BIOMET INC
Form 10-Q
January 14, 2010
Table of Contents

UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-Q

þ **QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**
For the quarterly period ended November 30, 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 Number: 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 þ No ¨

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§ 232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes ¨ 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 þ (Do not check if a smaller reporting company)	Smaller reporting company ¨

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes ¨ No þ

As of November 30, 2009, there was no established public trading market for any of the common stock of the registrant. As of November 30, 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

Table of Contents

PART I. FINANCIAL INFORMATION

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

(in millions)

	(Unaudited) November 30, 2009	May 31, 2009
Assets		
Current assets:		
Cash and cash equivalents	$ 117.6	$ 215.6
Accounts receivable, net	558.9	511.1
Income tax receivable	12.8	20.0
Inventories	555.6	523.9
Deferred income taxes	79.5	78.4
Prepaid expenses and other	47.4	39.1
Total current assets	1,371.8	1,388.1
Property, plant and equipment, net	670.1	636.1
Investments	28.2	27.4
Intangible assets, net	5,618.6	5,680.0
Goodwill	4,876.2	4,780.5
Other assets	77.4	88.8
Total assets	$ 12,642.3	$ 12,600.9
Liabilities & Shareholder s Equity		
Current liabilities:		
Current portion of long-term debt	$ 38.3	$ 81.2
Accounts payable	92.4	99.4
Accrued interest	72.5	73.1
Accrued wages and commissions	92.8	66.6
Other accrued expenses	239.4	310.9
Total current liabilities	535.4	631.2
Long-term liabilities:		
Long-term debt, net of current portion	6,184.1	6,131.5
Deferred income taxes	1,754.4	1,816.3
Other long-term liabilities	197.7	181.6
Total liabilities	8,671.6	8,760.6
Shareholder s equity:		
Contributed and additional paid-in capital	5,592.8	5,584.4
Accumulated deficit	(1,743.4)	(1,713.4)
Accumulated other comprehensive income (loss)	121.3	(30.7)
Total shareholder s equity	3,970.7	3,840.3
Total liabilities and shareholder s equity	$ 12,642.3	$ 12,600.9

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 November 30,		(Unaudited) Six Months Ended November 30,	
	2009	2008	2009	2008
Net sales	$ 695.6	$ 642.8	$ 1,325.7	$ 1,249.8
Cost of sales	213.6	194.9	398.9	376.4
Gross profit	482.0	447.9	926.8	873.4
Selling, general and administrative expense	267.4	254.7	513.4	508.2
Research and development expense	25.2	23.4	50.1	46.9
Amortization	95.3	89.8	190.1	181.3
Operating income	94.1	80.0	173.2	137.0
Interest expense	130.1	139.2	261.6	280.3
Other (income) expense	(10.6)	11.6	(14.9)	20.6
Other expense, net	119.5	150.8	246.7	300.9
Loss before income taxes	(25.4)	(70.8)	(73.5)	(163.9)
Benefit from income taxes	(18.2)	(31.1)	(43.5)	(64.3)
Net loss	$ (7.2)	$ (39.7)	$ (30.0)	$ (99.6)

See notes to the condensed consolidated financial statements.

Table of Contents

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

(in millions)

	(Unaudited) Six Months Ended November 30, 2009	2008
Cash flows provided by operating activities:		
Net loss	$ (30.0)	$ (99.6)
Adjustments to reconcile net loss to net cash from operating activities:		
Depreciation and amortization	279.6	261.4
Amortization of deferred financing costs	5.6	5.7
Stock based compensation expense	9.5	18.8
Recovery of doubtful accounts receivable	(5.8)	(3.5)
Loss (gain) on investments, net	(1.2)	6.5
Provision for inventory obsolescence	8.8	0.4
Deferred income taxes	(77.8)	(69.7)
Other	5.1	(0.1)
Changes in operating assets and liabilities:		
Accounts receivable	(27.7)	(40.5)
Inventories	(31.9)	(25.5)
Prepaid expenses	(6.2)	(2.6)
Accounts payable	(9.1)	(6.7)
Income tax receivable/payable	22.9	(5.7)
Accrued interest	(0.6)	(0.8)
Accrued expenses and other	(60.1)	9.5
Net cash provided by operating activities	81.1	47.6
Cash flows used in investing activities:		
Net proceeds from sales and purchases of investments	2.5	
Capital expenditures	(106.0)	(92.9)
Acquisitions, net of cash acquired	(9.0)	(2.2)
Net cash used in investing activities	(112.5)	(95.1)
Cash flows provided by (used in) financing activities:		
Debt:		
Proceeds under revolving credit agreements	20.1	25.3
Payments under revolving credit agreements	(68.0)	(16.8)
Payments under senior secured credit facility	(17.9)	(18.2)
Proceeds under asset based revolver		165.4
Equity:		
Capital contributions		1.9
Repurchase of LVB Acquisition, Inc. shares	(1.1)	(0.6)
Net cash provided by (used in) financing activities	(66.9)	157.0
Effect of exchange rate changes on cash	0.3	(7.8)
Increase (decrease) in cash and cash equivalents	(98.0)	101.7
Cash and cash equivalents, beginning of period	215.6	127.6
Cash and cash equivalents, end of period	$ 117.6	$ 229.3
Supplemental disclosures of cash flow information:		
Cash paid during the period for:		

Interest	$ 257.1	$ 277.1
Income taxes	$ 6.4	$ 14.8

See notes to the condensed consolidated financial statements.

[Table of Contents](#)

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

Note 1 Summary of Significant Accounting Policies and Nature of Operations.

General Biomet, Inc. (Biomet or 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 over 30 years, the Company has applied advanced engineering and manufacturing technology to the development of highly durable joint replacement systems.

Merger On December 18, 2006, Biomet 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 affiliated with The Blackstone Group, Goldman, Sachs & Co., Kohlberg Kravis Roberts & Co., 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.

Basis of Presentation The accompanying 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 financ statements 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 of the financial condition, results of operations and cash flows for the periods presented have been included. Operating results for the period ended November 30, 2009 are not necessarily indicative of the results that may be expected for the fiscal year ending May 31, 2010. 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, 2009.

Products The Company operates in one reportable 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.

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 for cervical, thoracolumbar, deformity correction and spacer applications, and bone substitute materials, as well as allograft services for spinal applications. These products and services are primarily marketed 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 shareholder s equity. Foreign currency transaction gains and losses are included in other (income) expense.

Cash and Cash Equivalents The Company considers all investments that are highly liquid at the date acquired and have 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 in accordance with guidance issued by the Financial Accounting Standards Board (FASB), which requires certain securities to be categorized as trading, available-for-sale or held-to-maturity. The Company also accounts for its investments under guidance for 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 shareholder s 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, 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.

Table of Contents

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

Note 1 Summary of Significant Accounting Policies and Nature of Operations (continued).

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 (approximately $1,329.0 million) principal amount Euro term loan on September 25, 2007. As of November 30, 2009, the Company s net investment in European subsidiaries totaled 2,102.0 million ($3,152.2 million) and the outstanding principal balance of the Euro term loan was 857.5 million ($1,286.0 million). The difference of 1,244.5 million ($1,866.2 million) remained unhedged as of November 30, 2009. Hedge effectiveness is tested quarterly to determine whether hedge treatment is still appropriate. The Company tests effectiveness on this net investment hedge by determining if the net investment in its European subsidiaries is greater than the outstanding Euro denominated debt balance. Any amount under hedges determined to be ineffective is recorded as other (income) expense in the statement of operations.

Interest Rate Instruments The Company uses interest rate swap agreements (cash flow hedges) in both U.S. Dollars and Euros as a means of fixing the interest rate on portions of its floating-rate debt instruments. As of November 30, 2009, the Company had a swap liability of $166.4 million, which consisted of $71.6 million short term, and $94.8 million long term, partially offset by a $5.7 million credit valuation adjustment. 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 November 30, 2009 Asset (Liability)	Fair Value at May 31, 2009 Asset (Liability)
2 year	Euro	75.0	September 25, 2007	September 25, 2009	$	$ (1.6)
3 year	Euro	75.0	September 25, 2007	September 25, 2010	(4.0)	(4.9)
3 year	Euro	50.0	March 25, 2008	March 25, 2011	(3.2)	(3.5)
4 year	Euro	75.0	September 25, 2007	September 25, 2011	(6.8)	(7.2)
4 year	Euro	40.0	March 25, 2008	March 25, 2012	(3.5)	(3.5)
5 year	Euro	230.0	September 25, 2007	September 25, 2012	(27.2)	(26.2)
5 year	Euro	40.0	March 25, 2008	March 25, 2013	(4.2)	(3.8)
2 year	USD	$ 195.0	September 25, 2007	September 25, 2009		(2.7)
2 year	USD	150.0	March 25, 2008	March 25, 2010	(1.0)	(1.9)
3 year	USD	195.0	September 25, 2007	September 25, 2010	(7.3)	(10.1)
3 year	USD	110.0	March 25, 2008	March 25, 2011	(3.0)	(2.9)
4 year	USD	195.0	September 25, 2007	September 25, 2011	(15.2)	(16.5)
4 year	USD	140.0	March 25, 2008	March 25, 2012	(5.8)	(4.6)
5 year	USD	585.0	September 25, 2007	September 25, 2012	(62.2)	(60.7)
5 year	USD	190.0	March 25, 2008	March 25, 2013	(9.9)	(6.9)
5 year	USD	325.0	December 26, 2008	December 25, 2013	(5.7)	3.2
5 year	USD	195.0	September 25, 2009	September 25, 2014	(7.4)	0.3
Credit Valuation Adjustment					5.7	5.1
Total					$ (160.7)	$ (148.4)

The interest rate swaps 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 accumulated other comprehensive income (loss) and are reclassified into operations in the same period in which the hedged transaction affects earnings. Hedge effectiveness is tested quarterly to determine if hedge treatment is still appropriate. The amount of ineffectiveness recognized as other (income) expense in the statement of operations was not material for any period presented.

On December 1, 2008, the Company adopted a standard issued by the FASB for derivative instruments and hedging activities disclosures. Below is the applicable disclosure (in millions):

Derivatives in Cash Flow Hedging Relationships	Amount of Gain or (Loss) Recognized in OCI on Derivative for the Six Months Ended November 30, 2009 (Effective Portion)		Location of Loss Reclassified from Accumulated OCI into Income (Effective Portion)	Amount of Loss Reclassified from Accumulated OCI into Income (Effective Portion)	Location of Loss Recognized in Income on Derivative (Ineffective Portion and Amount Excluded from Effectiveness Testing)	Income on Derivative (Ineffective Portion and Amount Excluded from Effectiveness Testing) for the Six Months Ended November 30, 2009
Interest rate swaps, net of tax	$	(7.5)	Interest expense	$	Other (income) expense	$

As of November 30, 2009, the effective interest rate, including the applicable lending margin, on 90.9% ($2,085.0 million) of the outstanding principal of the Company s U.S. Dollar term loan was fixed at 6.83% through the use of interest rate swaps. The effective interest rate on 59.5% (510.0 million) of the outstanding principal of the Company s Euro term loan was fixed at 7.30% through the use of interest rate swaps. The remaining unhedged balances of the U.S. Dollar and Euro term loans and senior secured asset-based revolving credit facility had effective interest rates of 3.25%, 3.41% and 1.74%, respectively. As noted in Note 7 to the unaudited condensed consolidated financial statements, the remaining debt instruments have fixed interest rates. As of November 30, 2009, the Company s weighted average interest rate on all its debt was 8.04%.

Table of Contents

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

Note 1 Summary of Significant Accounting Policies and Nature of Operations (continued).

Other Comprehensive Income Other 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 November 30, 2009, foreign investments were all permanent in nature.

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

(in millions)	Three Months Ended November 30, 2009	Three Months Ended November 30, 2008	Six Months Ended November 30, 2009	Six Months Ended November 30, 2008
Accumulated other comprehensive income (loss), net of tax:				
Beginning of period	$ 19.8	$ (39.7)	$ (30.7)	$ (99.6)
Unrecognized actuarial gain (loss) on pension assets	(0.4)		(1.1)	
Foreign currency translation adjustments	113.1	(243.4)	158.9	(373.4)
Unrealized loss on interest rate swaps	(12.7)	(55.7)	(7.5)	(62.2)
Unrealized gain (loss) on available-for-sale securities	1.5	(1.3)	1.7	0.7
End of period	$ 121.3	$ (340.1)	$ 121.3	$ (534.5)

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 determination of estimated collection rates requires management judgment.

Other Loss Contingencies In accordance with guidance issued by the FASB for contingencies, the Company accrues anticipated costs of settlement, damages, and loss for 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 and 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 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 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 its 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.

Accounting for Shipping and Handling Revenue, Fees and Costs The Company classifies amounts billed for shipping and handling as net sales. The related shipping and handling fees and costs are included in cost of sales.

Research and Development Research and development costs are charged to expense as incurred. In-process research and development (IPRD) is recognized in business combinations as an asset, and in asset acquisitions as an expense, 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 guidance issued by the FASB for research and development costs and business combinations.

Income Taxes The Company records income tax estimates in accordance with guidance issued by the FASB for income taxes and uncertainty in income taxes, 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. While the Company does not believe any audit finding could materially affect its financial position, 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 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. No impairment indicators existed at November 30, 2009. In performing the test

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

Note 1 Summary of Significant Accounting Policies and Nature of Operations (continued).

on goodwill, the Company utilizes the two-step approach prescribed under guidance issued by the FASB for goodwill and other intangible assets. The first step under this guidance requires a comparison of the carrying value of the reporting units, of which the Company has identified eight in total, to the fair value of these units. The Company uses the income approach to determine the fair value of each reporting unit. The 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. 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 impairment test, assets and liabilities are allocated to the individual reporting units. These would include corporate assets, which relate to a reporting unit s operations, and would be considered in determining fair value. 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 impairment test to measure the amount of impairment loss, if any.

The second step of the goodwill 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 is 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.

The Company determines the fair value of indefinite lived intangible assets using an income based approach to determine the fair value. The approach calculates fair value by estimating the after-tax cash flows attributable to the asset and then discounting these after-tax cash flows to a present value using a risk-adjusted discount rate. The calculated fair value is compared to the carrying value to determine if any impairment exists.

If events or circumstances change, a determination is made by management 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.

Recent Accounting Pronouncements

Consolidation of Variable Interest Entities In June 2009, the FASB issued a standard to improve financial reporting by enterprises involved with variable interest entities and to provide more relevant and reliable information to users of financial statements. This standard is effective for interim periods and annual periods beginning after November 15, 2009, with earlier adoption permitted. The Company does not intend to early adopt and does not expect the adoption of this standard to have a material impact on its consolidated financial statements.

FASB Accounting Standards Codification In June 2009, the FASB issued a standard that establishes the *FASB Accounting Standards Codification* (Codification) as the source of authoritative U.S. generally accepted accounting principles (GAAP) recognized by the FASB to be applied by nongovernmental entities in the preparation of financial statements in accordance with GAAP. All existing accounting standard documents are superseded by the Codification and any accounting literature not included in the Codification will not be authoritative. This standard is effective for financial statements issued for interim periods and annual periods ending after September 15, 2009. The Company adopted this standard on September 1, 2009 and has eliminated citations for previous standards. The Codification does not change or alter existing GAAP, and therefore, the adoption of this standard did not have a material impact on the Company s consolidated financial statements.

Fair Value Measurements and Disclosures In August 2009, the FASB issued a standard to further update the fair value measurement guidance to clarify how an entity should measure liabilities at fair value. This update to the standard provides clarification that in circumstances in which a quoted price in an active market for the identical liability is not available, a reporting entity is required to measure fair value using certain techniques. When quoted prices are not available, the quoted price of the identical liability traded as an asset, quoted prices for similar liabilities or similar liabilities traded as an asset, or another valuation approach should be used. This update to the standard also clarifies that restrictions preventing the transfer of a liability should not be considered as a separate input or adjustment in the measurement of fair value. This standard is effective for interim periods and annual periods beginning after August 15, 2009. The Company adopted this standard on September 1, 2009. The adoption did not have any impact on its consolidated financial statements.

Note 2 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)	November 30, 2009	May 31, 2009
Raw materials	$ 81.9	$ 90.3
Work-in-process	49.1	52.8
Finished goods	146.0	157.5
Consigned distributor & field inventory	278.6	223.3
Inventories	$ 555.6	$ 523.9

Note 3 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

Table of Contents

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

Note 3 Property, Plant and Equipment (continued).

with guidance issued by the FASB for impairment and 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, or asset group, are less than its carrying amount, with the amount of the loss equal to the excess of carrying cost of the asset, or asset group, over fair value. Depreciation on instruments is included within cost of sales. Property, plant and equipment consisted of the following:

(in millions)	November 30, 2009	May 31, 2009
Land and land improvements	$ 47.1	$ 46.4
Buildings and leasehold improvements	135.8	137.9
Machinery and equipment	289.4	262.0
Instruments	456.8	361.2
Construction in progress	22.2	17.6
Total property, plant and equipment	951.3	825.1
Accumulated depreciation	(281.2)	(189.0)
Total property, plant and equipment, net	$ 670.1	$ 636.1

Note 4 Investments.

At November 30, 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	$ 22.1	$	$ (0.4)	$ 21.7
Equity securities	0.5		(0.1)	0.4
Mortgage-based securities	0.7		(0.1)	0.6
Total available-for-sale	23.3		(0.6)	22.7
Other	5.5			5.5
Total	$ 28.8		$ (0.6)	$ 28.2

At May 31, 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	$ 24.6	$	$ (0.5)	$ 24.1
Equity securities	0.7		(0.1)	0.6
Total available-for-sale	25.3		(0.6)	24.7
Other	2.9		(0.2)	2.7

Total	$ 28.2	$	$ (0.8)	$ 27.4

The net proceeds from sales and purchases of available-for-sale and held-to-maturity securities were $0.9 million and $2.5 million for the three and six months ended November 30, 2009, respectively. There were no sales or purchases of available-for-sale or held-to-maturity securities for the three and six months ended November 30, 2008, respectively. The cost of marketable securities sold is determined by the specific identification method. Net realized gains on sales of available-for-sale securities were $0.4 million and $1.2 million for the three and six months ended November 30, 2009, respectively. There were no net realized gains or losses on sales for available-for-sale securities for the three and six months ended November 30, 2008.

The Company reviews impairments to investment securities in accordance with guidance issued by the FASB for certain investments in debt and equity securities and the application of other-than-temporary impairment to certain investments to determine if impairment is temporary or other-than-temporary. The Company considers 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, 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.

As of November 30, 2009, the Company held auction-rate securities of $19.8 million. These securities 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 November 30, 2009 because of the inability to predict when the market will stabilize. All 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 November 30, 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. During the six months ended November 30, 2009, the market for some of these auction-rate securities has started to recover and $6.3 million of these securities were called and settled at par. At this point, the Company is unable to predict if or when the remaining securities will be settled and at what amount. The Company recorded in other (income) expense a net realized gain of $1.2 million with respect to these securities. No additional temporary or other-than-temporary impairment was recorded during the three or six months ended November 30, 2009.

Table of Contents

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

Note 5 Fair Value Measurements.

The Company adopted a standard issued by the FASB for fair value measurements 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. This standard for fair value measurements clarifies the definition of fair value, establishes a framework for measuring fair value, and expands the disclosures on fair value measurements.

Under guidance issued by the FASB for fair value measurements, 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. This guidance 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 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

Guidance issued by the FASB for fair value measurements 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 are marked-to-market at each reporting period and measured at fair value as defined by this guidance. 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 this guidance.

The following table provides information by level for assets and liabilities that are measured at fair value, as defined by guidance issued by the FASB for fair value measurements, on a recurring basis.

		Fair Value Measurements Using Inputs Considered as		
(in millions)	Fair Value at November 30, 2009	Level 1	Level 2	Level 3
Assets:				
Corporate debt securities	$ 2.9	$	$ 2.9	$
Auction-rate securities	19.8			19.8

Other	5.5	4.6	0.6	0.3
Total assets	$ 28.2	$ 4.6	$ 3.5	$ 20.1
Liabilities:				
Interest rate swaps	$ 160.7	$	$ 160.7	$
Total liabilities	$ 160.7	$	$ 160.7	$

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 November 30, 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 November 30, 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).

Balance at May 31, 2009	$ 22.7
Total net gains included in earnings	1.2
Total unrealized gains included in other comprehensive income	2.5
Total proceeds from sale of available-for-sale securities	(6.3)
Balance at November 30, 2009	$ 20.1

Table of Contents

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

Note 5 Fair Value Measurements (continued).

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

During the six months ended November 30, 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 guidance issued by the FASB for fair value measurements for which the effective date was deferred under a staff position issued by the FASB 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 6 Goodwill and Other Intangible Assets.

The balance of goodwill as of November 30, 2009 and May 31, 2009 was $4,876.2 million and $4,780.5 million, respectively. The change in goodwill from May 31, 2009 to November 30, 2009 was a result of the foreign currency fluctuations, primarily the strengthening 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 strengthening of the Euro against the U.S. Dollar, as well as amortization.

Intangible assets consisted of the following at November 30, 2009 and May 31, 2009 *(in millions)*:

	November 30, 2009			May 31, 2009		
	Gross Carrying Amount	Accumulated Amortization	Net Carrying Amount	Gross Carrying Amount	Accumulated Amortization	Net Carrying Amount
Core technology	$ 2,081.4	$ (255.5)	$ 1,825.9	$ 2,081.4	$ (201.3)	$ 1,880.1
Completed technology	664.9	(110.7)	554.2	664.9	(85.9)	579.0
Product trade names	182.7	(24.1)	158.6	181.5	(18.8)	162.7
Customer relationships	2,933.6	(483.1)	2,450.5	2,930.0	(379.1)	2,550.9
Non-compete contracts	4.6	(0.8)	3.8	4.3	(0.3)	4.0
Sub-total	5,867.2	(874.2)	4,993.0	5,862.1	(685.4)	5,176.7
Corporate trade names	397.6		397.6	393.0		393.0
Currency translation	247.8	(19.8)	228.0	129.1	(18.8)	110.3
Total	$ 6,512.6	$ (894.0)	$ 5,618.6	$ 6,384.2	$ (704.2)	$ 5,680.0

The weighted average remaining useful life of the intangibles at November 30, 2009 was as follows:

	Weighted Average Useful Life
Core technology	18 Years
Completed technology	12 Years
Product trade names	16 Years
Customer relationships	17 Years

Non-compete contracts	4 Years
Corporate trade names	Indefinite life

Expected amortization expense for the years ending May 31, 2010 through 2014 is $373.1 million, $364.6 million, $356.9 million, $348.5 million, and $339.3 million, respectively.

Note 7 Debt.

The terms and carrying value of each instrument at November 30, 2009 are set forth below:

12

Table of Contents

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

Note 7 Debt (continued).

(Dollars and Euros in millions)	Maturity Date	Interest Rate	Currency	November 30, 2009	May 31, 2009	Premium on Notes at November 30, 2009	Premium on Notes at May 31, 2009
Debt Instruments							
European facilities		Primarily	Euro	5.5	37.2		
		Euribor + 1.90%		$ 8.3	$ 52.6	$	$
Term loan facility	March 25, 2015	Libor + 3.00%	US Dollars	$ 2,293.1	$ 2,304.7	$	$
Term loan facility	March 25, 2015	Libor + 3.00%	Euro	857.5	861.9		
				$ 1,286.0	$ 1,220.0	$	$
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	$ 65.2	$ 65.2	$	$
Senior cash pay notes	October 15, 2017	10%	US Dollars	$ 775.0	$ 775.0	$ 1.9	$ 2.0
Senior toggle notes	October 15, 2017	10 3/8% / 11 1/8%	US Dollars	$ 775.0	$ 775.0	$ 1.0	$ 1.1
Senior subordinated notes	October 15, 2017	11 5/8%	US Dollars	$ 1,015.0	$ 1,015.0	$ 1.9	$ 2.1
			Total	$ 6,217.6	$ 6,207.5	$ 4.8	$ 5.2

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 rate for the U.S. Dollar term loan as of November 30, 2009 was 0.29%. The Euro term loan had one tranche with a 3-month LIBOR rate of 0.71%, as of November 30, 2009. 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 $5.8 million on June 30, 2009 and September 30, 2009, respectively, for the U.S. Dollar denominated term loan facility, and made required payments of $3.1 million and $3.2 million on June 30, 2009 and September 30, 2009, respectively, for the Euro denominated term loan facility. There were borrowings under the asset-based revolving credit facility of $65.2 million as of November 30, 2009. The cash flow and asset-based revolving credit facilities 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 $1.4996 and $1.4154, which represents the currency exchange rate from Euros to U.S. Dollars on November 30, 2009 and May 31, 2009, respectively.

The Company s revolving borrowing base available under all debt facilities at November 30, 2009 was $791.5 million, which is net of the borrowing base limitations relating to the senior secured asset-based revolving facility.

As of November 30, 2009, $62.4 million of financing fees related to the Company s credit agreement remained in long-term assets and continue to be amortized through interest expense over the life of the credit agreement.

Note 8 Share-based Compensation and Stock Plans.

The Company follows guidance issued by the FASB for share-based compensation to record share-based payment expense. This guidance 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 guidance issued by the FASB for equity instruments issued to other than employees for acquisition, or in conjunction with selling goods or services.

Share-based compensation expense recognized was $4.3 million and $11.6 million for the three months ended November 30, 2009 and 2008, respectively, and $9.5 million and $18.8 million for the six months ended November 30, 2009 and 2008, respectively.

Note 9 Income Taxes.

The Company applies guidance issued by the FASB for uncertainty in income taxes. This guidance 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 November 30, 2009 was $66.7 million, $52.1 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 recently concluded its audit with the U.S. Internal Revenue Service (IRS) for fiscal years ended May 31, 2005 and 2006, which resulted in an immaterial impact to its unrecognized tax benefits. The Company is currently under audit by the IRS for fiscal years ended May 31, 2007 and 2008. However, based upon the initial status of the IRS field audit, the Company cannot at this time reasonably estimate the potential changes to its unrecognized tax benefits.

The effective income tax rate increased to 59.2% for the six months ended November 30, 2009 compared to 39.3% for the six months ended November 30, 2008. Our tax rate is higher than the statutory tax rates because we are in a loss position in the U.S. and have profit outside the U.S., with the statutory rates outside the U.S. typically being lower than in the U.S. The effective income tax rate increase in the current year was primarily due to having higher losses in the U.S. in the prior year compared to the current year.

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

Note 10 Segment Reporting.

The Company operates in one reportable segment, musculoskeletal products, 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. The Company manages its business segment primarily on a geographic basis. These geographic markets are comprised of the United States, Europe and International. Major markets included in the international geographic market are Canada, South America, Mexico and the Pacific Rim.

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

	Three Months Ended November 30,		Six Months Ended November 30,	
	2009	2008	2009	2008
Net sales by product:				
Reconstructive	$ 528.4	$ 483.3	$ 991.2	$ 932.6
Fixation	57.0	58.0	116.9	118.3
Spinal	58.9	55.3	118.1	106.5
Other	51.3	46.2	99.5	92.4
Total	$ 695.6	$ 642.8	$ 1,325.7	$ 1,249.8

	Three Months Ended November 30,		Six Months Ended November 30,	
	2009	2008	2009	2008
Net sales by geographic segment:				
United States	$ 408.2	$ 379.5	$ 808.3	$ 747.9
Europe	206.2	195.4	361.0	364.8
International	81.2	67.9	156.4	137.1
Total	$ 695.6	$ 642.8	$ 1,325.7	$ 1,249.8

	November 30, 2009	May 31, 2009
Long-term assets[(1)] by geographic segment:		
United States	$ 7,657.4	$ 7,775.3
Europe	2,384.2	2,286.2
International	1,123.3	1,035.1
Total	$ 11,164.9	$ 11,096.6

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

Note 11 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.

Table of Contents

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

Note 11 Guarantor and Non-guarantor Financial Statements (continued).

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

Unaudited Condensed Consolidating Balance Sheets

	November 30, 2009				
	Biomet, Inc.	**Guarantors**	**Non-Guarantors**	**Eliminations**	**Total**
Assets					
Current assets:					
Cash and cash equivalents		$ 111.9	$ 5.7		$ 117.6
Accounts receivable, net		239.4	319.5		558.9
Income tax receivable		12.7	0.1		12.8
Inventories		304.4	329.2	$ (78.0)	555.6
Deferred income taxes		68.9	10.6		79.5
Prepaid expenses and other		19.4	28.0		47.4
Total current assets		756.7	693.1	(78.0)	1,371.8
Property, plant and equipment, net		389.5	287.1	(6.5)	670.1
Investments		28.2			28.2
Investment in subsidiaries	$ 10,256.8			(10,256.8)	
Intangible assets, net		3,463.9	1,412.3		4,876.2