimulation devices used in trauma indications offer implantable and non-invasive options to stimulate bone growth. Other products include internal fixation devices (such as nails, plates, screws, pins and wires used to stabilize traumatic bone injuries), external fixation devices (used to stabilize fractures when alternative methods of fixation are not suitable), craniomaxillofacial fixation systems and bone substitute materials.

Spinal The Company s spinal products include electrical stimulation devices for spinal applications, spinal fixation systems, bone substitute materials and motion preservation systems, as well as allograft services for spinal applications. These products and services are primarily marketed in the United States under the Biomet Spine trade name.

Other The Company manufactures and distributes a number of other products, including sports medicine products (used in minimally-invasive orthopedic surgical procedures), orthopedic support products (also referred to as softgoods and bracing products), operating room supplies, casting materials, general surgical instruments, wound care products and other surgical products.

Effect of Foreign Currency Assets and liabilities of foreign subsidiaries are translated at rates of exchange in effect at the close of their calendar month end. Revenues and expenses are translated at the weighted average exchange rates during the period. Translation gains and losses are accumulated within other comprehensive income (loss) as a separate component of shareholders equity. Foreign currency transaction gains and losses resulting from product transfer between subsidiaries are recorded in cost of goods sold. Other foreign currency exchange gains and losses that do not involve the movement of product are included in other income (expense), net.

Cash and Cash Equivalents The Company considers all highly liquid investments with original maturities of three months or less to be cash equivalents.

Investments The Company invests the majority of its excess cash in bank deposits and money market securities. The Company also holds municipal bonds, corporate and mortgage-backed securities, common stocks and auction-rate securities. The Company accounts for its investments in debt and equity securities under SFAS 115, *Accounting for Certain Investments in Debt and Equity Securities*, which requires certain securities to be categorized as trading, available-for-sale or held-to-maturity. The Company also accounts for its investments under SFAS 157, *Fair Value Measurements*, which establishes a framework for measuring fair value in accordance with generally accepted accounting principles, clarifies the definition of fair value within that framework, and expands disclosures about fair value measurements. Available-for-sale securities are carried at fair value with unrealized gains and losses, net of tax, recorded within other comprehensive income (loss) as a separate component of shareholders equity. Held-to-maturity securities are carried at amortized cost. The Company has no trading securities. The cost of investment securities sold is determined by the specific identification method. Dividend and interest income are accrued as earned. The Company reviews its investments quarterly for declines in fair value that are other-than-temporary. Investments that have declined in market value that are determined to be other-than-temporary are charged to other income (expense), net, by writing that investment down to fair value. Investments are classified as short-term for those expected to mature or be sold within twelve months and the remaining portion is classified in long-term investments.

Risk Management

Foreign Currency Instruments Certain assets, liabilities and forecasted transactions are exposed to foreign currency risk, primarily the fluctuation of the U.S. Dollar against European currencies. 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 also faces currency exposure that arises from translating the results of its global operations to the U.S. Dollar at exchange rates that have fluctuated from the beginning of the period. The Company has hedged a portion of its net investment in its European subsidiaries with the issuance of a 875.0 million principal amount term loan on September 25, 2007. The Company s net investment in its European subsidiaries at the hedging date of September 25, 2007 was $1,690.0 million (1,238.0 million). As of February 28, 2009, the Company s net investment in European subsidiaries totaled 1,484.0 million ($1,884.0 million) and the outstanding principal balance was 864.1 million ($1,097.0 million). The difference of 619.9 million ($787.0 million) remained unhedged. 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 ineffectiveness is recorded in the statement of operations.

Table of Contents

Biomet, Inc. and Subsidiaries Notes to Condensed Consolidated Financial Statements (Unaudited) (continued)

Note 2 Summary of Significant Accounting Policies and Nature of Operations (continued).

Interest Rate Instruments The Company has entered into 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. See the table below for existing contracts (U.S. Dollars and Euros in millions):

Structure	Currency	Notional Amount	Effective Date	Termination Date	Fair Value at February 28, 2009 Asset (Liability)
2 year	Euro	75.0	September 25, 2007	September 25, 2009	$ (1.7)
3 year	Euro	75.0	September 25, 2007	September 25, 2010	(4.2)
3 year	Euro	50.0	March 25, 2008	March 25, 2011	(2.7)
4 year	Euro	75.0	September 25, 2007	September 25, 2011	(5.9)
4 year	Euro	40.0	March 25, 2008	March 25, 2012	(2.7)
5 year	Euro	230.0	September 25, 2007	September 25, 2012	(21.7)
5 year	Euro	40.0	March 25, 2008	March 25, 2013	(3.1)
2 year	USD	$ 195.0	September 25, 2007	September 25, 2009	(4.2)
2 year	USD	150.0	March 25, 2008	March 25, 2010	(1.5)
3 year	USD	195.0	September 25, 2007	September 25, 2010	(10.3)
3 year	USD	110.0	March 25, 2008	March 25, 2011	(2.2)
4 year	USD	195.0	September 25, 2007	September 25, 2011	(16.2)
4 year	USD	140.0	March 25, 2008	March 25, 2012	(3.8)
5 year	USD	585.0	September 25, 2007	September 25, 2012	(60.4)
5 year	USD	190.0	March 25, 2008	March 25, 2013	(6.4)
5 year	USD	325.0	December 26, 2008	December 25, 2013	3.7
5 year	USD	195.0	September 25, 2009	September 25, 2014	
FAS 157 Credit Valuation Adjustment (based on net of all swaps above)					9.5
Total					$ (133.8)

The interest rate swaps were a net liability of $133.8 million at February 28, 2009 and are included 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 included in other comprehensive income and are reclassified into operations in the same period in which the hedged transaction affects earnings. Effectiveness is tested quarterly to determine if hedge treatment is still appropriate. The amount of ineffectiveness recognized in operations was not material for any period presented.

On December 1, 2008, the Company adopted SFAS 161, *Disclosures about Derivative Instruments and Hedging Activities-an Amendment of FASB Statement No. 133.* Below is the applicable disclosure associated with adoption:

Derivatives in Statement 133 Cash Flow Hedging Relationships	Amount of Gain or (Loss) Recognized in OCI on Derivative (Effective Portion) *(in millions)*	Location of Gain or (Loss) Reclassified from Accumulated OCI into Income (Effective Portion)	Amount of Gain or (Loss) Reclassified) from Accumulated OCI into Income (Effective Portion) *(in millions)*	Location of Gain or (Loss) Recognized in Income on Derivative (Ineffective Portion and Amount Excluded from Effectiveness Testing)	(Loss) Recognized in Income on Derivative (Ineffective Portion and Amount Excluded from Effectiveness Testing) *(in millions)*

	Period Ended February 28, 2009	Period Ended February 29, 2008			Period Ended February 28, 2009	Period Ended February 29, 2008
Interest rate swaps	$ (66.5)	$	Interest expense	Other income/(expense)		

As of February 28, 2009, the effective interest rate, including the applicable lending margin, on 90.2% ($2,085.0 million) of the outstanding principal of the Company s U.S. Dollar term loan was fixed at 7.02% through the use of interest rate swaps. The effective interest rate on 67.7% (585.0 million) of the outstanding principal of the Company s Euro term loan was fixed at 7.31% 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 4.46% and 5.96%, respectively. As noted in Note 8 to the unaudited condensed consolidated financial statements, the remaining debt instruments have a fixed interest rate. As of February 28, 2009, the Company s weighted average interest rate was 8.27%.

Comprehensive Income Comprehensive income includes net income, currency translation adjustments, certain derivative-related activity, changes in the value of available-for-sale investments, and changes in prior service cost from pension plans. 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 converting 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. As of February 28, 2009, foreign investments were all permanent in nature.

Table of Contents

Biomet, Inc. and Subsidiaries Notes to Condensed Consolidated Financial Statements (Unaudited) (continued)

Note 2 Summary of Significant Accounting Policies and Nature of Operations (continued).

Other comprehensive income (loss) and the related components as included in other total comprehensive income (loss) are included in the table below:

	Three Months Ended		Nine Months Ended	July 12, 2007 -	June 1, - July 11,
(in millions)	February 28, 2009	February 29, 2008	February 28, 2009	February 29, 2008 (Successor)	2007 (Predecessor)
Net loss	$ (478.7)	$ (88.5)	$ (578.3)	$ (872.7)	$ (54.6)
Other comprehensive income (loss), net of tax:					
Foreign currency translation adjustments	(28.8)	(138.9)	(402.2)	(94.7)	(6.6)
Unrealized loss on interest rate swaps	(4.3)		(66.5)		
Unrealized gain (loss) on available-for-sale securities	3.2		3.9	0.2	
Total other comprehensive income (loss), net of tax	(29.9)	(138.9)	(464.8)	(94.5)	(6.6)
Total other comprehensive loss	$ (508.6)	$ (227.4)	$ (1,043.1)	$ (967.2)	$ (61.2)

Concentrations of Credit Risk and Allowance for Doubtful Receivables The Company provides credit, in the normal course of business, to hospitals, private and governmental institutions and healthcare agencies, insurance providers, dental practices and laboratories, and physicians. The Company maintains an allowance for doubtful receivables based on estimated collection rates and charges actual losses to the allowance when incurred. The estimated collection rates require management judgment.

Other Loss Contingencies In accordance with SFAS No. 5, *Accounting for Contingencies*, the Company accrues anticipated costs of settlement, damages, loss of product liability claims based on historical experience or to the extent specific losses are probable and estimable. If the estimate of a probable loss is in a range and no amount within the range is more likely, the Company accrues the minimum amount of the range. Such estimates and any subsequent changes in estimates may result in adjustments to the Company s operating results in the future. The Company has self-insured reserves against product liability claims with insurance coverage above the retention limits. There are various other claims, lawsuits, disputes with third parties, investigations and pending actions involving various allegations against it. Product liability claims are routinely reviewed by the Company s insurance carriers and management routinely reviews all claims for purposes of establishing ultimate loss estimates.

Revenue Recognition The Company sells product through four principal channels: (1) direct to healthcare institutions, referred to as direct channel accounts, (2) through stocking distributors and healthcare dealers, (3) indirectly through insurance companies and (4) directly to dental practices and dental laboratories. Sales through the direct and distributor/dealer channels account for a majority of net sales. Through these channels, inventory is generally consigned to sales agents or customers so that products are available when needed for surgical procedures. Revenue is not recognized upon the placement of inventory into consignment as the Company retains title and maintains the inventory on the balance sheet; however, it is recognized upon implantation and receipt of proper purchase order and/or purchase requisition documentation. Pricing for products is generally predetermined by contracts with customers, agents acting on behalf of customer groups or by government regulatory bodies, depending on the market. Price discounts under group purchasing contracts are generally linked to volume of implant purchases by customer healthcare institutions within a specified group. At negotiated thresholds within a contract buying period, price discounts may increase. At certain locations the Company records a contractual allowance that is offset against revenue for each sale to a non-contracted payer so that revenue is recorded at the estimated determinable price at the time of the sale. Those non-contracted payers and insurance companies in some cases do not have contracted rates for products sold, but may have pricing available for certain products through their respective web sites. The Company will invoice at our list price and establish the contractual allowance to estimate what the non-contracted payer will settle the claim for based on the information available as noted above. At certain locations revenue is recognized on sales to stocking distributors, healthcare dealers, dental practices and dental laboratories when title to product passes to them, generally upon shipment. Certain

subsidiaries allow customers to return product in the event that the Company terminates the relationship. Under those circumstances, the Company records an estimated sales return in the period in which constructive notice of termination is given to a distributor. Product returns were not significant for any period presented.

Research and Development Research and development costs are charged to expense as incurred. IPRD is recognized in business combinations or asset acquisitions for the portion of the purchase price allocated to the appraised value of in-process technologies, defined as those technologies relating to products that have not received approval of the U.S Food and Drug Administration and have no alternative future use, consistent with SFAS 2, *Accounting for Research and Development Costs*, and Financial Accounting Standards Board Interpretation (FIN) 4, *Applicability of SFAS 2 to Business Combinations*.

Income Taxes The Company records income tax estimates in accordance with SFAS 109, *Accounting for Income Taxes*, and FIN 48, *Accounting for Uncertainty in Income Taxes an interpretation of FASB Statement 109* (FIN 48); however, there are inherent risks that could create uncertainties related to the estimates. The Company adjusts estimates based on normal operating circumstances and conclusions related to tax audits. The Company does not believe any audit finding could materially affect its financial position; however there could be a material impact on the Company s consolidated results of operations and cash flows of a given period.

Goodwill and Other Intangible Assets The Company tests its goodwill and indefinite lived intangible asset balances as of March 31 during the fourth quarter of each fiscal year for impairment. The Company tests these balances more frequently if indicators are present or changes in circumstances suggest that impairment may exist. In performing the test on goodwill and indefinite lived intangible assets, the Company utilizes the two-step approach prescribed under FASB Statement No. 142, *Goodwill and Other Intangible Assets*. The first step under SFAS 142 requires a comparison of the carrying value of the reporting units, of which we have identified 8 in total, as defined, to the fair value of these units. To derive the carrying value of the Company s reporting units, the Company assigns goodwill to the reporting units. In addition, for purposes of performing its annual goodwill and indefinite lived intangible asset impairment test, assets and liabilities, including corporate assets, which relate to a reporting unit s operations, and would be considered in determining fair value, are allocated to the individual reporting units. The Company allocates assets and liabilities not directly related to a specific reporting unit, but from which the reporting unit benefits, based primarily on the respective revenue contribution of each reporting unit. If the carrying value of a reporting unit exceeds its fair value, the Company performs the second step of the goodwill and indefinite lived intangible asset impairment test to measure the amount of impairment loss, if any.

Table of Contents

Biomet, Inc. and Subsidiaries Notes to Condensed Consolidated Financial Statements (Unaudited) (continued)

Note 2 Summary of Significant Accounting Policies and Nature of Operations (continued).

The second step of the goodwill and indefinite lived intangible asset impairment test compares the implied fair value of a reporting unit s goodwill and indefinite lived intangible assets to its carrying value. If the Company is unable to complete the second step of the test prior to the issuance of its financial statements and an impairment loss is probable and could be reasonably estimated, the Company recognizes its best estimate of the loss in its current period financial statements and discloses that the amount as an estimate. The Company then recognizes any adjustment to that estimate in subsequent reporting periods, once the Company has finalized the second step of the impairment test.

Annually or more frequently if events or circumstances change, a determination is made by management, in accordance with SFAS No. 144, *Accounting for Impairment or Disposal of Long-Lived Assets,* to ascertain whether property and equipment and certain finite-lived intangibles have been impaired based on the sum of expected future undiscounted cash flows from operating activities. If the estimated net cash flows are less than the carrying amount of such assets, an impairment loss is recognized in an amount necessary to write down the assets to fair value as determined from expected future discounted cash flows.

Management s Estimates and Assumptions In preparing the financial statements in accordance with accounting principles generally accepted in the United States of America, management must often make estimates and assumptions that affect the reported amounts of assets, liabilities, revenues, expenses and related disclosures at the date of the financial statements and during the reporting period. Some of those judgments can be subjective and complex. Consequently, actual results could differ from those estimates.

Change in Accounting Principle As of the Merger Date, the Company eliminated the one-month lag in reporting for certain subsidiaries in non-domestic locations. The elimination of the one-month lag is considered a change in accounting principle adopted in conjunction with the Merger and was applied prospectively. The effect of the elimination is not considered material to the condensed consolidated financial statements as of May 31, 2008, and for the period July 12, 2007 through February 29, 2008.

Recent Accounting Pronouncements

SFAS 141R In December 2007, the Financial Accounting Standards Board (FASB) issued SFAS 141R (revised 2007), *Business Combinations.* SFAS 141R establishes principles and requirements for how the acquirer in a business combination recognizes and measures in its financial statements, the identifiable assets acquired, the liabilities assumed and any noncontrolling interest in the acquiree at the acquisition date at fair value. SFAS 141R determines what information to disclose to enable users of the financial statements to evaluate the nature and financial effects of the business combination. SFAS 141R applies prospectively to business combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after December 15, 2008. Early adoption is not permitted. The Company is currently evaluating the effect the adoption of FAS 141R will have on its consolidated financial statements.

SFAS 157 Effective June 1, 2008, the Company adopted FASB SFAS No. 157, *Fair Value Measurements* (SFAS 157). SFAS 157 establishes a framework for measuring fair value in accordance with generally accepted accounting principles, clarifies the definition of fair value within that framework, and expands disclosures about fair value measurements. SFAS 157 applies whenever other standards require (or permit) assets or liabilities to be measured at fair value, except for the measurement of share-based payments. SFAS 157 does not expand the use of fair value in any new circumstances. On February 12, 2008, the FASB issued FASB Staff Position (FSP) FAS 157-2, *Effective Date of FASB Statement No. 157* (FSP FAS 157-2). FSP FAS 157-2 defers the implementation of SFAS 157 for certain nonfinancial assets and nonfinancial liabilities. Accordingly, the Company adopted the required provisions of SFAS 157 at the beginning of fiscal year 2009 and the remaining provisions will be adopted by the Company at the beginning of fiscal year 2010. The fiscal year 2009 adoption did not result in a material impact to the Company s financial statements (see Note 6). The Company is currently evaluating the impact of adopting the remaining parts of SFAS 157 in fiscal year 2010 in accordance with FSP FAS No. 157-2. In October 2008, the FASB issued FASB Staff Position No. 157-3, *Determining the Fair Value of a Financial Asset When the Market for That Asset is Not Active*, which clarifies the application of SFAS 157 in a market that is not active and provides an example to illustrate key considerations in determining fair value of a financial asset when the market for that financial asset is not active.

SFAS 159 In February 2007, the FASB issued SFAS 159, *Establishing the Fair Value Option for Financial Assets and Liabilities*, to permit all entities to choose to elect to measure eligible financial instruments at fair value. SFAS 159 applies to fiscal years beginning after November 15, 2007, with early adoption permitted for an entity that has also elected to apply the provisions of SFAS 157. An entity is prohibited from retrospectively applying SFAS 159, unless it chooses early adoption. On June 1, 2008 the Company did not elect the fair value option for

financial assets and liabilities held at June 1, 2008.

SFAS 160 In December 2007, the FASB issued SFAS 160, *Noncontrolling Interests in Consolidated Financial Statements an amendment of ARB 51*. SFAS 160 establishes accounting and reporting standards that require noncontrolling interests to be reported as a component of equity, changes in a parent s ownership interest while the parent retains its controlling interest be accounted for as equity transactions, and any retained noncontrolling equity investment upon the deconsolidation of a subsidiary be initially measured at fair value. This statement is effective for fiscal years, and interim periods within those fiscal years, beginning on or after December 15, 2008. Earlier adoption is prohibited. The Company does not expect the adoption of SFAS 160 to have a material impact on its consolidated financial statements.

SFAS 161 In March 2008, the FASB issued SFAS 161, *Disclosures about Derivative Instruments and Hedging Activities-an Amendment of FASB Statement No. 133*. This statement requires entities that utilize derivative instruments to provide qualitative disclosures about their objectives and strategies for using such instruments, as well as any details of credit-risk-related contingent features contained within derivatives. It also requires entities to disclose additional information about the amounts and location of derivatives located within the financial statements, how the provisions of SFAS No. 133 have been applied and the impact that hedges have on an entity s financial position, financial performance and cash flows. This statement is effective for fiscal years, and interim periods within those fiscal years, beginning after November 15, 2008. The Company adopted SFAS 161 during the current interim period ended February 28, 2009. See related disclosure above within Note 2.

SFAS 162 In May 2008, the FASB issued SFAS No. 162, *The Hierarchy of Generally Accepted Accounting Principles*. SFAS 162 identifies the sources of accounting principles and the framework for selecting the principles to be used in the preparation of financial statements of nongovernmental entities that are presented in conformity with generally accepted accounting principles in the United States of America. SFAS 162 is effective 60 days following the SEC s approval of the Public Company Accounting Oversight Board amendments to AICPA Codification of Auditing Standards, AU Section 411, *The Meaning of Present Fairly in Conformity with Generally Accepted Accounting Principles*. The Company does not expect the adoption of SFAS 162 will have a material impact on its consolidated financial statements.

FASB Staff Position No. 140-4 and FIN 46(R)-8 In December 2008, the FASB issued FASB Staff Position No. 140-4 and FIN 46(R)-8, *Disclosures by Public Entities (Enterprises) about Transfers of Financial Assets and Interests in Variable Interest Entities*. FAS 140-4 and FIN 46(R)-8 require additional disclosures about an entity s involvement with variable interest entities and transfers of financial assets. FAS 140-4 and FIN 46(R)-8 will become effective for the Company s fiscal year beginning June 1, 2009. The Company is currently evaluating the effect the adoption of FAS 140-4 and FIN 46(R)-8 will have on its consolidated financial statements.

FASB Staff Position No. 142-3 In April 2008, the FASB issued FASB Staff Position No. 142-3, *Determination of the Useful Life of Intangible Assets* (FSP142-3). FSP 142-3 amends the factors that should be considered in developing renewal or extension assumptions that are used to determine the useful life of a recognized intangible asset under FASB Statement No. 142, *Goodwill and Other Intangible Assets*, and requires enhanced related disclosures. FSP 142-3 must be applied prospectively to all intangible assets acquired as of and subsequent to fiscal years beginning after December 15, 2008. The Company is in the process of determining the impact, if any, that the adoption of FSP 142-3 will have on its consolidated financial statements.

Table of Contents

Biomet, Inc. and Subsidiaries Notes to Condensed Consolidated Financial Statements (Unaudited) (continued)

Note 2 Summary of Significant Accounting Policies and Nature of Operations (continued).

Emerging Issues Task Force (EITF) Issue No. 07-3 In June 2007, the FASB Emerging Issues Task Force issued EITF 07-3, *Accounting for Nonrefundable Advance Payments for Goods or Services Received for Use in Future Research and Development Activities*. EITF 07-3 provides guidance for entities that may make nonrefundable advance payments for goods or services that will be used in future research and development activities and whether the advance payment should be expensed when the advance payment is made or when the research and development activity has been performed. EITF 07-3 is effective for financial statements issued for fiscal years beginning after December 15, 2007. On June 1, 2008 the Company adopted EITF 07-3 and the impact was immaterial to its consolidated financial statements.

EITF Issue No. 07-1 In December 2007, the FASB issued EITF 07-1, *Accounting for Collaborative Agreements* (EITF 07-1). EITF 07-1 provides guidance regarding financial statement presentation and disclosure of collaborative arrangements, as defined, which includes arrangements the Company has entered into regarding development and commercialization of products. EITF 07-1 is effective for the Company as of March 1, 2009. The Company has not yet completed its evaluation of EITF 07-1, but does not currently believe that adoption will have a material impact on its consolidated financial statements.

Note 3 Inventories.

Inventories are stated at 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, 2009	May 31, 2008
Raw materials	$ 87.2	$ 89.6
Work-in-process	53.4	57.9
Finished goods	141.4	155.9
Consigned distributor	229.8	236.3
Inventories	$ 511.8	$ 539.7

Note 4 Property, Plant and Equipment.

Property, plant and equipment are carried at cost less accumulated depreciation. Depreciation is computed by the straight-line method over the estimated useful lives of 3 to 30 years. Related maintenance and repairs are expensed as incurred. In accordance with SFAS 144, *Accounting for the Impairment or Disposal of Long-Lived Assets*, 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 are less than its carrying amount, with the amount of the loss equal to the excess of carrying cost of the asset over fair value. Depreciation on instruments is included within cost of sales. Property, plant and equipment consisted of the following:

(in millions)	February 28, 2009	May 31, 2008
Land and land improvements	$ 45.2	$ 49.3
Buildings and leasehold improvements	119.7	125.5
Machinery and equipment	230.3	246.6
Instruments	307.3	323.9
Construction in progress	30.5	13.5
Total property, plant and equipment	733.0	758.8

Accumulated depreciation	(131.6)	(117.9)
Total property, plant and equipment, net	$ 601.4	$ 640.9

Note 5 Investments.

At February 28, 2009, the Company s investment securities were classified as follows:

(in millions)	Amortized Cost	Unrealized Gains	Unrealized Losses	Fair Value
Available-for-sale:				
Debt securities	$ 30.1	$	$ (4.0)	$ 26.1
Equity securities	0.7			0.7
Mortgage-backed securities	0.7		(0.1)	0.6
Total available-for-sale	31.5		(4.1)	27.4
Held-to-maturity:				
Debt securities	1.5			1.5
Total held-to-maturity	1.5			1.5
Certificates of deposit	0.7			0.7
Total	$ 33.7	$	$ (4.1)	$ 29.6

Table of Contents

At May 31, 2008, the Company s investment securities were classified as follows:

(in millions)	Amortized	Unrealized Gains	Unrealized Losses	Fair Value
Available-for-sale:				
Debt securities	$ 36.3	$	$ (3.8)	$ 32.5
Equity securities	0.7	0.1		0.8
Mortgage-backed securities	5.9		(0.1)	5.8
Total available-for-sale	42.9	0.1	(3.9)	39.1
Held-to-maturity:				
Debt securities	1.5			1.5
Total held-to-maturity	1.5			1.5
Certificates of deposit	0.7			0.7
Total	$ 45.1	$ 0.1	$ (3.9)	$ 41.3

The net proceeds from sales of available-for-sale securities were $1.8 million, $87.4 million and $42.8 million for the three months ended February 29, 2008, for the period July 12, 2007 through February 29, 2008, and for the period June 1, 2007 through July 11, 2007, respectively. There were no sales or purchases of available-for-sale securities for the three and nine months ended February 28, 2009. There were no sales of held-to-maturity securities for any period presented. The cost of marketable securities sold is determined by the specific identification method. For the period June 1, 2007 through July 11, 2007, net realized gains on sales of available-for-sale securities were $0.1 million. There were no net realized gains and (losses) on sales for available-for-sale securities for the three and nine months ended February 28, 2009, for the three months ended February 29, 2008, or for the period July 12, 2007 through February 29, 2008.

As of February 28, 2009, the Company held auction-rate securities of $24.6 million. They are AAA rated securities with long-term nominal maturities secured by student loans, which are guaranteed by the U.S. Government. Each of these securities was subject to auction processes for which there were insufficient bidders on the scheduled rollover dates. The Company will not be able to liquidate any of its remaining auction-rate securities until a future auction is successful, a buyer is found outside of the auction process (a secondary market develops), a broker/dealer buys them back, or the notes are redeemed. These auction-rate securities have been classified as long-term available-for-sale securities as of February 28, 2009 because of the inability to predict when the market will stabilize. A significant portion of these auction-rate securities are held by the Company s captive insurance company as part of required capital. The securities continue to earn and be paid interest at the maximum contractual rate. The Company has evaluated these securities for temporary or other-than-temporary impairment at February 28, 2009. In doing so, the Company has considered a variety of factors, including intent, liquidity factors, ability to generate alternative cash, other broker pricing, and internally-generated fair value analysis. The Company has concluded that due to the continued illiquidity of the auction-rate market, the impairment is now other-than-temporary. As a result, a $9.4 million loss has been recorded in other (income) expense, which consists of $3.2 million and $2.2 million of unrealized losses previously recorded in other comprehensive income as of May 31, 2008 and November 30, 2008, respectively, and $4.0 million that occurred during the fiscal quarter ended February 28, 2009.

The Company reviews its impairments in accordance with SFAS 115, *Accounting for Certain Investments in Debt and Equity Securities*, Staff Accounting Bulletin Topic 5M, *Miscellaneous Accounting and Financial Accounting Standards Board Staff Position*, SFAS 115-1 and 124-1, *The Meaning of Other-Than-Temporary Impairment and Its Application to Certain Investments*, to determine if impairment is temporary or other-than-temporary. The Company reviews several factors to determine whether losses are other-than-temporary, including but not limited to (1) the length of time each security was in an unrealized loss position, (2) the extent to which fair value was less than cost, (3) the financial condition and near-term prospects of the issuer or insurer, and (4) the Company s intent and ability to hold each security for a period of time sufficient to allow for any anticipated recovery in fair value.

Note 6 Fair Value Measurements.

As discussed in Note 2, the Company adopted SFAS 157 effective June 1, 2008, with respect to fair value measurements of (a) nonfinancial assets and liabilities that are recognized or disclosed at fair value in the Company s financial statements on a recurring basis (at least annually) and (b) all financial assets and liabilities. SFAS 157 clarifies the definition of fair value, establishes a framework for measuring fair value, and expands the disclosures on fair value measurements.

Under SFAS 157, fair value is defined as the exit price, or the amount that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants as of the measurement date. SFAS 157 also establishes a hierarchy for inputs used in measuring fair value that maximizes the use of observable inputs and minimizes the use of unobservable inputs by requiring that the most observable inputs be used when available. Observable inputs are inputs market participants would use in valuing the asset or liability developed based on market data obtained from sources independent of the Company. Unobservable inputs are inputs that reflect the Company s assumptions about the factors market participants would use in valuing the asset or liability developed based upon the best information available in the circumstances. The categorization of financial assets and financial liabilities within the valuation hierarchy is based upon the lowest level of input that is significant to the fair value measurement. The hierarchy is broken down into three levels defined as follows:

Level 1 Inputs are quoted prices in active markets for identical assets or liabilities. The Company s Level 1 assets include money market funds, treasury bonds, 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 agency bonds, corporate debt securities, asset-backed securities, certain mortgage-backed securities, and interest rate swaps 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 auction-rate securities and 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.

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

For the Company, effective June 1, 2008, fair value under SFAS 157 is principally applied to financial assets and liabilities such as marketable equity securities and debt securities that are classified and accounted for as available-for-sale, investments in equity and other securities, and derivative instruments consisting of interest rate swaps. These items were previously and will continue to be marked-to-market at each reporting period; however, the definition of fair value used for mark-to-market accounting is now applied using SFAS 157. The information in the following paragraphs and tables primarily addresses matters relative to these financial assets and liabilities. Separately, there were no material fair value measurements with respect to nonfinancial assets or liabilities that are recognized or disclosed at fair value in the Company s financial statements on a recurring basis subsequent to the effective date of SFAS 157.

Table of Contents

Biomet, Inc. and Subsidiaries Notes to Condensed Consolidated Financial Statements (Unaudited) (continued)

Note 6 Fair Value Measurements (continued).

The following table provides information by level for assets and liabilities that are measured at fair value, as defined by SFAS 157, on a recurring basis.

(in millions)	Fair Value at February 28, 2009	Fair Value Measurements Using Inputs Considered as Level 1	Level 2	Level 3
Assets:				
Corporate debt securities	$ 3.0	$	$ 3.0	$
Auction-rate securities	24.6			24.6
Mortgage-backed securities	0.6		0.6	
Certificates of deposit	0.7	0.7		
Other equity securities	0.7	0.2		0.5
Total assets	$ 29.6	$ 0.9	$ 3.6	$ 25.1
Liabilities:				
Interest rate swaps	$ 133.8		$ 133.8	
Total liabilities	$ 133.8	$	$ 133.8	$

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 certain auction-rate securities and other equity investments for which there was a decrease in the observation of market pricing. At February 28, 2009, 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 at February 28, 2009.

The following table provides a reconciliation of the beginning and ending balances of items measured at fair value on a recurring basis in the table above that used significant unobservable inputs (Level 3).

	(in millions)
Balance at May 31, 2008	$ 31.3
Total losses included in earnings	(6.2)
Total unrealized losses included in other comprehensive income	
Purchases, issuances, and settlements	
Net transfers in (out) of Level 3	
Balance at February 28, 2009	$ 25.1

Realized gains or losses included in earnings are included in other (income) expense, net in the consolidated statement of operations.

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

During the nine months ended February 28, 2009, the Company had no significant measurements of financial assets or liabilities at fair value on a nonrecurring basis subsequent to their initial recognition.

The aspects of SFAS 157 for which the effective date was deferred under FSP No. 157-2 until fiscal year 2010 relate to nonfinancial assets and liabilities that are measured at fair value, but are recognized or disclosed at fair value on a nonrecurring basis. This deferral applies to such items as nonfinancial assets and liabilities initially measured at fair value in a business combination (but not measured at fair value in subsequent periods) or nonfinancial long-lived asset groups measured at fair value for an impairment assessment.

Note 7 Goodwill and Other Intangible Assets.

During the fiscal third quarter of 2009, the Company recorded an estimated $448.5 million goodwill and definite and indefinite-lived intangible asset impairment charge (impairment charge) associated with the dental reconstructive business unit. The amount of the charge is subject to finalization during the fourth quarter of 2009. The decline in sales volume during the third quarter created an indication of potential impairment of its long-lived assets; therefore, the Company performed an interim impairment test as of February 28, 2009. Key factors contributing to the impairment charge included disruptions in the credit and equity market, and changes in the dental reconstructive market demand relative to its original assumptions at the time of the Merger.

Table of Contents

Biomet, Inc. and Subsidiaries Notes to Condensed Consolidated Financial Statements (Unaudited) (continued)

Note 7 Goodwill and Other Intangible Assets (continued).

The Company used the income approach to determine the fair value of the dental reconstructive reporting unit and related intangible assets and the amount of the impairment charge. 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 definite 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. In addition, the application of the income approach, for both goodwill and intangibles that requires judgment in determining a risk-adjusted discount rate; at the reporting unit level, the Company based this determination on estimates of 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. At the time of the Merger, the Company expected average net sales growth rates in the mid-teens. Due to changes in end market demand, driven by a large portion of the dental reconstructive business being based on discretionary spending, the Company now expects net sales growth rates to be flat through the next fiscal year, with growth rates in the mid-to-high single digits the following year. The growth rates after 2018 were extrapolated using a 3.0 percent growth rate, which is lower than the long-term average growth rate for the industry.

To calculate the amount of the impairment charge, the Company allocated the fair value of the dental reconstructive reporting unit to all of its assets and liabilities, including certain unrecognized intangible assets, in order to determine the implied fair value of goodwill at February 28, 2009. 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 dental reconstructive reporting unit had been acquired in a business combination. The Company believes the determined fair values and the resulting goodwill and definite and indefinite-lived intangible asset impairment charge are based on assumptions and represent the best estimate of these amounts at February 28, 2009. However, as noted above the impairment charge taken in the quarter is an estimate and will be finalized in the fiscal fourth quarter. The impairment calculation is still preliminary as the Company is still finalizing our step two analysis.

The balance of goodwill as of February 28, 2009 and May 31, 2008 was $4,689.5 million and $5,422.8 million, respectively. The change in goodwill from May 31, 2008 to February 28, 2009 was a result of an impairment charge of $397.2 million related to the dental reconstructive reporting unit noted above, and the foreign currency fluctuations, primarily the weakening of the Euro against the U.S. Dollar.

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 change in intangible assets reflects foreign currency fluctuations, primarily the weakening of the Euro against the U.S. Dollar, as well as amortization.

Intangible assets consisted of the following at February 28, 2009 and May 31, 2008 *(in millions)*:

	February 28, 2009					May 31, 2008		
	Gross Carrying Amount	Impairment Charge	New Carrying Amount	Accumulated Amortization	Net Carrying Amount	Gross Carrying Amount	Accumulated Amortization	Net Carrying Amount
Core technology	$ 2,080.6		2,080.6	$ (175.1)	$ 1,905.5	$ 2,080.6	$ (93.8)	$ 1,986.8
Completed technology	720.4	36.3	684.1	(86.6)	597.5	720.4	(47.5)	672.9
Product trade names	178.0		178.0	(16.0)	162.0	178.0	(8.5)	169.5
Customer relationships	2,923.7		2,923.7	(326.2)	2,597.5	2,917.5	(173.1)	2,744.4
Non-compete contracts	4.3		4.3		4.3			
Sub-total	5,907.0	36.3	5,870.7	(603.9)	5,266.8	5,896.5	(322.9)	5,573.6
Corporate trade names	408.0	15.0	393.0		393.0	408.0		408.0
Currency translation	(69.7)		(69.7)	0.8	(68.9)	233.0	(6.4)	226.6
Total	$ 6,245.3	$ 51.3	$ 6,194.0	$ (603.1)	$ 5,590.9	$ 6,537.5	$ (329.3)	$ 6,208.2

The weighted average useful life of the intangibles at February 28, 2009 was as follows:

	Weighted Average Useful Life
Core technology	19 Years
Completed technology	13 Years
Product trade names	17 Years
Customer relationships	18 Years
Non-compete contracts	6 Years
Corporate trade names	Indefinite life

Expected amortization expense for the years ended May 31, 2009 through 2013 is $375.0 million, $369.5 million, $360.7 million, $352.8 million, and $344.5 million, respectively.

Table of Contents

Biomet, Inc. and Subsidiaries Notes to Condensed Consolidated Financial Statements (Unaudited) (continued)

Note 8 Debt.

Bank Borrowing In connection with the Merger, the Company entered into a credit agreement dated July 11, 2007 for a $6,165.0 million senior secured term loan facility, or the Tender Facility , pursuant to which Purchaser borrowed $4,181.0 million to finance a portion of the Offer and pay related fees and expenses.

The Company refinanced all amounts borrowed under the Tender Facility at the Closing Date. On the Closing Date, the Company refinanced the Tender Facility with senior secured credit facilities (which include term loan facilities, a cash flow revolving facility and an asset based revolving credit facility), senior notes, senior subordinated notes and unsecured bridge facilities. The senior secured cash flow facility and all of the notes are guaranteed by the Company subject to certain exceptions, and each of its existing and future wholly-owned domestic subsidiaries. The senior secured asset-based facility is guaranteed by the Company and secured, subject to certain exceptions, by a first-priority security interest in substantially all of the Company s assets and the assets of subsidiary borrowers that consist of all accounts receivable, inventory, cash, deposit accounts, and certain related intangible assets. The facilities and notes bear interest at the rates set forth below. Interest is payable in cash, except with respect to the Company s ability to elect to pay PIK (Payment-in-kind) interest, rather than cash interest, on the senior toggle notes through October 15, 2012 for any interest period other than the initial interest period. The Company has not made this election at February 28, 2009. The terms and book value of each instrument at February 28, 2009 are set forth below:

(Dollars and Euros in millions)	Maturity Date	Interest Rate	Currency	February 28, 2009	Premium on Notes at February 28, 2009
Debt Instruments					
European facilities		Primarily	Euro	46.2	
		Euribor + 1.40%		$ 58.7	
Term loan facility	March 25, 2015	Libor + 3.00%	US Dollars	$ 2,310.6	
Term loan facility	March 25, 2015	Libor + 3.00%	Euro	864.1	
				$ 1,097.0	
Cash flow revolving credit facility	September 25, 2013	Libor + 2.50%	US Dollars	$	
Cash flow revolving credit facility	September 25, 2013	Libor + 2.50%	Euro & US Dollars		
Asset-based revolving credit facility	September 25, 2013	Libor + 1.50%	US Dollars	$ 165.4	
Senior cash pay notes	October 15, 2017	10%	US Dollars	$ 775.0	$ 2.1
Senior toggle notes	October 15, 2017	10 3/8% / 11 1/8%	US Dollars	$ 775.0	$ 1.1
Senior subordinated notes	October 15, 2017	11 5/8%	US Dollars	$ 1,015.0	$ 2.1

The Company currently elects to use 3-month Libor for setting the interest rates on the majority of its U.S. Dollar and Euro term loans. The 3-month Libor rates for the U.S. Dollar and Euro in effect as of February 28, 2009 were 1.46% and 2.96%, respectively. The term loan facilities require quarterly principal payments equal to one quarter percent (0.25%) of the original principal balance (equal payments each quarter) which commenced on the last business day of December 2007, and continue on the last business day of each calendar year quarter with the remaining outstanding principal due on the maturity date. The Company made required payments of $5.9 million on June 30, 2008, September 30, 2008 and December 31, 2008 for the U.S. Dollar denominated term loan facility, and made required payments of $3.4 million, $3.0 million, and $2.8 million on June 30, 2008, September 30, 2008 and December 31, 2008, respectively, for the Euro denominated term loan facility. There were borrowings under the asset-based revolver of $165.4 million as of February 28, 2009. The cash flow and asset-based revolvers and the notes do not have terms for mandatory principal pay downs. To calculate the U.S. Dollar equivalent on outstanding balances for disclosure purposes, the Company used a currency conversion rate of 1 Euro to $1.2695, which represents the currency exchange rate from Euros to U.S. Dollars on February 28, 2009.

During the second fiscal quarter ended November 30, 2008, Lehman Brothers Holdings Inc. (Lehman), whose subsidiaries have a $41.5 million credit commitment across the Company s domestic revolving borrowing base, filed for bankruptcy. During the second quarter ended November 30, 2008, the Company submitted borrowing requests for $175.0 million from its senior secured asset-based revolving facility of which $165.4 million in net borrowing proceeds were received from the administration agent. The difference between the borrowed amount and

the requested amount reflects Lehman s election to not fund its pro rata share of the borrowing as required under its commitment to the facility. As a result, the Company does not expect that Lehman will fund its pro rata share of any future borrowing requests. Also, one of the Company s subsidiaries has a bilateral revolving credit facility with Fortis Bank. The Company was informed during the quarter ended November 30, 2008 by Fortis bank that due to the subsidiary s limited usage of the facility, the size of the commitment was being reduced from 100.0 million to 50.0 million. During the fiscal quarter ended February 28, 2009, the reorganized Fortis Bank increased the facility to the original commitment of 100.0 million. Based on the above, the Company s revolving borrowing base available under all debt facilities at February 28, 2009 was $614.0 million, which is net of the amount the Company believes will not be funded by Lehman and borrowing base limitations relating to the senior secured asset-based revolving facility.

Note 9 Share-based Compensation and Stock Plans.

The Company follows SFAS 123(R), *Share-Based Payment*, (SFAS 123(R)) to record share-based payment expense using the modified prospective method. SFAS 123(R) requires the fair value of all share-based payments to employees, including stock options, to be expensed based on their fair value over the required award service period. The Company s share-based payments consist of stock options. For the Company s non-employee distributors, share-based expense is recorded in accordance with EITF No. 96-18, *Accounting for Equity Instruments That Are Issued to Other Than Employees for Acquisition, or in Conjunction with Selling, Goods or Services*. Prior to the Merger, the Predecessor Company's Board of Directors modified certain stock options to change the exercise price to the fair market value on the date it was granted by adding a cash component paid in January 2008 for the difference from the original grant price to the amended grant price of $46.00 per share (related to predecessor options). In addition, on July 11, 2007, the Predecessor Company's Board of Directors cancelled all outstanding stock options and paid the difference between the amended grant price and $46.00 per share (the offering price) in cash in conjunction with the Merger. The total amount expensed related to Predecessor Company grants was $112.8 million, with amounts recorded as cost of sales, selling, general, and administrative, and research and development in the Company s results of operations for the period June 1, 2007 to July 11, 2007. The first payment occurred on July 17, 2007 for $103.0 million, and the second payment was made on January 11, 2008 for $9.8 million.

Share-based compensation expense recognized was $7.5 million and $26.3 million for the three and nine months ended February 28, 2009, respectively, $11.5 million for the three months ended February 29, 2008 and for the period July 12, 2007 to February 29, 2008, and $112.8 million for the period June 1, 2007 to July 11, 2007.

Table of Contents

Biomet, Inc. and Subsidiaries Notes to Condensed Consolidated Financial Statements (Unaudited) (continued)

Note 10 Income Taxes (Benefit).

Effective June 1, 2007, the Company adopted FIN 48. This interpretation prescribes a recognition threshold and measurement attribute for the financial statement recognition and measurement of tax contingencies and the tax position taken, or expected to be taken, in a tax return. The amount of unrecognized tax benefits at February 28, 2009 was $59.7 million, $40.5 million of which would impact the Company s effective tax rate, if recognized. The Company continues to record the liability for unrecognized tax benefits as a long-term liability as it does not expect significant payments to occur or the total amount of unrecognized tax benefits to materially change over the next twelve months.

The Company is currently under audit by the U.S. Internal Revenue Service (IRS) for fiscal years ended May 31, 2005 and 2006. However, based upon the status of the IRS field audit, the Company cannot reasonably estimate the potential changes to its unrecognized tax benefits.

The effective income tax rate decreased to 15.5% for the nine months ended February 28, 2009 compared to 19.7% for the period of July 12, 2007 through February 29, 2008. This year-over-year decrease was primarily due to the following items incurred in fiscal 2008 that are not deductible for tax purposes: (1) $479.0 million of in-process research and development expense related to the Merger, (2) a portion of the $26.9 million Department of Justice settlement, and (3) $73.5 million of Merger-related expenses, as compared to the impairment charge of $448.5 million taken on the dental reconstructive business unit in fiscal 2009, of which the goodwill portion is non-deductible for tax purposes. The effective income tax rate decreased to 8.0% for the three months ended February 28, 2009 compared to 40.7% for the three months ended February 29, 2008. This decrease was primarily due to the impairment charge of $448.5 million taken on the dental reconstructive business unit during the three months ended February 28, 2009.

Note 11 Segment Reporting.

The Company operates in one business segment, musculoskeletal products, in 8 reporting units, which includes the designing, manufacturing and marketing of reconstructive products, fixation devices, spinal products and other products. Other products consist primarily of softgoods and bracing products, sports medicine products, general instruments and operating room supplies.

Net sales by product category are as follows *(in millions)*:

	Three Months Ended		Nine Months Ended	July 12, 2007 - February 29, 2008 (Successor)	June 1 - July 11, 2007 (Predecessor)
	February 28, 2009	February 29, 2008	February 28, 2009		
Net sales by product:					
Reconstructive	$ 453.8	$ 448.8	$ 1,383.2	$ 1,105.2	$ 178.1
Fixation	57.0	56.8	175.5	144.9	27.1
Spinal	53.8	50.1	160.4	130.0	24.9
Other	50.4	47.4	145.7	118.8	18.7
Total	$ 615.0	$ 603.1	$ 1,864.8	$ 1,498.9	$ 248.8

	Three Months Ended		Nine Months Ended	July 12, 2007 - February 29, 2008 (Successor)	June 1 - July 11, 2007 (Predecessor)
	February 28, 2009	February 29, 2008	February 28, 2009		
Net sales by geographic segment:					
United States	$ 387.9	$ 351.6	$ 1,135.9	$ 879.9	$ 156.2
Europe	167.8	192.1	532.6	465.0	70.8

International[1]	59.3	59.4	196.3	154.0	21.8
Total	$ 615.0	$ 603.1	$ 1,864.8	$ 1,498.9	$ 248.8

(1) Major markets included in the international geographic market are Canada, South America, Mexico, and the Pacific Rim

	February 28, 2009	May 31, 2008
Long-term assets[2] by geographic segment:		
United States	$ 7,689.2	$ 8,274.4
Europe	2,240.3	2,995.4
International	952.3	1,002.1
Total	$ 10,881.8	$ 12,271.9

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

Table of Contents

Biomet, Inc. and Subsidiaries Notes to Condensed Consolidated Financial Statements (Unaudited) (continued)

Note 12 Guarantor and Non-guarantor Financial Statements.

Each of the Company s existing wholly-owned domestic subsidiaries are fully, unconditionally, jointly, and severally guaranteeing the senior cash pay and PIK toggle 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 its senior secured cash flow facilities.

The following unaudited condensed consolidating financial information illustrates the composition of the combined guarantor subsidiaries *(in millions)*:

Unaudited Condensed Consolidating Balance Sheets

	February 28, 2009				
	Biomet, Inc.	Guarantors	Non-Guarantors	Eliminations	Total
Assets					
Cash and cash equivalents	$	$ 291.6	$ 47.7	$	$ 339.3
Accounts receivable, net		240.3	249.8		490.1
Inventories		311.9	267.7	(67.8)	511.8
Deferred income taxes		95.1	3.3		98.4
Prepaid expenses and other		38.3	22.8		61.1
Total current assets		977.2	591.3	(67.8)	1,500.7
Property, plant and equipment, net		387.8	217.7	(4.1)	601.4
Investments		29.6			29.6
Investment in subsidiaries	12,536.2			(12,536.2)	
Intangible assets, net		3,988.3	1,602.6		5,590.9
Goodwill		3,319.2	1,317.2	53.1	4,689.5
Other assets		69.3	36.0		105.3
Total	$ 12,536.2	$ 8,771.4	$ 3,764.8	$ (12,555.0)	$ 12,517.4
Liabilities & Shareholders Equity					
Short-term borrowings	$ 34.5	$	$ 52.4	$	$ 86.9
Accounts payable		40.6	29.6		70.2
Accrued interest	139.8				139.8
Accrued wages and commissions		39.6	15.5		55.1
Other accrued expenses		136.7	69.3	(18.7)	187.3
Total current liabilities	174.3	216.9	166.8	(18.7)	539.3
Long-term debt	6,108.7		6.4		6,115.1
Deferred income taxes		1,795.8	6.1		1,801.9
Other long-term liabilities		211.4	27.2		238.6
Shareholders equity	6,253.2	6,547.3	3,558.3	(12,536.3)	3,822.5
Total liabilities and shareholders equity	$ 12,536.2	$ 8,771.4	$ 3,764.8	$ (12,555.0)	$ 12,517.4

Table of Contents

Biomet, Inc. and Subsidiaries Notes to Condensed Consolidated Financial Statements (Unaudited) (continued)

Note 12 Guarantor and Non-guarantor Financial Statements (continued).

	May 31, 2008				
	Biomet, Inc.	Guarantors	Non-Guarantors	Eliminations	Total
Assets					
Cash and cash equivalents	$	$ 101.0	$ 25.4	$ 1.2	$ 127.6
Accounts receivable, net		213.7	272.5		486.2
Inventories		296.6	320.2	(77.1)	539.7
Deferred income taxes		97.0	3.7		100.7
Prepaid expenses and other		65.5	30.0		95.5
Total current assets		773.8	651.8	(75.9)	1,349.7
Property, plant and equipment, net		407.6	233.3		640.9
Investments		41.3			41.3
Investment in subsidiaries	12,270.0			(12,270.0)	
Intangible assets, net		4,407.0	1,801.2		6,208.2
Goodwill		4,677.5	1,847.7	(1,102.4)	5,422.8
Other assets		107.2	11.7		118.9
Total	$ 12,270.0	$ 10,414.4	$ 4,545.7	$ (13,448.3)	$ 13,781.8
Liabilities & Shareholders Equity					
Short-term borrowings	$ 37.0	$	$ 38.4	$	$ 75.4
Accounts payable		53.0	38.6	(7.9)	83.7
Accrued interest	80.9				80.9
Accrued wages and commissions		66.3	12.8		79.1
Other accrued expenses		202.3	72.6	(29.5)	245.4
Total current liabilities	117.9	321.6	162.4	(37.4)	564.5
Long-term debt	6 225.7				6,225.7
Deferred income taxes		1,438.0	725.3	(50.8)	2,112.5
Other long-term liabilities			42.8		42.8
Shareholders equity	5,926.4	8,654.8	3,615.2	(13,360.1)	4,836.3
Total liabilities and shareholders equity	$ 12,270.0	$ 10,414.4	$ 4,545.7	$ (13,448.3)	$ 13,781.8

Table of Contents

Biomet, Inc. and Subsidiaries Notes to Condensed Consolidated Financial Statements (Unaudited) (continued)

Note 12 Guarantor and Non-guarantor Financial Statements (continued).

Unaudited Condensed Consolidating Statements of Operations

	Three Months Ended February 28, 2009				
	Biomet, Inc.	Guarantors	Non-Guarantors	Eliminations	Total
Net sales	$	$ 400.1	$ 214.9	$	$ 615.0
Cost of sales		114.0	104.8	(32.7)	186.1
Gross margin		286.1	110.1	32.7	428.9
Goodwill & intangible assets impairment charge		5.0	443.5		448.5
Operating expenses		269.6	88.9		358.5
Operating income		11.5	(422.3)	32.7	(378.1)
Other (income) expense, net	132.0	28.3	(18.3)		142.0
Income (loss) before income taxes	(132.0)	(16.8)	(404.0)	32.7	(520.1)
Tax expense (benefit)	(10.5)	(1.4)	(32.0)	2.5	(41.4)
Equity in earnings of subsidiaries	(387.4)			387.4	
Net income (loss)	$ (508.9)	$ (15.4)	$ (372.0)	$ 417.6	$ (478.7)

	Three Months Ended February 29, 2008				
	Biomet, Inc.	Guarantors	Non-Guarantors	Eliminations	Total
Net sales	$	$ 430.5	$ 233.5	$ (60.9)	$ 603.1
Cost of sales		188.1	104.3	(30.3)	262.1
Gross margin		242.4	129.2	(30.6)	341.0
Operating expenses		215.8	131.2	(1.0)	346.0
Operating income (loss)		26.6	(2.0)	(29.6)	(5.0)
Other (income) expense, net	142.9		(0.1)	1.4	144.2
Income (loss) before income taxes	(142.9)	26.6	(1.9)	(31.0)	(149.2)
Tax expense (benefit)		(36.8)	(23.2)	(0.7)	(60.7)
Equity in earnings of subsidiaries	84.7			(84.7)	
Net income (loss)	$ (58.2)	$ 63.4	$ 21.3	$ (115.0)	$ (88.5)

	Nine Months Ended February 28, 2009				
	Biomet, Inc.	Guarantors	Non-Guarantors	Eliminations	Total
Net sales	$	$ 1,181.2	$ 683.6	$	$ 1,864.8
Cost of sales		319.3	333.7	(90.5)	562.5
Gross margin		861.9	349.9	90.5	1,302.3

Goodwill & intangible assets impairment charge		5.0	443.5		448.5
Operating expenses		808.7	286.2		1,094.9
Operating income		48.2	(379.8)	90.5	(241.1)
Other expense, net	411.5	23.0	3.4	5.0	442.9
Income (loss) before income taxes	(411.5)	25.2	(383.2)	85.5	(684.0)
Tax expense (benefit)	(63.4)	3.8	(59.1)	13.0	(105.7)
Equity in earnings of subsidiaries	(302.6)			302.6	
Net income (loss)	$ (650.7)	$ 21.4	$ (324.1)	$ 375.1	$ (578.3)

Table of Contents

Biomet, Inc. and Subsidiaries Notes to Condensed Consolidated Financial Statements (Unaudited) (continued)

Note 12 Guarantor and Non-guarantor Financial Statements (continued).

	The Period From July 12, 2007 to February 29, 2008 (Successor)				
	Biomet, Inc.	Guarantors	Non-Guarantors	Eliminations	Total
Net sales	$	$ 1,152.5	$ 499.6	$ (153.2)	$ 1,498.9
Cost of sales		397.9	293.9	(78.3)	613.5
Gross margin		754.6	205.7	(74.9)	885.4
Operating expenses		1,262.6	335.9		1,598.5
Operating loss		(508.0)	(130.2)	(74.9)	(713.1)
Other (income) expense, net	396.2	(24.8)		1.4	372.8
Loss before income taxes	(396.2)	(483.2)	(130.2)	(76.3)	(1,085.9)
Tax benefit		(194.2)	(15.4)	(3.6)	(213.2)
Equity in earnings of subsidiaries	(403.8)			403.8	
Net income (loss)	$ (800.0)	$ (289.0)	$ (114.8)	$ 331.1	$ (872.7)

	The Period From June 1, 2007 to July 11, 2007 (Predecessor)				
	Biomet, Inc.	Guarantors	Non-Guarantors	Eliminations	Total
Net sales	$	$ 185.1	$ 82.5	$ (18.8)	$ 248.8
Cost of sales		60.8	46.5	(5.0)	102.3
Gross margin		124.3	36.0	(13.8)	146.5
Operating expenses		179.2	49.3	0.2	228.7
Operating loss		(54.9)	(13.3)	(14.0)	(82.2)
Other (income) expense, net		0.7	(1.0)		(0.3)
Loss before income taxes		(55.6)	(12.3)	(14.0)	(81.9)
Tax benefit		(24.6)	(2.5)	(0.2)	(27.3)
Equity in earnings of subsidiaries	(40.8)			40.8	
Net income (loss)	$ (40.8)	$ (31.0)	$ (9.8)	$ 27.0	$ (54.6)

Table of Contents

Biomet, Inc. and Subsidiaries Notes to Condensed Consolidated Financial Statements (Unaudited) (continued)

Note 12 Guarantor and Non-guarantor Financial Statements (continued).

Unaudited Condensed Consolidating Statements of Cash Flows

	Nine Months Ended February 28, 2009				
	Biomet, Inc.	Guarantors	Non-Guarantors	Eliminations	Total
Cash flows provided by (used in) operating activities	$ (141.5)	$ 256.9	$ 81.0	$	$ 196.4
Cash flows used in investing activities		(66.3)	(70.6)		(136.9)
Cash flows provided by financing activities	141.5		22.1		163.6
Effect of exchange rate changes on cash			(11.4)		(11.4)
Increase (decrease) in cash and cash equivalents		190.6	21.1		211.7
Cash and cash equivalents, beginning of period		101.0	26.6		127.6
Cash and cash equivalents, end of period	$	$ 291.6	$ 47.7	$	$ 339.3

	The Period From July 12, 2007 to February 29, 2008 (Successor)				
	Biomet, Inc.	Guarantors	Non-Guarantors	Eliminations	Total
Cash flows provided by (used in) operating activities	$ (692.4)	$ 224.7	$ 166.7	$ 384.5	$ 83.5
Cash flows provided by (used in) investing activities	(10,917.4)	9.8	(59.5)	(741.0)	(11,708.1)
Cash flows provided by (used in) financing activities	11,609.8	(87.0)	9.5		11,532.3
Effect of exchange rate changes on cash			11.9		11.9
Increase (decrease) in cash and cash equivalents		147.5	128.6	(356.5)	(80.4)
Cash and cash equivalents, beginning of period		124.9	52.0		176.9
Cash and cash equivalents, end of period	$	$ 272.4	$ 180.6	$ (356.5)	$ 96.5

	The Period From June 1, 2007 to July 11, 2007 (Predecessor)				
	Biomet, Inc.	Guarantors	Non-Guarantors	Eliminations	Total
Cash flows provided by (used in) operating activities	$ (54.0)	$ 13.7	$ 30.3	$ 69.4	$ 59.4
Cash flows provided by (used in) investing activities	52.7	21.8	(7.8)	(55.7)	11.0
Cash flows provided by financing activities	1.3				1.3
Effect of exchange rate changes on cash			0.1		0.1
Increase in cash and cash equivalents		35.5	22.6	13.7	71.8
Cash and cash equivalents, beginning of period		95.7	9.4		105.1
Cash and cash equivalents, end of period	$	$ 131.2	$ 32.0	$ 13.7	$ 176.9

Note 13 Contingencies.

U.S Department of Justice Consulting Agreement Investigation

On September 27, 2007, the Company entered into a Deferred Prosecution Agreement with the U.S. Attorney s Office for the District of New Jersey. The agreement concludes the government s investigation into whether consulting agreements between the largest orthopedic manufacturers and orthopedic surgeons who use joint reconstruction and replacement products may have violated the federal Anti-Kickback Statute.

Through the agreement, the U.S. Attorney s Office agreed not to prosecute the Company in connection with this matter, provided that the Company satisfies its obligations under the agreement over the 18 months following the date of the Deferred Prosecution Agreement. The agreement called for the appointment of an independent monitor to review the Company s compliance with the agreement, particularly in relation to its consulting agreements. The Company simultaneously entered into a settlement with the Department of Justice s Civil Division pursuant to which it paid $26.9 million during the first quarter of fiscal 2008. The independent monitor has filed a final report with the U.S. Attorney s Office for the period from September 27, 2007 through March 1, 2009. On March 27, 2009, the Deferred Prosecution Agreement expired and the complaint has been dismissed with prejudice.

As part of the resolution of this matter, the Company also entered into a Corporate Integrity Agreement with the Office of the Inspector General of the U.S. Department of Health and Human Services. The agreement requires the Company for five years subsequent to September 27, 2007 to continue to adhere to its Code of Business Conducts and Ethics and certain other provisions, including reporting requirements.

Table of Contents

Biomet, Inc. and Subsidiaries Notes to Condensed Consolidated Financial Statements (Unaudited) (continued)

Note 13 Contingencies (continued).

U.S. Department of Justice EBI Products Investigation and Other Matters

In May 2007, the Company received a subpoena from the U.S. Department of Justice through the U.S. Attorney for the Southern District of West Virginia requesting documents generally relating to a certain number of products manufactured, marketed and sold by the Company s EBI subsidiary for the period from January 1999 through the present. In June 2007, the Company received a second administrative subpoena from the U.S. Attorney for the Southern District of West Virginia requesting documents relating to a specific physician s assistant. The Company understands that the Department of Justice is conducting a civil investigation of EBI s sales and marketing practices relating to certain spinal products. The Company is fully cooperating with the request of the Department of Justice. The Company can make no assurances as to the time or resources that will be needed to devote to this inquiry or its final outcome.

In January 2009, a qui tam complaint, filed in the United States District Court for the Southern District of West Virginia, was served on EBI. The complaint alleges, among other things, that EBI inappropriately promoted and marketed certain EBI products. EBI denies the allegations in the complaint and has subsequently filed a motion to dismiss the complaint in its entirety.

On April 14, 2009, the Company received a subpoena from the U.S. Department of Justice through the U.S. Attorney for the District of Massachusetts requesting various documents purportedly relating to the Health Insurance Portability and Accountability Act of 1996 (HIPAA) and EBI s osteogenesis and bone growth stimulation devices. The Company is currently in the process of evaluating the scope of the subpoena and intends to fully cooperate with the request of the Department of Justice. The Company can make no assurances as to the time or resources that will be needed to devote to this inquiry or its final outcome.

Litigation Relating to Past Stock Option Grant Practices

On September 21, 2006, two shareholder derivative complaints were filed against certain of the Company s current and former officers and directors in Kosciusko Superior Court I in Kosciusko County, in the State of Indiana. The complaints, captioned Long v. Hann, et al., and Thorson v. Hann, et al., alleged violations of state law relating to the issuance of certain stock option awards by Biomet dating back to 1996. Both complaints sought unspecified money damages as well as other equitable and injunctive relief. These two cases were consolidated under the caption In re Biomet, Inc. Derivative Litigation, and on January 19, 2007, plaintiffs filed an amended complaint that made additional allegations based on the Company s December 18, 2006 disclosures related to stock option awards, including allegations that the defendants sought to sell the Company in order to escape liability for their conduct, and that they did so at a devalued price, thus further breaching their fiduciary duties to shareholders. On February 16, 2007, defendants filed a motion to dismiss plaintiffs amended complaint. On October 11, 2007, after approval of the Company s sale by its shareholders, the parties filed supplemental briefs on the issue of whether plaintiffs had standing to sue. On February 5, 2008, the court dismissed the case for lack of standing, and plaintiffs motion for leave to amend was denied. Plaintiffs appealed the district court s decision, and on February 13, 2009, the Indiana Court of Appeals affirmed the dismissal of the case. Plaintiffs may still seek review of the Court of Appeals decision by the Indiana Supreme Court.

U.S. Securities and Exchange Commission Informal Investigation

On September 25, 2007, the Company received a letter from the SEC informing the Company that it is conducting an informal investigation regarding possible violations of the Foreign Corrupt Practices Act in the sale of medical devices in certain foreign countries by companies in the medical devices industry. The Foreign Corrupt Practices Act prohibits U.S. companies and their officers, directors, employees, shareholders acting on their behalf and agents from offering, promising, authorizing or making payments to foreign officials for the purpose of obtaining or retaining business abroad or otherwise obtaining favorable treatment and this law requires companies to maintain records which fairly and accurately reflect transactions and to maintain internal accounting controls. In many countries, hospitals and clinics are government-owned and healthcare professionals employed by such hospitals and clinics, with whom the Company regularly interacts, may meet the definition of a foreign official for purposes of the Foreign Corrupt Practices Act. If the Company is found to have violated the Foreign Corrupt Practices Act, the Company may face sanctions including fines, criminal penalties, disgorgement of profits and suspension or debarment of the Company s ability to contract with government agencies or receive export licenses. On November 9, 2007, the Company received a letter from the Department of Justice requesting any information provided to the SEC be provided to the Department of Justice on a voluntary basis. The Company intends to fully cooperate with both requests and the Company is in the process of conducting its own review relating to these matters in certain countries in which the Company and its distributors conduct business.

Massachusetts AG

The Company received a Civil Investigative Demand (CID) issued by the Commonwealth of Massachusetts Office of the Attorney General (Massachusetts AG) on or about November 19, 2007. The CID requested documents for the period November 1, 2003 to the present concerning certain physicians and provider groups, including, among other things, documents concerning any contracts or agreements with, and any payments made to, those physicians or provider groups. The Company has produced documents in response to the CID, and intends to continue to cooperate with the Massachusetts AG. It is not possible at this time to predict the likely outcome of this inquiry or its financial impact should the outcome be adverse to the Company.

Other Matters

The Company and Biomet Orthopedics initiated legal proceedings on July 17, 2007 against Zimmer US, Inc., or Zimmer, certain of the Company s former distributors and David Montgomery, the Company s former employee who currently works for Zimmer. The thirteen count lawsuit originally filed in Marion County, Indiana and refiled in Hamilton County, Indiana alleges, among other things, that Zimmer and Mr. Montgomery attempted to create an unfair market advantage by engaging in a campaign to misappropriate the Company s confidential information, to interfere with the Company s contractual relations with distributors and to attempt to buy the assets of most of the Company s distributors (including the Company s surgical instruments) throughout the United States. Further, the lawsuit alleges that the limited number of distributors who accepted Zimmer s offer are in violation of their contractual obligations to Biomet. Although nearly all of the Company s distributors rejected Zimmer s offers and have remained with Biomet, and although no amount of money damages can completely compensate Biomet for the losses the Company has sustained as a result of defendants conduct, the Company is nonetheless seeking to recover compensatory damages that are attributable to financial and other resources spent on signing new agreements with the Company s sales force. To the extent the Company sustained damages as a result of the Company s former distributors agreeing to purportedly sell their assets to Zimmer, the Company is seeking to recover lost profits and other damages as well. In addition, the Company is seeking to recover punitive damages from the defendants. On November 9, 2007, defendants filed a motion to dismiss the Company s complaint. On March 27, 2008, the court denied the motion in its entirety.

In a related matter, the Company brought suit against a former distributor for Biomet Orthopedics who, in violation of his contractual and other obligations to Biomet under agreements stretching back to 1994, sold the assets of his distributorship to Zimmer in an apparent effort to avoid his contractual obligations to the Company. The complaint, now pending in federal district court in Indiana, asserts five causes of action that include breach of contract, unjust enrichment and statutory wrongs. Among other things, the complaint seeks injunctive relief and compensatory and punitive damages. On July 16, 2007, a temporary restraining order was entered against this former distributor which subsequently lapsed ten days later. Prior to the filing of the suit described above, this former distributor sued one of his former employees who decided to continue to represent the Company s products in the future as he has for nearly ten years. The suit brought against this employee by the Company s former distributor who sold his assets to Zimmer claims, among other things, that the former employee is violating his non-competition agreement with the Company s former distributor by continuing to sell the same Biomet products the former employee sold while employed by the Company s former distributor. The suit also seeks, among other forms of relief, an injunction and compensatory and punitive damages. In addition, on or about July 3, 2008, Zimmer U.S., Inc. and one of its distributors filed a five count complaint in Tennessee federal court against this same former employee seeking, among other things, injunctive relief, monetary damages, and punitive damages for alleged breach of contract, conspiracy, and other causes of action.

Table of Contents

Biomet, Inc. and Subsidiaries Notes to Condensed Consolidated Financial Statements (Unaudited) (continued)

Note 13 Contingencies (continued).

In late 2004 and early 2005, approximately 120 plaintiffs sued Dr. John King in the Circuit Court of Putnam County, West Virginia. Plaintiffs alleged that Dr. King was professionally negligent when he performed surgery on the plaintiffs at Putnam General Hospital in Putnam County, West Virginia between November 2002 and June 2003. In 38 of these lawsuits, plaintiffs alleged that Dr. King had implanted a device manufactured by the Company s EBI subsidiary and EBI was named a party in those 38 lawsuits. Plaintiffs have dismissed or have agreed to dismiss their claims against EBI in 11 cases, leaving EBI as a party in 27 pending lawsuits, all of which relate to EBI s Ionic Spine Spacer System and its implanted bone stimulator devices, the SpF® and OsteoGen . Plaintiffs allege that EBI entered into a joint venture and a civil conspiracy with Dr. King and/or his physician assistant, David McNair. The plaintiffs also allege that EBI failed to warn that its products were not safe for their intended use, that EBI knew that Dr. King was not properly trained or was performing surgeries inappropriately and claims based on strict liability, express and implied breach of warranty and negligent sale. Plaintiffs seek to recover lost income, medical expenses, future medical and life care expenses, damages relating to pain and suffering and punitive and other damages. Dr. King is uninsured in 25 of these 27 cases and has filed bankruptcy.

In July 2007, a Putnam County jury found that Putnam General Hospital had negligently credentialed Dr. King and that the hospital s conduct in credentialing Dr. King was motivated by fraud, ill will, wantonness, oppressiveness, or by reckless or gross negligence, which allowed the plaintiffs to seek punitive damages against the hospital. In April, May and June of 2008, the hospital and its upstream affiliates and David McNair entered into a confidential settlement of all claims with all but one of the plaintiffs, which has subsequently been settled. EBI, Wright Medical Corporation, Wright Medical s distributor s employee, Robert Edwards, and Dr. King remain as defendants in the litigation.

The Putnam County Circuit Court revised its case management order with respect to the remaining lawsuits on July 2, 2008 and scheduled a consolidated trial of six plaintiffs for June 1, 2009. The Company is vigorously defending these matters and intends to continue to do so. While it is not possible at this time to predict the impact of any of these matters or to reasonably estimate a range or the aggregate amount of liability or damages or any settlement payments to which the Company may potentially be subject, an unfavorable outcome in these matters could have a material adverse effect on the Company s financial position, liquidity and results of operations.

In addition to these matters, there are various other claims, lawsuits, disputes with third parties, investigations, and pending actions involving various allegations against the Company incident al to the operation of its business, principally product liability and intellectual property cases. Each of these matters is subject to various uncertainties, and it is possible that some of these matters may be resolved unfavorably to Biomet. The Company accrues for losses that are deemed to be probable and subject to reasonable estimate. Based on the advice of the Company s counsel in these matters, management believes that the ultimate outcome of these matters and any liabilities in excess of the amounts provided, with the possible potential exception of the litigation described in the immediately preceding paragraph above, will not have a material adverse impact on the Company s consolidated financial statements taken as a whole.

Note 14 Related Parties.

Management Services Agreement

Upon completion of the Transactions, the Company entered into a management services agreement with certain affiliates of the Sponsors, pursuant to which such affiliates of the Sponsors or their successors, assigns, affiliates, officers, employees, and/or representatives and third parties (collectively, the Managers) provide management, advisory, and consulting services to the Company. Pursuant to such agreement, the Managers received a transaction fee equal to 1% of total enterprise value of the Transactions for the services rendered by such entities related to the Transactions upon entering into the agreement, and the Sponsors receive an annual monitoring fee equal to 1% of the Company s annual adjusted EBITDA (as defined in the credit agreement) as compensation for the services rendered and reimbursement for out-of-pocket expenses incurred by the Managers in connection with the agreement and the Transactions. The Company is required to pay the Sponsors the monitoring fee on a quarterly basis. The total amount of Sponsor fees was $2.6 million and $7.9 million for the three and nine months ended February 28, 2009, respectively, $2.1 million for the three months ended February 29, 2008, and $7.2 million for the period July 12, 2007 through February 29, 2008. There were no Sponsor fees for the period June 1, 2007 through July 11, 2007. The Company may also pay certain subsequent fees to the Managers for advice rendered in connection with financings or refinancings (equity or debt), acquisitions, dispositions, spin-offs, split-offs, dividends, recapitalizations, an initial underwritten public offering and change of control transactions involving the Company or any of its subsidiaries. The management services agreement includes customary exculpation and indemnification provisions in favor of the Managers and their affiliates.

On May 8, 2006, Biomet, Inc. entered into a Separation, Release and Consultancy Agreement with Dane A. Miller, Ph.D. (the Miller Agreement). As previously disclosed in the Company s Current Report on Form 8-K dated May 10, 2006, pursuant to the terms of the Miller Agreement, Dr. Miller received $4.0 million on October 1, 2006, $0.5 million on November 30, 2006 and has received or will receive $0.5 million on the last day of each quarter thereafter through the first quarter of fiscal year 2010 as compensation for his consulting services. Also pursuant to the Miller Agreement, Dr. Miller is reimbursed for any out-of-pocket fees and expenses relating to an off-site office and administrative support, in an amount not to exceed $0.1 million per year. The Miller Agreement contains certain restrictive covenants prohibiting Dr. Miller from competing with the Company and soliciting employees of the Company during the term of the Miller Agreement. As of February 28, 2009, the remaining amount accrued and payable to Dr. Miller was $1.0 million.

Other

The Company currently holds interest rate swaps with Goldman Sachs. As part of this relationship, the Company receives information from Goldman Sachs that allows it to perform a regression on the swaps as part of its required effectiveness testing on a quarterly basis.

During the nine months ended February 28, 2009, the Company received an additional capital contribution of $3.0 million, net from its parent company from the participation of management under the LVB Acquisition, Inc. 2007 Management Equity Incentive Plan.

Biomet, Inc., its subsidiaries, affiliates, employees and controlling stockholders may from time to time, depending upon market conditions, seek to purchase debt securities issued by the Company or its subsidiaries or affiliates in open market or privately negotiated transactions or by other means.

Table of Contents

Item 2. Management s Discussion and Analysis of Financial Condition and Results of Operations.

Fiscal 2009 Third Quarter Executive Overview

We design, manufacture and market products used primarily by musculoskeletal medical specialists in both surgical and non-surgical therapy. Our corporate headquarters are located in Warsaw, Indiana and we have manufacturing and/or office facilities in more than 50 locations worldwide and distribution in approximately 90 countries.

Our net sales increased 2% to $615.0 million for the three months ended February 28, 2009. Reconstructive product sales increased 1% worldwide for the three months ended February 28, 2009. Hip sales increased 5% worldwide, with 16% growth in the U.S. during the three months ended February 28, 2009. Knee sales increased 3% worldwide, with U.S. growth at 8%, during the three months ended February 28, 2009. Dental reconstructive sales offset hip and knee growth due to market demand declining. Our operating loss for the third quarter of fiscal year 2009 was $378.1 million compared to an operating loss of $5.0 million for the third quarter of fiscal year 2008. During the fiscal third quarter of 2009, the Company recorded an estimated $448.5 million goodwill and definite and indefinite-lived intangible asset impairment charge (impairment charge) associated with the dental reconstructive reporting unit. The amount of the charge is subject to finalization during the fourth quarter of 2009. The decline in sales volume during the third quarter created an indication of potential impairment of our long-lived assets; therefore, the Company performed an interim impairment test as of February 28, 2009. Key factors contributing to the impairment charge included disruptions in the credit and equity market, and changes in the dental reconstructive market demand relative to our original assumptions at the time of the Merger. Our net interest expense for the third quarter of fiscal year 2009 was $132.3 million compared to $142.9 million for the third quarter of fiscal year 2008.

Opportunities and Challenges

Our results of operations could be substantially affected not only by global economic conditions, but also by local operating and economic conditions, which can vary substantially by market. Unfavorable conditions can depress sales in a given market and may result in actions that adversely affect our margins, constrain our operating flexibility or result in charges which are unusual or non-recurring. Certain macroeconomic events, such as the current crisis in the financial markets, could have a more wide-ranging and prolonged impact on the general business environment, which could also adversely affect us. For example, due to certain patient insurance deductibles that reset on January 1, 2009, it is possible that we could experience a potential adverse impact on sales due to patients deferring procedures because of decreased cash flow.

Historically, we believe that this slowdown due to the uncertain or recessionary environment has been minor to the orthopedic business levels, however, management is taking precautionary measures to be able to manage expenses more conservatively, if revenues were to decrease below those internally forecasted.

Products

Our product portfolio encompasses reconstructive products, fixation devices, spinal products and other products.

Reconstructive Products Orthopedic reconstructive implants are used to replace joints that have deteriorated as a result of disease (principally osteoarthritis) or injury. Reconstructive joint surgery involves the modification of the area surrounding the affected joint and the implantation of one or more manufactured components, and may involve the use of bone cement. Our primary orthopedic reconstructive joints are knees, hips and shoulders, but we manufacture other joints as well. We also produce the associated instruments required by orthopedic surgeons to implant our reconstructive products, as well as bone cements and cement delivery systems. In addition, dental reconstructive devices and associated instrumentation are used for oral rehabilitation through the replacement of teeth and repair of hard and soft tissues.

Fixation Products Fixation devices are used for setting and stabilizing damaged bones to support and/or augment the body s natural healing process. Electrical stimulation devices used in trauma indications offer implantable and non-invasive options to stimulate bone growth. Other products include internal fixation devices (such as nails, plates, screws, pins and wires used to stabilize traumatic bone injuries), external fixation devices (used to stabilize fractures when alternative methods of fixation are not suitable), craniomaxillofacial fixation systems and bone substitute materials.

Spinal Products Our spinal products include electrical stimulation devices for spinal applications, spinal fixation systems, bone substitute materials and motion preservation systems, as well as allograft services for spinal applications. These products and services are primarily marketed in the United States under the Biomet Spine trade name.

Other Products We manufacture and distribute a number of other products, including sports medicine products (used in minimally-invasive orthopedic surgical procedures), orthopedic support products (also referred to as softgoods and bracing products), operating room supplies,

casting materials, general surgical instruments, wound care products and other surgical products.

Seasonality

Our business is somewhat seasonal in nature, as many of our products are used in elective procedures, which typically decline during the summer months, particularly in European countries.

Results of Operations

Unfavorable conditions in the economy have had an adverse effect on our dental business for the three months ended February 28, 2009 as compared to the third quarter of fiscal year 2008, principally due to the elective nature of dental implant procedures, which are typically not reimbursed by governmental agencies, as payment is primarily received from dental practices and laboratories. While we have already undertaken and continue to undertake certain operating initiatives in connection with this business, we anticipate that the growth rate of our worldwide dental business will remain flat or have low to mid single digit growth during the current global recessionary environment, compared to reported double digit growth in the most recent prior fiscal year.

Table of Contents

Three Months Ended February 28, 2009 as Compared to the Three Months Ended February 29, 2008

Unaudited Condensed Consolidated Statements of Operations

(in millions, except percentages)	Three Months Ended February 28, 2009	Three Months Ended February 29, 2008	Percentage Increase/(Decrease)
Net sales	$ 615.0	$ 603.1	2%
Cost of sales	186.1	262.1	(29)
Gross margin	428.9	341.0	26
Selling, general and administrative expense	244.0	233.3	5
Research and development expense	20.0	23.6	(15)
In-process research and development			
Amortization	94.5	89.1	6
Goodwill and intangible asset impairment charge	448.5		100
Operating income (loss)	(378.1)	(5.0)	(7,462)
Interest expense, net	132.3	142.9	(7)
Other (income) expense	9.7	1.3	646
Other expense, net	142.0	144.2	(2)
Loss before income taxes	(520.1)	(149.2)	249
Benefit from income taxes	(41.4)	(60.7)	(32)
Net loss	$ (478.7)	$ (88.5)	$ 441%

Sales

Net sales were $615.0 million for the three months ended February 28, 2009 and $603.1 million for the three months ended February 29, 2008. Sales growth of 2% was primarily due to favorable geographic mix with sales being stronger domestically than outside the U.S., partly offset by changes in foreign currency of 5%, or $31.1 million. The following tables provide net sales by geography and product category:

Geography Sales Summary

(in millions, except percentages)	Three Months Ended February 28, 2009	Three Months Ended February 29, 2008	Percentage Increase/(Decrease)
United States	$ 387.9	$ 351.6	10%
Europe	167.8	192.1	(13)
International[(1)]	59.3	59.4	(0)
Total	$ 615.0	$ 603.1	2%

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

Product Category Summary

(in millions, except percentages)	Three Months Ended February 28, 2009	Three Months Ended February 29, 2008	Percentage Increase/(Decrease)
Reconstructive	$ 453.8	$ 448.8	1%
Fixation	57.0	56.8	0
Spinal	53.8	50.1	7
Other	50.4	47.4	6
Total	$ 615.0	$ 603.1	2%

Reconstructive

Worldwide net sales of reconstructive products for the three months ended February 28, 2009 were $453.8 million, or 74% of net sales, representing a 1% increase compared to net sales of $448.8 million, also 74% of net sales, during the three months ended February 29, 2008. Unfavorable conditions in the economy have had an effect on the dental business as compared to the prior period due to the elective nature of dental implant procedures, which are typically not reimbursed by insurance. The effect of foreign currency negatively affected growth on a reported basis of this product category by 6%, or $26.0 million.

Global knee sales increased 3% and increased 8% in the United States during the quarter. Key products during the third quarter were the Vanguard® Complete Knee System and the Oxford®Partial Knee System, as well as the recently introduced E-Poly®Antioxidant Infused Technology Tibial Bearings. The E-Poly® technology provides Vitamin E infused highly crosslinked polyethylene, which is designed to offer strength and oxidative stability for improved wear characteristics.

Table of Contents

Global hip products increased 5% during the third quarter, with a 16% sales increase in the United States. The primary drivers of third quarter hip sales growth included the traditional and Microplasty versions of the Taperloc® Hip Stem; M²a-Magnum Acetabular Systems; Ringloc® and Regenerex® Ringloc®+ Modular Acetabular Systems; and E-Poly® Antioxidant Infused Technology Acetabular Liners, as well as the Exceed ABT (Advanced Bearing Technologies) Acetabular System, which is available only outside the United States.

Fixation

Worldwide net sales of fixation products for the three months ended February 28, 2009 were $57.0 million, or 9% of net sales, flat compared to net sales of $56.8 million, or 10% of net sales, during the three months ended February 29, 2008. Sales of fixation products reflected global growth of craniomaxillofacial fixation offset by decreased sales of internal fixation, electrical stimulation, and external fixation products. The effect of foreign currency negatively impacted this product category by 4%, or $2.2 million. The TraumaOne System continued to contribute to the sales growth for craniomaxillofacial fixation. The Phoenix Femoral IM Nailing System, which includes the Phoenix Retrograde and Antegrade Femoral Nail components as well as the Phoenix Ankle Arthrodesis Nail System, contributed to internal fixation sales growth.

Spinal

Worldwide net sales of spinal products for the three months ended February 28, 2009 were $53.8 million, or 9% of net sales, representing a 7% increase compared to net sales of $50.1 million, or 8% of net sales, during the three months ended February 29, 2008. Sales volume of spinal products, including implants and stimulation, positively impacted sales of this product category by 3%. Sales of spinal products increased primarily due to the strength in sales of the Solitaire Anterior Spine System, which includes the PEEK-OPTIMA® (a registered trademark of Invibio Ltd.) version of the Solitaire Spine System (Spine) for Anterior Lumbar Interbody Fusions, C-Thru Small Stature PEEK Spacer, and services related to the OsteoStim® Cervical Composite Allograft Implant.

Other

Worldwide net sales of other products for the three months ended February 28, 2009 were $50.4 million, or 8% of net sales, representing a 6% increase compared to net sales of $47.4 million, also 8% of net sales, during the three months ended February 29, 2008. Sales of other products continue to reflect strong global growth in our sports medicine division. Growth drivers during the quarter for our sports medicine division included the MaxFire Meniscal Repair Device, the ToggleLoc Femoral Fixation Device with ZipLoop Technology and the MicroMax Anchors.

Gross Margin

Gross margin increased as a percentage of net sales to 70% for the three months ended February 28, 2009 compared to 57% for the three months ended February 29, 2008. The increase was primarily due to increased cost of sales in connection with the Merger during the three months ended February 29, 2008, including $67.9 million related to the step-up in inventory, $5.9 million of consulting expenses related to operational improvement initiatives, and $1.8 million of distributor fee expense associated with renegotiation of distribution agreements. The increase was partly offset by increased depreciation on instruments in the current year. Excluding these items, gross margin percentage was comparable over the periods presented.

Selling, General and Administrative Expense

Selling, general and administrative expenses were 40% of net sales for the three months ended February 28, 2009, compared to 39% of net sales for the three months ended February 29, 2008. Selling, general and administrative expenses primarily were negatively impacted during the three months ended February 28, 2009 primarily due to (1) $8.4 million of expenses related to the Department of Justice and litigation settlements and reserves, (2) $8.7 million of consulting expenses related to operational improvement initiatives, and (3) $6.1 million of share-based compensation expense. Selling, general and administrative expenses primarily were negatively impacted during the three months ended February 29, 2008 principally due to (1) $9.0 million of share-based compensation expense and (2) $7.3 million of consulting expenses related to operational improvement initiatives. Excluding these items, selling, general and administrative expenses as a percentage of net sales were slightly unfavorable over the prior period due to increased head count year over year in certain infrastructure builds at corporate headquarters as well as additional costs to comply with the Deferred Prosecution Agreement, which expired in March 2009.

Research and Development

Research and development expense during the three months ended February 28, 2009 and February 29, 2008 was $20.0 million and $23.6 million, respectively, or 3.3% and 3.9% of net sales, respectively. Expenses through the three months ended February 28, 2009 have primarily been related to the following research and development projects: T.E.S.S. Long Stem (Reconstructive-Extremities), E-Poly® Vitamin

E stabilized knee bearings (Reconstructive-Knees), OnPoint Scope (Fixation), Forerunner Plating System (Fixation), TraumaOne (Fixation), Ballista Percutaneous Pedicle Screw Placement System (Spine), AccuVision Minimally Invasive Spinal Exposure System (Spine), Polaris Deformity System (Spine), Phoenix Ankle Arthrodesis Nail (Fixation-Internal), and MicroMax Flex Device (Other-sports medicine).

Amortization

Amortization expense for the three months ended February 28, 2009 was $94.5 million, compared to $89.1 million for the three months ended February 29, 2008, representing in each case 15% of net sales for the period.

Goodwill and Intangible Impairment

During the fiscal third quarter of 2009, we recorded an estimated $448.5 million goodwill and definite and indefinite-lived intangible asset impairment charge (impairment charge) associated with the dental reconstructive business unit. The amount of the charge is subject to finalization during the fourth quarter of 2009. The decline in sales volume during the third quarter created an indication of potential impairment of our long-lived assets; therefore, we performed an interim impairment test as of February 28, 2009. Key factors contributing to the impairment charge included disruptions in the credit and equity market, and changes in the dental reconstructive market demand relative to our original assumptions at the time of the Merger.

Interest Expense, net

Interest expense was $133.7 million, partially offset by interest income of $1.4 million, for the three months ended February 28, 2009, compared to $142.9 million for the three months ended February 29, 2008. For the three months ended February 28, 2009, interest expense primarily related to interest charges and financing costs related to the debt financings entered into in connection with the Merger. Net interest expense was down compared to the prior year, primarily due to a reduction in our debt balance by $106.9 million from $6,308.9 million at February 29, 2008 to $6,202.0 million at February 28, 2009.

Table of Contents

Other Income (Expense)

Other income (expense) was an expense of $9.7 million for the three months ended February 28, 2009, compared to an expense of $1.3 million for the three months ended February 29, 2008. The increase in other expense for the three months ended February 28, 2009 primarily related to the write-down of auction-rate securities of $9.4 million, and currency transaction losses of $1.3 million related to our foreign operations, primarily due to the weakening Euro compared to the U.S. Dollar.

Provision for Taxes

The effective income tax rate decreased to 8.0% for the three months ended February 28, 2009 compared to 40.7% for the three months ended February 29, 2008. This decrease was primarily due to the impairment charge of $448.5 million taken on the dental reconstructive reporting unit, of which the goodwill portion is non-deductible for tax purposes. This decrease is also partially attributable to changes in our mix of profits and losses in certain international and domestic jurisdictions in the current quarter.

Nine Months Ended February 28, 2009 as Compared to the Period July 12, 2007 through February 29, 2008

Our results of operations for the nine months ended February 28, 2009 are not comparative to our results of operations for the period June 1, 2007 to July 11, 2007 because of the new basis of accounting resulting from the Merger. Both assets and liabilities were fair valued as of July 11, 2007. On July 11, 2007, 82.4% of the step-up was recorded, which included a $392.8 million IPRD charge, and a $66.2 million and $132.1 million fair value step up to property, plant, and equipment and inventory, respectively, and then combined with 17.6% of the Predecessor Company. On September 25, 2007 (the Closing Date), the remaining fair value step-up of 17.6% was recorded. The additional step-up performed included an increase in the IPRD charge of $86.2 million, an increase of the property plant and equipment fair value of $14.2 million, and an increase in the fair value of inventory of $28.2 million. Also, the Tender Facility starting on July 12, 2007 was refinanced on the Closing Date into various other credit facilities. See Note 8 to the unaudited condensed consolidated financial statements above for a description of those facilities. On July 12, 2007, we eliminated reporting on a one month lag that was in place during the predecessor period at certain non-domestic subsidiaries. The effect of this change is immaterial to the financial results included below.

Unaudited Condensed Consolidated Statements of Operations

(in millions, except percentages)	**Nine Months Ended February 28, 2009**	**Percentage of Net Sales**	**The Period From July 12, 2007 to February 29, 2008 (Successor)**	**Percentage of Net Sales**
Net sales	$ 1,864.8	100%	$ 1,498.9	100%
Cost of sales	562.5	30	613.5	41
Gross margin	1,302.3	70	885.4	59
Selling, general and administrative expense	752.2	40	833.8	56
Research and development expense	66.9	4	58.6	4
In-process research and development			479.0	32
Amortization	275.8	15	227.1	15
Goodwill and intangibles impairment charge	448.5	24		
Operating income (loss)	(241.1)	(13)	(713.1)	(48)
Interest expense, net	412.6	22	371.7	24
Other (income) expense	30.3	2	1.1	
Other expense, net	442.9	24	372.8	24
Loss before income taxes	(684.0)	(37)	(1,085.9)	(72)
Benefit from income taxes	(105.7)	(6)	(213.2)	(14)

Net loss	$ (578.3)	(31)%	$ (872.7)	(58)%

Table of Contents

Sales

Net sales were $1,864.8 million for the nine months ended February 28, 2009 and $1,498.9 million for the period July 12, 2007 through February 29, 2008. The following tables provide net sales by geography and product category:

Geography Sales Summary

(in millions, except percentages)	Nine Months Ended February 28, 2009	Percentage of Net Sales	The Period From July 12, 2007 to February 29, 2008 (Successor)	Percentage of Net Sales
United States	$ 1,135.9	61%	$ 879.9	59%
Europe	532.6	28	465.0	31
International[1]	196.3	11	154.0	10
Total	$ 1,864.8	100%	$ 1,498.9	100%

[1] International primarily includes Canada, South America, Mexico and the Pacific Rim

Product Category Summary

(in millions, except percentages)	Nine Months Ended February 28, 2009	Percentage of Net Sales	The Period From July 12, 2007 to February 29, 2008 (Successor)	Percentage of Net Sales
Reconstructive	$ 1,383.2	74%	$ 1,105.2	74%
Fixation	175.5	9	144.9	10
Spinal	160.4	9	130.0	8
Other	145.7	8	118.8	8
Total	$ 1,864.8	100%	$ 1,498.9	100%

Reconstructive

Our worldwide sales of reconstructive products continued to be a significant percentage of total net sales. Principal drivers behind the reconstructive product sales were knees, where worldwide demand remained strong for our Oxford® Partial Knee System, as well as the Vanguard® Complete Knee System. The Vanguard M Partial Knee, which is the fixed-bearing version of the Oxford® knee, and the Vanguard PFR Patellofemoral Replacement System, which incorporates the technology of the Vanguard® Complete Knee System, also contributed to our nine month growth in knee sales. Hip sales continue to be strong, primarily due to the E-Poly® Antioxidant Infused Technology Acetabular Liners, conventional and Microplasty versions of the Taperloc® Hip System, the M^2a-Magnum Acetabular System, and the Regenerex® Ringloc®+ Modular Acetabular System. In addition, European sales increased due to the volume growth of the Vanguard® Complete Knee System, Oxford® Partial Knee System, Aura® Hip Stem, Taperloc® Hip System, the Exceed ABT (Advanced Bearing Technologies) Acetabular System, and the T.E.S.S. Shoulder System.

Fixation

Sales of fixation products reflected global strength of the craniomaxillofacial fixation and internal fixation product categories, with sales of electrical stimulation and external fixation products not meeting expectations. The TraumaOne System contributed to the strength for craniomaxillofacial fixation, while the Phoenix Femoral IM Nailing System, which includes the Phoenix Retrograde and Antegrade Femoral

Nail components, and the Phoenix Tibial Nailing System, and Phoenix Ankle Arthrodesis Nail System contributed to internal fixation strength.

Spinal

Sales of spinal products have continued to improve due to the strength in sales of the Solitaire Anterior Spine System, which includes the PEEK-OPTIMA® (a registered trademark of Invibio Ltd.) version of the Solitaire Spine System (Spine) for Anterior Lumbar Interbody Fusions, C-Thru Small Stature PEEK Spacer, and services related to the OsteoStim® Cervical Composite Allograft Implant.

Other

Sales of other products continue to reflect strong global growth in our sports medicine division. These sales were driven by our sports medicine division included the MaxFire Meniscal Repair Device, the ToggleLoc Femoral Fixation Device with ZipLoop Technology and the MicroMax Anchors, and the Osseofit Porous Tissue Matrix (Porous Tissue Matrix is a trademark of Kensey Nash Corp).

Gross Margin

Gross margin increased as a percentage of net sales to 70% for the nine months ended February 28, 2009 compared to 59% for the period July 12, 2007 through February 29, 2008. Gross margin for the period July 12, 2007 through February 29, 2008 was negatively impacted by increased cost of sales in connection with the Merger, including charges for the inventory step-up of $160.3 million and additional depreciation of $10.0 million related to the step-up in property, plant and equipment. Excluding these items, gross margin percentage was comparable over the periods presented.

Selling, General and Administrative Expense

Selling, general and administrative expenses were 40% of net sales for the nine months ended February 28, 2009, compared to 56% of net sales for the period July 12, 2007 through February 29, 2008. Selling, general and administrative expenses were negatively impacted during the period July 12, 2007 through February 29, 2008 primarily due to (1) the $26.9 million settlement payment to the Department of Justice, (2) $27.3 million of distributor fee expense associated with renegotiation of distribution agreements and (3) $171.6 million of transaction expenses associated with the Merger. Excluding these items, selling, general and administrative expenses as a percentage of net sales were comparable over the periods presented.

Table of Contents

Research and Development

Research and development expenses during the nine months ended February 28, 2009 were $66.9 million or 4% of net sales, compared to $58.6 million or 4% of net sales during the period July 12, 2007 through February 29, 2008. During the period July 12, 2007 through February 29, 2008, expenses decreased as a percentage of net sales by 30 basis points primarily due to terms related to our Deferred Prosecution Agreement (DPA) affecting our spending prior to the DPA becoming effective, which inflated our spending on research and development subsequent to the settlement and payment of the agreed upon amount. Expenses through the nine months ended February 28, 2009 have primarily been related to the following research and development projects: T.E.S.S. Long Stem (Reconstructive-Extremities), E-Poly® Vitamin E stabilized knee bearings (Reconstructive-Knees), OnPoint Scope (Fixation), Forerunner Plating System (Fixation), Ballista Percutaneous Pedicle Screw Placement System (Spine), AccuVision Minimally Invasive Spinal Exposure System (Spine), PEEK-OPTIMÅ (a registered trademark of Invibio Ltd.) version of the Solitaire Spine System (Spine), and Phoenix Ankle Arthrodesis Nail (Fixation-Internal).

In-Process Research & Development

We recorded IPRD charges of $479.0 million during the period July 12, 2007 through February 29, 2008 related to the Merger. We recorded IPRD for the portion of the purchase price representing the value of technologies relating to products that had not received FDA approval or clearance and had no alternative use, excluding the value of core and developed technologies. There were no IPRD charges during the nine months ended February 28, 2009.

Amortization

Amortization expense for the nine months ended February 28, 2009 was $275.8 million, compared to $227.1 million during the period July 12, 2007 through February 29, 2008. This increase is due to only 82% of the established intangibles being recorded from the Merger Date of July 12, 2007 to the closing date of September 25, 2007 resulting in reduced amortization expense and having 41 less calendar days in the prior year period. On the closing date, an additional 18% step-up of the intangibles was recorded, resulting in higher amortization subsequent to that date.

Goodwill and Intangible Impairment

During the fiscal third quarter of 2009, we recorded a preliminary charge of $448.5 million goodwill and definite and indefinite-lived intangible asset impairment charge (impairment charge) associated with the dental reconstructive business unit. The amount of the charge is subject to finalization during the fourth quarter of 2009. The decline in sales volume during the third quarter created an indication of potential impairment of our long-lived assets; therefore, we performed an interim impairment test as of February 28, 2009. Key factors contributing to the impairment charge included disruptions in the credit and equity market, and changes in the dental reconstructive market demand relative to our original assumptions at the time of the Merger.

Interest Expense, net

Interest expense was $415.5 million, partially offset by interest income of $2.9 million, for the nine months ended February 28, 2009, compared to $373.0 million, partially offset by interest income of $1.3 million, during the period July 12, 2007 through February 29, 2008. For the nine months ended February 28, 2009, interest expense primarily related to interest charges and financing costs related to the debt financings obtained in connection with the Merger. For the period July 12, 2007 through February 29, 2008, interest expense primarily related to interest charges and financing costs on the Tender Facility obtained in connection with the Offer through September 25, 2007, when the Tender Facility was replaced with senior secured credit facilities, term loan facilities, and cash flow and asset based loan revolvers. In addition, interest expense was impacted during the period July 12, 2007 through February 29, 2008 for deferred financing costs of $57.2 million related to the Tender Facility being written off.

Other Income (Expense)

Other income (expense) was an expense of $30.3 million for the nine months ended February 28, 2009, compared to an expense of $1.1 million during the period July 12, 2007 through February 29, 2008. Other income (expense) primarily related to write-downs of investments of $5.2 million, write-downs of auction-rate securities of $9.4 million, and currency transaction losses related to our foreign operations of $11.5 million, primarily due to the weakening Euro compared to the U.S. Dollar.

Provision for Taxes

The effective income tax rate decreased to 15.5% for the nine months ended February 28, 2009 compared to 19.7% for the period July 12, 2007 through February 29, 2008. These effective tax rates are lower than statutory tax rates due to amounts deducted for book that are not deductible for tax purposes. In the current year, the goodwill portion of the $448.5 million impairment charge taken on the dental reconstructive reporting unit is not deductible for tax purposes. In the prior year, the following items are not deductible for tax purposes: (1) $479.0 million in-process research and development expense related to the Merger, (2) a portion of the $26.9 million Department of Justice settlement and (3) $73.5 million of Merger-related expenses. The decrease in the tax rate in the current year compared to the prior year is also partially attributable to changes in the Company s mix of profits and losses in certain international and domestic jurisdictions in the current year.

Table of Contents

For the Period June 1, 2007 through July 11, 2007

Unaudited Condensed Consolidated Statements of Operations

(in millions, except percentages)	The Period From June 1 - July 11, 2007 (Predecessor)	Percentage of Net Sales
Net sales	$ 248.8	100%
Cost of sales	102.3	41
Gross margin	146.5	59
Selling, general and administrative expense	194.2	78
Research and development expense	34.0	14
Amortization	0.5	
Operating loss	(82.2)	(33)
Interest expense, net	0.3	
Other (income)	(0.6)	
Other income, net	(0.3)	
Loss before income taxes	(81.9)	(33)
Benefit from income taxes	(27.3)	(11)
Net loss	$ (54.6)	(22)%

Sales

Net sales were $248.8 million for the period June 1, 2007 through July 11, 2007. The following tables provide net sales by geography and product category:

Geography Sales Summary

(in millions, except percentages)	The Period From June 1 - July 11, 2007 (Predecessor)	Percentage of Net Sales
United States	$ 156.2	63%
Europe	70.8	28
International[(1)]	21.8	9
Total	$ 248.8	100%

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

Product Category Summary

(in millions, except percentages)	The Period From June 1 - July 11, 2007 (Predecessor)	Percentage of Net Sales
Reconstructive	$ 178.1	71%
Fixation	27.1	11
Spinal	24.9	10
Other	18.7	8
Total	$ 248.8	100%

Reconstructive

Our worldwide sales of reconstructive products continue to be a significant percentage of total net sales. Principal drivers behind the reconstructive product sales were knees, where worldwide demand remains strong for our Oxford® Partial Knee System, as well as the Vanguard® Complete Knee System. Hip sales continue to be strong, primarily due to worldwide sales of the M 2 a-Magnum Acetabular System and the Taperloc® Hip System, as well as strong growth for the ReCap® Total Resurfacing System in Europe. In addition, sales of dental reconstructive devices were strong for the period from June 1, 2007 through July 11, 2007, with the launch of the NanoTite Tapered PREVAIL® Implant.

Fixation and Spinal

Sales of fixation and spinal products were lower than expected for the period June 1, 2007 through July 11, 2007 due to the underperformance of the Biomet Trauma and Biomet Spine, or BTBS, division. We have made various changes at the division, including managerial changes and computer system enhancements, among others. We believe the new management team and infrastructure changes at BTBS will allow us to provide improved focus on the spine and trauma markets and BTBS customers.

Table of Contents

Other

Sales of other products include product lines that are sold by the BTBS division and did not meet management expectations during the period June 1, 2007 through July 11, 2007. This poor performance was partly offset by the sales performance of sports medicine products.

Gross Margin

Gross margin was 59% of net sales during the period June 1, 2007 through July 11, 2007, which was negatively impacted by increased cost of sales in connection with the Merger, including $28.0 million of costs in June 2007 to settle in-the-money stock options to employees, as required by the Merger Agreement.

Selling, General and Administrative Expense

Selling, general and administrative expenses were 78% of net sales during the period June 1, 2007 through July 11, 2007. Selling, general and administrative expenses were negatively impacted during this period due to (1) $61.0 million paid upon the cash-out of outstanding in-the-money stock options of employees, as part of the Merger, (2) $30.0 million of transaction fees associated with the Merger, (3) $18.0 million of distributor fee expense associated with renegotiation of distribution agreements and (4) $2.0 million of additional legal and Merger-related fees.

Research and Development

Research and development expenditures during the period June 1, 2007 through July 11, 2007 were $34.0 million or 14% of net sales, which was impacted by $23.0 million of additional compensation expense upon the cash-out of outstanding in-the-money stock options of employees, as part of the Merger.

Provision for Taxes

The effective income tax rate was 33.3% for the period June 1, 2007 through July 11, 2007. The rate is lower than the U.S. statutory rates due to the tax rates in our international locations being lower than in the United States and our plans to have those earnings permanently invested.

Liquidity and Capital Resources

Cash Flows The following is a summary of the cash flows by activity for the nine months ended February 28, 2009, for the time period July 12, 2007 to February 29, 2008, and for the period June 1, 2007 to July 11, 2007 (in millions):

Summary of Cash Flows

	February 28, 2009	July 12, 2007 - February 29, 2008 (Successor)	June 1 - July 11, 2007 (Predecessor)
Net cash from (used in):			
Operating activities	$ 196.4	$ 83.5	$ 59.4
Investing activities	(136.9)	(11,708.1)	11.0
Financing activities	163.6	11,532.3	1.3
Effect of exchange rate changes on cash	(11.4)	11.9	0.1
Change in cash and cash equivalents	$ 211.7	$ (80.4)	$ 71.8

Nine Months Ended February 28, 2009 Compared to July 12, 2007 through February 29, 2008

Operating Cash Flows

Cash flows provided by operating activities were $196.4 million for the nine months ended February 28, 2009 compared to cash provided of $83.5 million for the period July 12, 2007 through February 29, 2008. Cash generated by operating activities continues to be a source of funds for investing in our growth. Net cash provided by operating activities for the nine months ended February 28, 2009 included a net loss of $578.3 million, offset by non-cash amounts of $744.5 million, primarily goodwill and intangible asset impairment charge, depreciation and amortization, and stock based compensation offset by deferred income taxes, and cash provided through working capital of $30.2 million, primarily due to $24.0 million tax refund from our 2008 tax returns. Net cash used in operating activities for the period July 12, 2007 through February 29, 2008 primarily related to the following:

a net loss of $872.7 million, partially offset by non-cash amounts of $827.2 million (primarily IPRD, depreciation and amortization as a result of the Merger),

a decrease in inventory of $53.0 million,

an increase in prepaid expenses of $41.9 million, and

an increase in accrued interest of $171.0 million related to the debt financings entered into in connection with the Merger.

Investing Cash Flows

Cash flows used in investing activities were $136.9 million for the nine months ended February 28, 2009 and $11,708.1 million for the period July 12, 2007 through February 29, 2008. Cash flows used in investing activities for the nine months ended February 28, 2009 primarily related to capital expenditures of $127.4 million and for the period July 12, 2007 through February 29, 2008 primarily related to $11,658.4 million of acquisition costs in connection with the acquisition of Biomet, Inc. as discussed in Note 1 to the unaudited condensed consolidated financial statements, and capital expenditures of $129.4 million, partially offset by net proceeds from the sale and purchase of investments of $80.1 million.

Financing Cash Flows

Cash flows provided by financing activities were $163.6 million for the nine months ended February 28, 2009, and $11,532.3 million for the period July 12, 2007 through February 29, 2008. Cash flows used in financing activities for the nine months ended February 28, 2009 primarily related to proceeds under the revolving credit facilities of $187.5 million, partially offset by payments under the senior secured credit facility of $26.9 million. Cash flows used in financing activities for the period July 12, 2007 through February 29, 2008 primarily related to capital contributions of $5,401.9 million and proceeds from long-term debt of $6,270.9 million in connection with the acquisition of Biomet, Inc. as discussed in Note 1 to the unaudited condensed consolidated financial statements.

Table of Contents

June 1, 2007 through July 11, 2007

Net cash from operating activities was $59.4 million for the period June 1, 2007 through July 11, 2007, impacted by payments of $18.0 million to distributors associated with renegotiation of distribution agreements. Net cash provided by investing was $11.0 million, primarily due to $42.8 million of proceeds from investing activities, which was partly offset by capital expenditures of $22.0 million for planned improvements to property, plant and equipment.

Contractual Obligations

Summarized in the table below are our long-term obligations and commitments as of February 28, 2009. We have issued notes, entered into senior secured credit facilities, including senior secured term loan facilities and a senior secured cash flow revolving credit facility, and a senior secured asset-based revolving facility, all subsequent to the Merger, all of which are classified as long-term. There were borrowings under our asset-based revolving facility of $165.4 million as of February 28, 2009. Our senior secured term loan facilities require payments each year in an amount equal to 1% of the original principal in equal quarterly installments for the first seven years and three months. Certain debt agreements (European facilities) survived the Merger and as of February 28, 2009, the amount of principal payments due within the next twelve-month period related to those specific facilities is $52.4 million.

During the quarter ended November 30, 2008, Lehman Brothers Holdings Inc. (Lehman), whose subsidiaries have a $41.5 million credit commitment across our domestic revolving borrowing base, filed for bankruptcy. During the quarter, we submitted borrowing requests for $175.0 million from our senior secured asset-based revolving facility; however, only $165.4 million in net borrowing proceeds were received from the administration agent. The difference between the borrowed amount and the requested amount reflects Lehman s election to not fund its pro rata share of the borrowing as required under its commitment to the facility. As a result, we do not expect that Lehman will fund its pro rata share of any future borrowing requests. Also, one of our subsidiaries has a bilateral revolving credit facility with Fortis bank. We were informed during the second quarter ended November 30, 2008 by the bank that due to our subsidiary s limited usage of the facility, the size of the commitments was being reduced from 100.0 million to 50.0 million. During the third quarter ended February 28, 2009, the reorganized Fortis Bank increased the facility to the original commitment of 100.0 million. Based on the above, our revolving borrowing base available under all debt facilities at February 28, 2009 was $614.0 million, which is net of the amount we believe will not be funded by Lehman and borrowing base limitations as it relates to the senior secured asset-based revolving facility.

(in millions)	Total	2009 and 2010	2011 and 2012	2013 and 2014	2015 and Thereafter
Contractual obligations					
Projected future benefit plan payments	$ 28.5	$ 11.1	$ 17.4	$	$
Long-term debt (including current maturities)	6,202.0	121.3	69.0	69.0	5,942.7
Interest payments	4,089.9	1,036.0	977.2	907.7	1,169.0
Material purchase commitments [(1)]	24.7	19.3	5.4		
Outsourcing contract obligation	29.3	8.7	13.6	7.0	
Total contractual obligations	$ 10,374.4	$ 1,196.4	$ 1,082.6	$ 983.7	$ 7,111.7

(1) Buildings, leases, machinery and equipment, and materials

In addition, due to the uncertainty with respect to the timing of future cash flows associated with our unrecognized tax benefits at February 28, 2009, we are unable to make reasonably reliable estimates of the period of cash settlement with the respective taxing authorities. Therefore, $66.1 million of unrecognized tax benefits have been excluded from the contractual obligations table above.

We believe that our cash, other liquid assets and operating cash flow, together with available borrowings and potential access to credit and capital markets, will be sufficient to meet our operating expenses, research and development costs, capital expenditures and to service our debt requirements as they become due. However, our ongoing ability to meet our substantial debt service and other obligations will be dependent upon our future performance, which will be subject to business, financial, economic and other factors. We will not be able to control many of these factors, such as economic conditions in the markets where we operate and pressure from competitors. We cannot be certain that our cash

flow will be sufficient to allow us to pay principal and interest on our debt, support our operations and meet our other obligations. If we do not have sufficient liquidity, we may be required to refinance all or part of our existing debt, sell assets or borrow more money. We cannot guarantee that we will be able to do so on terms acceptable to us, if at all. In addition, the terms of existing or future debt agreements may restrict us from pursuing any of these alternatives.

Off-Balance Sheet Arrangements

We do not currently have any off-balance sheet arrangements that have or are reasonably likely to have a material current or future effect on our financial condition, revenues or expenses, results of operations, liquidity, capital expenditures or capital resources.

Critical Accounting Estimates

There were no other changes in the nine month period ended February 28, 2009 to the application of critical accounting policies and estimates as described in our Annual Report on Form 10-K for the year ended May 31, 2008, as amended and Note 2 to the unaudited condensed consolidated financial statements.

Goodwill and Other Intangible Impairment

Goodwill and Other Intangible Assets The Company tests its goodwill and indefinite lived intangible asset balances as of March 31 during the fourth quarter of each fiscal year for impairment. The Company tests these balances more frequently if indicators are present or changes in circumstances suggest that impairment may exist. In performing the test on goodwill and indefinite lived intangible assets, the Company utilizes the two-step approach prescribed under FASB Statement No. 142, *Goodwill and Other Intangible Assets*. The first step under SFAS 142 requires a comparison of the carrying value of the reporting units, of which we have identified 8 in total, as defined, to the fair value of these units. To derive the carrying value of the Company s reporting units, the Company assigns goodwill to the reporting units. In addition, for purposes of performing its annual goodwill and indefinite lived intangible asset impairment test, assets and liabilities, including corporate assets, which relate to a reporting unit s operations, and would be considered in determining fair value, are allocated to the individual reporting units. The Company allocates assets and liabilities not directly related to a specific reporting unit, but from which the reporting unit benefits, based primarily on the respective revenue contribution of each reporting unit. If the carrying value of a reporting unit exceeds its fair value, the Company performs the second step of the goodwill and indefinite lived intangible asset impairment test to measure the amount of impairment loss, if any.

Table of Contents

The second step of the goodwill and indefinite lived intangible asset impairment test compares the implied fair value of a reporting unit s goodwill to its carrying value. If the Company is unable to complete the second step of the test prior to the issuance of its financial statements and an impairment loss is probable and could be reasonably estimated, the Company recognizes its best estimate of the loss in its current period financial statements and discloses that the amount as an estimate. The Company then recognizes any adjustment to that estimate in subsequent reporting periods, once the Company has finalized the second step of the impairment test.

Annually or more frequently if events or circumstances change, a determination is made by management, in accordance with SFAS No. 144, *Accounting for Impairment or Disposal of Long-Lived Assets,* to ascertain whether property and equipment and certain finite-lived intangibles have been impaired based on the sum of expected future undiscounted cash flows from operating activities. If the estimated net cash flows are less than the carrying amount of such assets, we will recognize an impairment loss in an amount necessary to write down the assets to fair value as determined from expected future discounted cash flows.

Recent Accounting Pronouncements

SFAS 141R In December 2007, the Financial Accounting Standards Board (FASB) issued SFAS 141R (revised 2007), *Business Combinations.* SFAS 141R establishes principles and requirements for how the acquirer in a business combination recognizes and measures in its financial statements, the identifiable assets acquired, the liabilities assumed and any noncontrolling interest in the acquiree at the acquisition date at fair value. SFAS 141R determines what information to disclose to enable users of the financial statements to evaluate the nature and financial effects of the business combination. SFAS 141R applies prospectively to business combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after December 15, 2008. Early adoption is not permitted. The Company is currently evaluating the effect the adoption of FAS 141R will have on its consolidated financial statements.

SFAS 157 Effective June 1, 2008, the Company adopted FASB SFAS No. 157, *Fair Value Measurements* (SFAS 157). SFAS 157 establishes a framework for measuring fair value in accordance with generally accepted accounting principles, clarifies the definition of fair value within that framework, and expands disclosures about fair value measurements. SFAS 157 applies whenever other standards require (or permit) assets or liabilities to be measured at fair value, except for the measurement of share-based payments. SFAS 157 does not expand the use of fair value in any new circumstances. On February 12, 2008, the FASB issued FASB Staff Position (FSP) FAS 157-2, *Effective Date of FASB Statement No. 157* (FSP FAS 157-2). FSP FAS 157-2 defers the implementation of SFAS 157 for certain nonfinancial assets and nonfinancial liabilities. Accordingly, the Company adopted the required provisions of SFAS 157 at the beginning of fiscal year 2009 and the remaining provisions will be adopted by the Company at the beginning of fiscal year 2010. The fiscal year 2009 adoption did not result in a material impact to the Company s financial statements (see Note 6). The Company is currently evaluating the impact of adopting the remaining parts of SFAS 157 in fiscal year 2010 in accordance with FSP FAS No. 157-2. In October 2008, the FASB issued FASB Staff Position No. 157-3, *Determining the Fair Value of a Financial Asset When the Market for That Asset is Not Active*, which clarifies the application of SFAS 157 in a market that is not active and provides an example to illustrate key considerations in determining fair value of a financial asset when the market for that financial asset is not active.

SFAS 159 In February 2007, the FASB issued SFAS 159, *Establishing the Fair Value Option for Financial Assets and Liabilities*, to permit all entities to choose to elect to measure eligible financial instruments at fair value. SFAS 159 applies to fiscal years beginning after November 15, 2007, with early adoption permitted for an entity that has also elected to apply the provisions of SFAS 157. An entity is prohibited from retrospectively applying SFAS 159, unless it chooses early adoption. On June 1, 2008 the Company did not elect the fair value option for financial assets and liabilities held at June 1, 2008.

SFAS 160 In December 2007, the FASB issued SFAS 160, *Noncontrolling Interests in Consolidated Financial Statements an amendment of ARB 51*. SFAS 160 establishes accounting and reporting standards that require noncontrolling interests to be reported as a component of equity, changes in a parent s ownership interest while the parent retains its controlling interest be accounted for as equity transactions, and any retained noncontrolling equity investment upon the deconsolidation of a subsidiary be initially measured at fair value. This statement is effective for fiscal years, and interim periods within those fiscal years, beginning on or after December 15, 2008. Earlier adoption is prohibited. The Company does not expect the adoption of SFAS 160 to have a material impact on its consolidated financial statements.

SFAS 161 In March 2008, the FASB issued SFAS 161, *Disclosures about Derivative Instruments and Hedging Activities-an Amendment of FASB Statement No. 133*. This statement requires entities that utilize derivative instruments to provide qualitative disclosures about their objectives and strategies for using such instruments, as well as any details of credit-risk-related contingent features contained within derivatives. It also requires entities to disclose additional information about the amounts and location of derivatives located within the financial statements, how the provisions of SFAS No. 133 have been applied and the impact that hedges have on an entity s financial position, financial performance and cash flows. This statement is effective for fiscal years, and interim periods within those fiscal years, beginning after November 15, 2008. The Company adopted SFAS 161 during the current interim period ended February 28, 2009. See related disclosure above within Note 2.

SFAS 162 In May 2008, the FASB issued SFAS No. 162, *The Hierarchy of Generally Accepted Accounting Principles*. SFAS 162 identifies the sources of accounting principles and the framework for selecting the principles to be used in the preparation of financial statements of nongovernmental entities that are presented in conformity with generally accepted accounting principles in the United States of America. SFAS 162 is effective 60 days following the SEC s approval of the Public Company Accounting Oversight Board amendments to AICPA Codification of Auditing Standards, AU Section 411, *The Meaning of Present Fairly in Conformity with Generally Accepted Accounting Principles*. The Company does not expect the adoption of SFAS 162 will have a material impact on its consolidated financial statements.

FASB Staff Position No. 140-4 and FIN 46(R)-8 In December 2008, the FASB issued FASB Staff Position No. 140-4 and FIN 46(R)-8, *Disclosures by Public Entities (Enterprises) about Transfers of Financial Assets and Interests in Variable Interest Entities*. FAS 140-4 and FIN 46(R)-8 require additional disclosures about an entity s involvement with variable interest entities and transfers of financial assets. FAS 140-4 and FIN 46(R)-8 will become effective for the Company s fiscal year beginning June 1, 2009. The Company is currently evaluating the effect the adoption of FAS 140-4 and FIN 46(R)-8 will have on its consolidated financial statements.

FASB Staff Position No. 142-3 In April 2008, the FASB issued FASB Staff Position No. 142-3, *Determination of the Useful Life of Intangible Assets* (FSP142-3). FSP 142-3 amends the factors that should be considered in developing renewal or extension assumptions that are used to determine the useful life of a recognized intangible asset under FASB Statement No. 142, *Goodwill and Other Intangible Assets*, and requires enhanced related disclosures. FSP 142-3 must be applied prospectively to all intangible assets acquired as of and subsequent to fiscal years beginning after December 15, 2008. The Company is in the process of determining the impact, if any, that the adoption of FSP 142-3 will have on its consolidated financial statements.

Emerging Issues Task Force (EITF) Issue No. 07-3 In June 2007, the FASB Emerging Issues Task Force issued EITF 07-3, *Accounting for Nonrefundable Advance Payments for Goods or Services Received for Use in Future Research and Development Activities*. EITF 07-3 provides guidance for entities that may make nonrefundable advance payments for goods or services that will be used in future research and development activities and whether the advance payment should be expensed when the advance payment is made or when the research and development activity has been performed. EITF 07-3 is effective for financial statements issued for fiscal years beginning after December 15, 2007. On June 1, 2008 the Company adopted EITF 07-3 and the impact was immaterial to its consolidated financial statements.

EITF Issue No. 07-1 In December 2007, the FASB issued EITF 07-1, *Accounting for Collaborative Agreements* (EITF 07-1). EITF 07-1 provides guidance regarding financial statement presentation and disclosure of collaborative arrangements, as defined, which includes arrangements the Company has entered into regarding development and commercialization of products. EITF 07-1 is effective for the Company as of March 1, 2009. The Company has not yet completed its evaluation of EITF 07-1, but does not currently believe that adoption will have a material impact on its consolidated financial statements.

Table of Contents

Related Party Transactions

Management Services Agreement

Upon completion of the Transactions, we entered into a management services agreement with certain affiliates of the Sponsors, pursuant to which such affiliates of the Sponsors or their successors, assigns, affiliates, officers, employees, and/or representatives and third parties (collectively, the Managers) provide management, advisory, and consulting services to us. Pursuant to such agreement, the Managers received a transaction fee equal to 1% of total enterprise value of the Transactions for the services rendered by such entities related to the Transactions upon entering into the agreement, and the Sponsors receive an annual monitoring fee equal to 1% of our annual adjusted EBITDA as compensation for the services rendered and reimbursement for out-of-pocket expenses incurred by the Managers in connection with the agreement and the Transactions. We are required to pay the Sponsors the monitoring fee on a quarterly basis. The total amount of Sponsor fees was $2.6 million and $7.9 million for the three and nine months ended February 28, 2009, respectively, $2.1 million for the three months ended February 29, 2008, and $7.2 million for the period July 12, 2007 through February 29, 2008. There were no Sponsor fees for the period June 1, 2007 through July 11, 2007. We may also pay certain subsequent fees to the Managers for advice rendered in connection with financings or refinancings (equity or debt), acquisitions, dispositions, spin-offs, split-offs, dividends, recapitalizations, an initial underwritten public offering and change of control transactions involving us or any of our subsidiaries. The management services agreement includes customary exculpation and indemnification provisions in favor of the Managers and their affiliates.

On May 8, 2006, we entered into a Separation, Release and Consultancy Agreement with Dane A. Miller, Ph.D. (the Miller Agreement). As previously disclosed in our Current Report on Form 8-K dated May 10, 2006, pursuant to the terms of the Miller Agreement, Dr. Miller received $4.0 million on October 1, 2006, $0.5 million on November 30, 2006 and has received or will receive $0.5 million on the last day of each quarter thereafter through the first quarter of fiscal year 2010 as compensation for his consulting services. Also pursuant to the Miller Agreement, Dr. Miller is reimbursed for any out-of-pocket fees and expenses relating to an off-site office and administrative support, in an amount not to exceed $0.1 million per year. The Miller Agreement contains certain restrictive covenants prohibiting Dr. Miller from competing with the Company and soliciting employees of the Company during the term of the Miller Agreement. As of February 28, 2009, the remaining amount accrued and payable to Dr. Miller was $1.0 million.

Other

We currently hold interest rate swaps with Goldman Sachs. As part of this relationship, we receive information from Goldman Sachs that allows us to perform a regression on the swaps as part of our required effectiveness testing on a quarterly basis.

During the nine months ended February 28, 2009, we received an additional capital contribution of $3.0 million from our parent company from the participation of management under the LVB Acquisition, Inc. 2007 Management Equity Incentive Plan.

We, our subsidiaries, affiliates, employees and controlling stockholders may from time to time, depending upon market conditions, seek to purchase debt securities issued by us or our subsidiaries or affiliates in open market or privately negotiated transactions or by other means.

Forward-Looking Statements

Management s Discussion and Analysis of Financial Condition and Results of Operations should be read in conjunction with our unaudited condensed consolidated financial statements and the corresponding notes contained in this report and with the financial statements, related notes, and Management s Discussion and Analysis of Financial Condition and Results of Operation in our annual report on Form 10-K for the fiscal year ended May 31, 2008, as amended. The accompanying unaudited condensed consolidated financial statements are prepared in conformity with accounting principles generally accepted in the United States of America and such principles are applied on a basis consistent with the information reflected in our Form 10-K for the year ended May 31, 2008, as amended, filed with the SEC. Certain information and footnote disclosures normally included in financial statements prepared in accordance with accounting principles generally accepted in the United States of America have been condensed or omitted pursuant to the rules and regulations promulgated by the SEC. In the opinion of management, the interim financial information includes all adjustments and accruals, consisting only of normal recurring adjustments, which are necessary for a fair presentation of results for the respective interim periods.

The results of operations for the three and nine months ended February 28, 2009 are not necessarily indicative of the results to be expected for the full fiscal year ending May 31, 2009 or any future interim period. Certain statements contained in this Quarterly Report on Form 10-Q and other written and oral statements made from time to time by us do not relate strictly to historical or current facts. As such, they are considered forward-looking statements which provide current expectations or forecasts of future events. Our forward-looking statements generally relate to our growth strategies, financial results, product development, regulatory approvals, competitive strengths, the scope of our intellectual property

rights, litigation, mergers and acquisitions, integration of our acquisitions, divestitures, market acceptance or continued acceptance of our products, accounting estimates, financing activities, ongoing contractual obligations, and sales efforts. Such statements can be identified by the use of terminology such as anticipate, believe, could, estimate, expect, forecast, intend, may, plan, possible, potential, pro similar words or expressions. One must carefully consider forward-looking statements that may be affected by inaccurate assumptions, and understand that such statements involve a variety of risks and uncertainties, known and unknown, including, among others, risks related to competition in the medical device industry, reduction or interruption in our supply, quality problems and price decreases for our products and services, and international operations, as well as those discussed in the section entitled Risk Factors in our Annual Report on Form 10-K for the year ended May 31, 2008, as amended. Consequently, no forward-looking statement can be guaranteed and actual results may vary materially. We intend to take advantage of the Safe Harbor provisions of the Private Securities Litigation Reform Act of 1995 regarding our forward-looking statements, and are including this sentence for the express purpose of enabling us to use the protections of the safe harbor with respect to all forward-looking statements.

We undertake no obligation to update any forward-looking statement, but investors are advised to consult any further disclosures by us in our filings with the Securities and Exchange Commission, especially on Forms 10-K, 10-Q, and 8-K (if any), in which we may discuss in more detail various important factors that could cause actual results to differ from expected or historical results. It is not possible to foresee or identify all such factors. As such, investors should not consider any list of such factors to be an exhaustive statement of all risks, uncertainties or potentially inaccurate assumptions.

Item 3. Quantitative and Qualitative Disclosures About Market Risk.

There have been no material changes from the information provided in the Company s Annual Report Form 10-K for the year ended May 31, 2008, as amended.

Item 4T. Controls and Procedures.

Managements evaluation of disclosure controls and procedures

The Company maintains disclosure controls and procedures (as defined in Rule 13a- 15(e) of the Securities Exchange Act of 1934, as amended (the Act) that are designed to provide reasonable assurance that information required to be disclosed by the Company, including the Company s consolidated entities, in the reports that the Company files or submits under the Act, is recorded, processed, summarized and reported, within the time periods specified in the SEC s rules and forms and that such information is accumulated and communicated to management, including the President and Chief Executive Officer (the Principal Executive Officer) and the Chief Financial Officer (the Principal Financial Officer), as appropriate, to allow timely decisions regarding required disclosure. Prior to the filing of this report, the Company completed an evaluation under the supervision and with the

Table of Contents

participation of senior management, including the Company s Principal Executive Officer and its Principal Financial Officer, of the effectiveness of the design and operation of the Company s disclosure controls and procedures as of February 28, 2009. Based on this evaluation, Biomet s Principal Executive Officer and its Principal Financial Officer concluded that, as a result of the material weakness in Biomet s internal control over financial reporting discussed below, Biomet s disclosure controls and procedures were not effective as of February 28, 2009.

In light of this conclusion, the Company has applied compensating procedures and processes as necessary to ensure the reliability of our financial reporting. Accordingly, management believes, based on its knowledge, that (i) this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which they were made, not misleading with respect to the period covered by this report and (ii) the financial statements, and other financial information included in this report, fairly present in all material respects our financial condition, results of operations and cash flows as at, and for, the periods presented in this report.

Management, along with Biomet s Board of Directors, has implemented remedial measures to address the material weakness discussed below. Biomet s management has concluded that the consolidated financial statements referred above present fairly, in all material respects, Biomet s financial position, results of operations and cash flows for the periods presented in conformity with GAAP.

Changes in internal control over financial reporting

During the nine month period ended February 28, 2009, there were no changes in Biomet s internal control over financial reporting that have materially affected, or are reasonably likely to materially affect, Biomet s internal control over financial reporting, except for management s remediation plan as described within Management s Report on Internal Control over Financial Reporting in Biomet s Annual Report on Form 10-K for the fiscal year ended May 31, 2008, as amended, which will likely have an impact on Biomet s internal controls over financial reporting as we continue with the remediation plan; however, there was no material impact as of February 28, 2009.

Table of Contents

PART II. OTHER INFORMATION

Item 1. Legal Proceedings

Information with respect to legal proceedings can be found in Note 13, Contingencies and Note 1, Merger to the unaudited condensed consolidated financial statements contained in Part I, Item 1 of this report. Except as discussed in these notes, there were no material developments in the legal proceedings disclosed by the Company in Part 1, Item 3 of the Company s Annual Report on Form 10-K for the fiscal year ended May 31, 2008, as amended.

Item 1A. Risk Factors

As of February 28, 2009, there were no material changes in the Company s risk factors from those disclosed in Part I, Item 1A in the Company s Annual Report on Form 10-K for the fiscal year ended May 31, 2008, as amended, other than the risk factors mentioned below. These risk factors could materially affect our business, financial condition or operating results. Additional risks and uncertainties not currently known to the Company or that the Company currently deems to be immaterial also may, in the future, materially adversely affect our business, financial condition or results.

The conditions of the U.S. and international capital markets may adversely affect the Company s ability to draw on its current revolving credit facilities as well as the value of certain of the Company s investments.

We believe that our cash, other liquid assets and operating cash flow, together with available borrowings and potential access to credit and capital markets, will be sufficient to meet our operating expenses, research and development costs and capital expenditures and service our debt requirements as they become due. However, our ongoing ability to meet our substantial debt service and other obligations will be dependent upon our future performance, which will be subject to business, financial and other factors. We will not be able to control many of these factors, such as economic conditions in the markets where we operate and pressure from competitors. We cannot be certain that our cash flow will be sufficient to allow us to pay principal and interest on our debt, support our operations and meet our other obligations. If we do not have enough money, we may be required to refinance all or part of our existing debt, sell assets or borrow more money. We cannot guarantee that we will be able to do so on terms acceptable to us, if at all. In addition, the terms of existing or future debt agreements may restrict us from pursuing any of these alternatives.

If other financial institutions that have extended credit commitments to the Company are adversely affected by the conditions of the U.S. and international capital markets, they may become unable to fund borrowings under their credit commitments to the Company, which could have a material and adverse impact on the Company s financial condition and its ability to borrow additional funds, if needed, for working capital, capital expenditures, acquisitions, research and development and other corporate purposes.

Similarly, if the current credit conditions of U.S. and international capital markets persist or deteriorate, the Company may be required to further adjust the fair value of its investments pursuant to mark-to-market rules under SFAS 157, which would result in additional impairment charges and could have a material and adverse impact on the Company s financial condition and results of operations.

The current economic uncertainties may adversely affect the Company s results of operations.

Our results of operations could be substantially affected not only by global economic conditions, but also by local operating and economic conditions, which can vary substantially by market. Unfavorable conditions can depress sales in a given market and may result in actions that adversely affect our margins, constrain our operating flexibility or result in charges which are unusual or non-recurring. Certain macroeconomic events, such as the current crisis in the financial markets, could have a more wide-ranging and prolonged impact on the general business environment, which could also adversely affect us. For example, due to certain patient insurance deductibles restarting on January 1, 2009, it is possible that we could experience a potential adverse impact on sales due to patients deferring procedures because of decreased cash flow.

Historically, we believe that this slowdown due to the uncertain or recessionary environment has been minor to the orthopedic business, however, management is taking precautionary measures to be able to manage expenses more appropriately, if revenues were to decrease below those internally forecasted.

Item 6. Exhibits.
(a) Exhibits. See Index to Exhibits.

Table of Contents

Signatures

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, Biomet, Inc. has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized on April 14, 2009.

BIOMET, INC.

By: /s/ Jeffrey R. Binder
Jeffrey R. Binder
President and Chief Executive Officer

Table of Contents

EXHIBIT INDEX

Exhibit No.	Exhibit
12	Computation of Ratio of Earnings to Fixed Charges.
31.1	Certification of Chief Executive Officer Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
31.2	Certification of Chief Financial Officer Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
32.1	Certification to 18 U.S.C Section 1350, as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.

Table of Contents

Exhibit 12

Biomet, Inc.

Computation of Ratio of Earnings to Fixed Charges

(in millions, except ratios)

	Nine Months Ended February 28, 2009	Period from July 12, 2007 - May 31, 2008	Period from June 1, 2007 - July 11, 2007	2007	2006	2005	2004
Earnings:							
Earnings (loss) before income taxes	$ (684.0)	$ (1,194.3)	$ (81.9)	$ 501.6	$ 611.0	$ 546.5	$ 500.7
Add: Fixed charges (per below)	483.9	603.1	0.3	9.3	11.7	9.2	4.2
Total earnings (loss)	$ (200.1)	$ (591.2)	$ (81.6)	$ 510.9	$ 622.7	$ 555.7	$ 504.9
Fixed charges:							
Interest expense, net	$ 412.6	$ 516.3	$ 0.3	$ 9.3	$ 11.7	$ 9.2	$ 4.2
Amortization of bond premium	0.4	0.4					
Deferred financing costs	70.9	86.4					
Total fixed charges	$ 483.9	$ 603.1	$ 0.3	$ 9.3	$ 11.7	$ 9.2	$ 4.2
Ratio of earnings to fixed charges	N/A(1)	N/A(1)	N/A(1)	54.9	53.2	60.4	120.2

(1) Earnings were inadequate to cover fixed charges for the period from June 1, 2007 through July 11, 2007, the period from July 12, 2007 through May 31, 2008, and the nine months ended February 28, 2009 by $81.9 million, $1,194.3 million, $684.0 million, respectively.

Table of Contents

Exhibit 31.1

CERTIFICATION PURSUANT TO SECTION 302

OF THE SARBANES-OXLEY ACT OF 2002

I, Jeffrey R. Binder, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q for the quarterly period ended February 28, 2009 (the report) of Biomet, Inc. (the Company);

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the Company as of, and for, the periods presented in this report;

4. The Company s other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rule 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rule 13a-15(f) and 15d-15(f)) for the Company and have:

a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the Company, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

c) Evaluated the effectiveness of the Company s disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report, based on such evaluation; and

d) Disclosed in this report any change in the Company s internal control over financial reporting that occurred during the Company s most recent fiscal quarter (the Company s fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the Company s internal control over financial reporting; and

5. The Company s other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the Company s auditors and the audit committee of the Company s board of directors (or persons performing the equivalent functions):

a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant s ability to record, process, summarize and report financial information; and

b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the Company s internal control over financial reporting.

April 14, 2009

/s/ Jeffrey R. Binder
Jeffrey R. Binder
President and Chief Executive Officer

Table of Contents

Exhibit 31.2

CERTIFICATION PURSUANT TO SECTION 302

OF THE SARBANES-OXLEY ACT OF 2002

I, Daniel P. Florin, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q for the quarterly period ended February 28, 2009 (the report) of Biomet, Inc. (the Company);

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the Company as of, and for, the periods presented in this report;

4. The Company s other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rule 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rule 13a-15(f) and 15d-15(f)) for the Company and have:

a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the Company, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

c) Evaluated the effectiveness of the Company s disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report, based on such evaluation; and

d) Disclosed in this report any change in the Company s internal control over financial reporting that occurred during the Company s most recent fiscal quarter (the Company s fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the Company s internal control over financial reporting; and

5. The Company s other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the Company s auditors and the audit committee of the Company s board of directors (or persons performing the equivalent functions):

a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant s ability to record, process, summarize and report financial information; and

b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the Company s internal control over financial reporting.

April 14, 2009

/s/ Daniel P. Florin
Daniel P. Florin
Senior Vice President and Chief Financial Officer

Table of Contents

Exhibit 32.1

SECTION 1350 CERTIFICATIONS OF CHIEF EXECUTIVE OFFICER

AND CHIEF FINANCIAL OFFICER

The undersigned, the Chief Executive Officer and the Chief Financial Officer of Biomet, Inc. (the Company), each hereby certifies pursuant to 18 U.S.C. §1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that, to his knowledge on the date hereof:

(a) The Quarterly Report on Form 10-Q of the Company for the Quarter Ended February 28, 2009 filed on the date hereof with the Securities and Exchange Commission (the Report) fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

(b) Information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

April 14, 2009

/s/ Jeffrey R. Binder
Jeffrey R. Binder
President and Chief Executive Officer

April 14, 2009

/s/ Daniel P. Florin
Daniel P. Florin
Senior Vice President and Chief Financial Officer

The foregoing certification is being furnished to the Securities and Exchange Commission as an exhibit to the Form 10-Q and shall not be deemed to be considered filed as part of the Form 10-Q.