BIOMET INC
Form 424B3
October 15, 2010
Table of Contents

Filed Pursuant to Rule 424(b)(3)

Registration No. 333-150655

PROSPECTUS SUPPLEMENT

(to prospectus dated September 16, 2009 and the prospectus supplements dated

September 25, 2009, October 9, 2009, October 16, 2009, January 6, 2010,

January 14, 2010, April 14, 2010, June 28, 2010, July 13, 2010, July 14, 2010,

August 17, 2010, August 25, 2010, October 1, 2010 and October 12, 2010)

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 September 16, 2009 and the prospectus supplements dated September 25, 2009, October 9, 2009, October 16, 2009, January 6, 2010, January 14, 2010, April 14, 2010, June 28, 2010, July 13, 2010, July 14, 2010, August 17, 2010, August 25, 2010, October 1, 2010 and October 12, 2010.

See the Risk Factors section beginning on page 27 of the prospectus and the Risk Factors section in our Annual Report on Form 10-K filed with the SEC on August 25, 2010 and in our Quarterly Report on Form 10-Q filed with the SEC on October 15, 2010, 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.

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 October 15, 2010.

Table of Contents

UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-Q

(Mark One)

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

For the quarterly period ended August 31, 2010.

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 incorporation or organization)	***(I.R.S. Employer Identification No.)***
56 East Bell Drive, Warsaw, Indiana	**46582**
(Address of principal executive offices)	***(Zip Code)***

(574) 267-6639

(Registrant s telephone number, including area code)

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. 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 August 31, 2010, there was no established public trading market for any of the common stock of the registrant. As of August 31, 2010, 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

Table of Contents

PART I. FINANCIAL INFORMATION

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

(in millions)

	(Unaudited) August 31, 2010	May 31, 2010
Assets		
Current assets:		
Cash and cash equivalents	$ 274.0	$ 189.1
Accounts receivable, net	429.0	452.5
Income tax receivable	14.4	19.2
Inventories	534.9	507.3
Deferred income taxes	57.4	64.3
Prepaid expenses and other	86.8	72.6
Total current assets	1,396.5	1,305.0
Property, plant and equipment, net	626.2	622.0
Investments	19.3	23.3
Intangible assets, net	5,169.0	5,190.3
Goodwill	4,755.6	4,707.5
Other assets	114.1	120.9
Total assets	$ 12,080.7	$ 11,969.0
Liabilities & Shareholder s Equity		
Current liabilities:		
Current portion long-term debt	$ 36.0	$ 35.6
Accounts payable	87.6	86.3
Accrued interest	137.9	70.2
Accrued wages and commissions	81.1	111.3
Other accrued expenses	221.6	215.1
Total current liabilities	564.2	518.5
Long-term liabilities:		
Long-term debt, net of current portion	5,887.8	5,860.9
Deferred income taxes	1,636.8	1,674.9
Other long-term liabilities	202.8	181.2
Total liabilities	8,291.6	8,235.5
Shareholder s equity:		
Contributed and additional paid-in capital	5,610.0	5,605.1
Accumulated deficit	(1,778.8)	(1,761.0)
Accumulated other comprehensive loss	(42.1)	(110.6)
Total shareholder s equity	3,789.1	3,733.5
Total liabilities and shareholder s equity	$ 12,080.7	$ 11,969.0

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

Table of Contents

Biomet, Inc. and Subsidiaries Condensed Consolidated Statements of Operations.

(in millions)

	(Unaudited) Three Months Ended August 31,	
	2010	**2009**
Net sales	$ 640.7	$ 630.1
Cost of sales	194.0	185.3
Gross profit	446.7	444.8
Selling, general and administrative expense	251.9	246.0
Research and development expense	29.9	24.9
Amortization	95.2	94.8
Operating income	69.7	79.1
Interest expense	126.8	131.5
Other (income) expense	(1.8)	(4.3)
Other (income) expense, net	125.0	127.2
Loss before income taxes	(55.3)	(48.1)
Benefit from income taxes	(37.5)	(25.3)
Net loss	$ (17.8)	$ (22.8)

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

Table of Contents

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

(in millions)

	(Unaudited) Three Months Ended August 31,	
	2010	**2009**
Cash flows provided by operating activities:		
Net loss	$ (17.8)	$ (22.8)
Adjustments to reconcile net loss to net cash from operating activities:		
Depreciation and amortization	136.7	136.6
Amortization of deferred financing costs	2.8	2.8
Stock-based compensation expense	5.1	5.2
Recovery of doubtful accounts receivable	(1.3)	(5.2)
Gain on investments, net		(0.8)
Property, plant and equipment impairment charge	0.6	
Provision for inventory obsolescence	1.7	6.5
Deferred income taxes	(43.8)	(47.1)
Other	(0.1)	(1.1)
Changes in operating assets and liabilities:		
Accounts receivable	27.1	19.8
Inventories	(18.3)	(22.5)
Prepaid expenses	(12.2)	(4.4)
Accounts payable	(0.6)	(3.0)
Income tax receivable	4.3	14.6
Accrued interest	67.7	70.0
Accrued expenses and other	(20.6)	(93.1)
Net cash provided by operating activities	131.3	55.5
Cash flows used in investing activities:		
Proceeds from sales/maturities of investments	3.8	
Net proceeds from sale of property and equipment		1.6
Capital expenditures	(36.5)	(53.9)
Acquisitions, net of cash acquired	(9.6)	(2.4)
Net cash used in investing activities	(42.3)	(54.7)
Cash flows provided by (used in) financing activities:		
Debt:		
Proceeds under revolving credit agreements	0.1	20.1
Payments under revolving credit agreements	(0.6)	(1.3)
Payments under senior secured credit facility	(8.5)	(8.9)
Equity:		
Repurchase of LVB Acquisition, Inc. shares	(0.2)	(0.6)
Net cash provided by (used in) financing activities	(9.2)	9.3
Effect of exchange rate changes on cash	5.1	0.7
Increase in cash and cash equivalents	84.9	10.8
Cash and cash equivalents, beginning of period	189.1	215.6
Cash and cash equivalents, end of period	$ 274.0	$ 226.4

Supplemental disclosures of cash flow information:		
Cash paid during the period for:		
Interest	$ 56.3	$ 58.9
Income taxes	$ 6.5	$ 0.8

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

Table of Contents

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

Note 1 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). Intercompany accounts and transactions have been eliminated in consolidation.

The unaudited condensed consolidated financial statements have been prepared in accordance with U.S. generally accepted accounting principles (GAAP) for condensed financial information and with instructions to Form 10-Q and Article 10 of Regulation S-X. As a result, they do not include all of the information and footnotes required by U.S. GAAP for complete financial statements. In the opinion of management, all adjustments (consisting of normal recurring accruals) considered necessary for a fair presentation of the financial condition, results of operations and cash flows for the periods presented have been included. Operating results for the period ended August 31, 2010 are not necessarily indicative of the results that may be expected for the fiscal year ending May 31, 2011. 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, 2010.

Recent Accounting Pronouncements There are no recently issued accounting pronouncements that the Company has yet to adopt that are expected to have a material effect on the Company s financial position, results of operations or cash flows.

Note 2 Inventories.

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

(in millions)	August 31, 2010	May 31, 2010
Raw materials	$ 83.9	$ 69.1
Work-in-process	47.5	43.6
Finished goods	403.5	394.6
Inventories	$ 534.9	$ 507.3

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. Depreciation on instruments is included within cost of sales. Related maintenance and repairs are expensed as incurred.

Property, plant and equipment consisted of the following:

(in millions)	August 31, 2010	May 31, 2010
Land and land improvements	$ 46.3	$ 45.7
Buildings and leasehold improvements	127.4	124.1
Machinery and equipment	305.6	283.3
Instruments	454.6	420.6
Construction in progress	23.8	29.4
Total property, plant and equipment	957.7	903.1
Accumulated depreciation	(331.5)	(281.1)

Total property, plant and equipment, net	$ 626.2	$ 622.0

Table of Contents

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

Note 4 Investments.

At August 31, 2010, the Company s investment securities were classified as follows:

(in millions)	Amortized Cost	Unrealized Gains	Unrealized Losses	Fair Value
Available-for-sale:				
Debt securities	$ 5.2	$ 2.4	$	$ 7.6
Equity securities	0.5		(0.1)	0.4
Mortgage-backed securities	0.7		(0.2)	0.5
Total available-for-sale	6.4	2.4	(0.3)	8.5
Money market funds	9.5			9.5
Other	1.3			1.3
Total	$ 17.2	$ 2.4	$ (0.3)	$ 19.3

At May 31, 2010, the Company s investment securities were classified as follows:

(in millions)	Amortized Cost	Unrealized Gains	Unrealized Losses	Fair Value
Available-for-sale:				
Debt securities	$ 5.2	$ 2.4	$	$ 7.6
Equity securities	0.5		(0.1)	0.4
Mortgage-backed securities	0.7			0.7
Total available-for-sale	6.4	2.4	(0.1)	8.7
Money market funds	9.5			9.5
Other	5.1			5.1
Total	$ 21.0	$ 2.4	$ (0.1)	$ 23.3

There were no sales of available-for-sale securities for the three months ended August 31, 2010. The proceeds from maturities of held-to-maturity securities was $3.8 million for the three months ended August 31, 2010. The proceeds from sales of available-for-sale securities was $1.6 million for the three months ended August 31, 2009. There were no maturities of held-to-maturity securities for the three months ended August 31, 2009. The cost of marketable securities sold is determined by the specific identification method. The Company recorded in other (income) expense a net realized gain on sales of available-for-sale securities of $0.8 million for the three months ended August 31, 2009. The Company s debt securities at August 31, 2010 all have maturities greater than 1 year.

The Company reviews impairments to investment securities quarterly to determine if the 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, 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 August 31, 2010, the Company held auction-rate securities with a fair value of $5.5 million. These securities are AAA-rated 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. These auction-rate securities were classified as long-term available-for-sale securities as of August 31, 2010 because of the inability to predict when the market would recover. The securities continued to earn and pay interest at the maximum contractual rate. During September 2010, the balance of the Company s auction-rate securities was redeemed at their fair value, resulting in a realized gain of $2.6 million.

Table of Contents

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

Note 5 Goodwill and Other Intangible Assets.

The balance of goodwill as of August 31, 2010 and May 31, 2010 was $4,755.6 million and $4,707.5 million, respectively. The change in goodwill reflects 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 August 31, 2010 and May 31, 2010:

	August 31, 2010			May 31, 2010		
(in millions)	Gross Carrying Amount	Accumulated Amortization	Net Carrying Amount	Gross Carrying Amount	Accumulated Amortization	Net Carrying Amount
Core technology	$ 2,092.6	$ (336.2)	$ 1,756.4	$ 2,087.4	$ (308.9)	$ 1,778.5
Completed technology	664.9	(147.7)	517.2	664.9	(135.3)	529.6
Product trade names	183.6	(32.5)	151.1	183.6	(29.6)	154.0
Customer relationships	2,939.6	(635.4)	2,304.2	2,935.4	(583.7)	2,351.7
Non-compete contracts	4.6	(1.5)	3.1	4.6	(1.2)	3.4
Sub-total	5,885.3	(1,153.3)	4,732.0	5,875.9	(1,058.7)	4,817.2
Corporate trade names	397.6		397.6	397.6		397.6
In-process research & development	2.2		2.2			
Currency translation	39.8	(2.6)	37.2	(33.7)	9.2	(24.5)
Total	$ 6,324.9	$ (1,155.9)	$ 5,169.0	$ 6,239.8	$ (1,049.5)	$ 5,190.3

The weighted average useful life of the intangible assets at August 31, 2010 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 intangible assets stated above, for the years ending May 31, 2011 through 2015 is $367.3 million, $359.7 million, $351.1 million, $341.4 million, and $327.9 million, respectively.

Cytosol Acquisition

On June 30, 2010, the Company completed the acquisition of substantially all the assets of Cytosol Laboratories, Inc. (Cytosol), located in Braintree, Massachusetts, a market leader in production of small volume anticoagulants. Cytosol was founded in 1968 to develop anticoagulants and other products to aid in the processing of blood components. The acquired business has three proprietary products with new drug application approvals: TriCitrasol®, noClot-50® and Rejuvesol® products. TriCitrasol® is used for anticoagulation during granulocytapheresis, noClot-50® is used as an anticoagulant in extracorporeal blood processing in the preparation of platelet rich plasma, and Rejuvesol® is used for the

rejuvenation of stored, frozen red blood cells prior to transfusion. The purchase price of $8.7 million was paid on June 30, 2010. The acquisition did not have a material effect on the Company s net sales or operating income for the three months ended August 31, 2010. The purchase price was primarily allocated to identifiable intangible assets based on their estimated fair values at the acquisition date. The fair value assigned to the identifiable intangibles was determined using the income approach. The purchase price allocation was based upon a preliminary valuation and is subject to change during the measurement period as the valuation is finalized.

Table of Contents

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

Note 6 Debt.

The terms and carrying value of each debt instrument at August 31, 2010 and May 31, 2010 are set forth below:

(U.S. dollars and euros in millions)	Maturity Date	Interest Rate	Currency	August 31, 2010	May 31, 2010
Debt Instruments					
European facilities	No Maturity Date	Primarily	EUR	4.7	5.1
		Euribor + 1.90%		$ 6.0	$ 6.3
Term loan facility	March 25, 2015	Libor + 3.00%	USD	$ 2,275.7	$ 2,281.5
Term loan facility	March 25, 2015	Libor + 3.00%	EUR	850.9	853.1
				$ 1,080.9	$ 1,047.3
Cash flow revolving credit facility	September 25, 2013	Libor + 2.25%	USD	$	$
Cash flow revolving credit facility	September 25, 2013	Libor + 2.25%	EUR/USD	$/	$/
Asset-based revolving credit facility	September 25, 2013	Libor + 1.25%	USD	$	$
Senior cash pay notes	October 15, 2017	10%	USD	$ 771.0	$ 771.0
Senior toggle notes	October 15, 2017	10 3/8% /11 1/8%	USD	$ 771.0	$ 771.0
Senior subordinated notes	October 15, 2017	11 5/8%	USD	$ 1,015.0	$ 1,015.0
Premium on notes				$ 4.2	$ 4.4
			Total	$ 5,923.8	$ 5,896.5

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 August 31, 2010 was 0.54%. The euro term loan had a 3-month LIBOR rate of 0.67% as of August 31, 2010. The term loan facilities require quarterly principal payments equal to one quarter percent (0.25%) of the original principal balance (equal payments each quarter). Such payments commenced on the last business day of December 2007, and will 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, 2010 for the U.S. dollar-denominated term loan facility, and made required payments of $2.7 million on June 30, 2010 for the euro-denominated term loan facility. There were no borrowings under the asset-based revolving credit facility as of August 31, 2010. 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 $1.2703 and $1.2276, which represents the currency exchange rate from euros to U.S. dollars on August 31, 2010 and May 31, 2010, respectively.

The Company s revolving borrowing base available under all debt facilities at August 31, 2010 was $826.3 million, which is net of the borrowing base limitations relating to the senior secured asset-based revolving facility.

As of August 31, 2010, $54.0 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 remaining life of the credit agreement.

Note 7 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:

Table of Contents

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

Note 7 Fair Value Measurements, Continued.

Level 1 Inputs are quoted prices in active markets for identical assets or liabilities. The Company s Level 1 assets include money market investments and marketable equity securities.

Level 2 Inputs include quoted prices for similar assets or liabilities in active markets, quoted prices for identical or similar assets or liabilities in markets that are not active, and inputs (other than quoted prices) that are observable for the asset or liability, either directly or indirectly. The Company s Level 2 assets and liabilities primarily include 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 were 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 on a recurring basis at August 31, 2010 and May 31, 2010:

(in millions)	Fair Value at August 31, 2010	Fair Value Measurements Using Inputs Considered as Level 1	Level 2	Level 3
Assets:				
Corporate debt securities	$ 2.6	$	$ 2.6	$
Auction-rate securities	5.5			5.5
Money market funds	109.6	109.6		
Foreign currency exchange contracts				
Other	1.7	1.0	0.5	0.2
Total assets	$ 119.4	$ 110.6	$ 3.1	$ 5.7
Liabilities:				
Interest rate swaps	$ 144.9	$	$ 144.9	$
Total liabilities	$ 144.9	$	$ 144.9	$

(in millions)	Fair Value at May 31, 2010	Fair Value Measurements Using Inputs Considered as Level 1	Level 2	Level 3
Assets:				
Corporate debt securities	$ 2.6	$	$ 2.6	$
Auction-rate securities	5.5			5.5
Money market funds	64.5	64.5		
Other	5.7	4.7	0.8	0.2
Total assets	$ 78.3	$ 69.2	$ 3.4	$ 5.7
Liabilities:				
Interest rate swaps	$ 129.9	$	$ 129.9	$
Total liabilities	$ 129.9	$	$ 129.9	$

Table of Contents

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

Note 7 Fair Value Measurements, Continued.

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. As of August 31, 2010 and May 31, 2010, 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.

The following table provides a reconciliation of the beginning and ending balances of items measured at fair value on a recurring basis in the tables above that used significant unobservable inputs (Level 3) as of August 31, 2010 and May 31, 2010.

(in millions)	
Balance at June 1, 2009	22.7
Total net gains included in earnings	4.3
Total unrealized gains included in other comprehensive income	2.6
Total proceeds from sale of available-for-sale securities	(23.9)
Balance at May 31, 2010	5.7
Total net gains included in earnings	
Total unrealized gains included in other comprehensive income	
Total proceeds from sale of available-for-sale securities	
Balance at August 31, 2010	$ 5.7

The estimated fair value of the Company s long-term debt, including the current portion, at August 31, 2010 was $6,161.0 million compared to a carrying value of $5,923.8 million, and was $6,060.8 million compared to a carrying value of $5,896.5 million at May 31, 2010. Fair value of our traded debt was estimated using quoted market prices for the same or similar instruments. Fair value of our variable rate term debt was estimated using the carrying value as this debt has rates which approximate market interest rates. The fair values and carrying values consider the terms of the related debt and exclude the impacts of debt discounts and interest rate swaps.

The carrying value of the Company s other financial assets and liabilities on the balance sheet approximate fair value at August 31, 2010 and May 31, 2010.

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

During the three months ended August 31, 2010, the Company had no significant measurements of financial assets or liabilities at fair value on a nonrecurring basis subsequent to their initial recognition.

Note 8 Derivative Instruments and Hedging Activities.

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

11

Table of Contents

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

Note 8 Derivative Instruments and Hedging Activities, Continued.

Derivatives Designated as Hedging Instruments

Foreign Currency Instruments Certain assets, liabilities and forecasted transactions are exposed to foreign currency risk, primarily the fluctuation of the U.S. dollar against the euro. The Company 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. In order to mitigate the currency exposure related to debt service under the Company s debt facilities, the Company has hedged a portion of its net investment in its European subsidiaries with the issuance of a 875.0 million (approximately $1,207.4 million at September 25, 2007) principal amount euro term loan on September 25, 2007. The Company s net investment in its European subsidiaries at the hedging date of September 25, 2007 was 1,238.0 million ($1,690.0 million at September 25, 2007). As of August 31, 2010, the Company s net investment in European subsidiaries totaled 2,076.2 million ($2,637.4 million) and the outstanding principal balance of the euro term loan was 850.9 million ($1,080.9 million). The difference of 1,225.3 million ($1,556.5 million) remained unhedged as of August 31, 2010. 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 August 31, 2010, the Company had a swap liability of $144.9 million, which consisted of $74.1 million short term, and $75.3 million long term, partially offset by a $4.5 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 August 31, 2010 Asset (Liability)	Fair Value at May 31, 2010 Asset (Liability)
3 year	EUR	75.0	September 25, 2007	September 25, 2010	$ (0.9)	$ (1.8)
3 year	EUR	50.0	March 25, 2008	March 25, 2011	(1.5)	(1.9)
4 year	EUR	75.0	September 25, 2007	September 25, 2011	(4.3)	(4.9)
4 year	EUR	40.0	March 25, 2008	March 25, 2012	(2.7)	(2.9)
5 year	EUR	230.0	September 25, 2007	September 25, 2012	(22.8)	(23.4)
5 year	EUR	40.0	March 25, 2008	March 25, 2013	(4.1)	(4.0)
3 year	USD	$ 195.0	September 25, 2007	September 25, 2010	(0.6)	(2.8)
3 year	USD	110.0	March 25, 2008	March 25, 2011	(1.4)	(1.7)
4 year	USD	195.0	September 25, 2007	September 25, 2011	(9.9)	(10.9)
4 year	USD	140.0	March 25, 2008	March 25, 2012	(5.3)	(4.7)
5 year	USD	585.0	September 25, 2007	September 25, 2012	(55.2)	(52.6)
5 year	USD	190.0	March 25, 2008	March 25, 2013	(11.9)	(9.1)
5 year	USD	325.0	December 26, 2008	December 25, 2013	(14.8)	(6.3)
5 year	USD	195.0	September 25, 2009	September 25, 2014	(14.0)	(7.3)
Credit Valuation Adjustment					4.5	4.4
Total					$ (144.9)	$ (129.9)

Table of Contents

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

Note 8 Derivative Instruments and Hedging Activities, Continued.

The interest rate swaps are recorded in other accrued expenses and other long term liabilities. As a result of cash flow hedge treatment being applied, all unrealized gains and losses related to the derivative instruments are recorded in accumulated other comprehensive income (loss) and are reclassified into operations in the same period in which the hedged transaction affects earnings. Hedge effectiveness is tested quarterly to determine if hedge treatment is still appropriate. The amount of ineffectiveness was not material for any period presented. The following represents applicable disclosure related to the interest rate swaps:

(in millions)

Derivatives in Cash Flow Hedging Relationships	Amount of Gain or (Loss) Recognized in OCI on Derivative for the Three Months Ended August 31, 2010 (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 Three Months Ended August 31, 2010
Interest rate swaps, net of tax	$ 9.2	Interest expense	$	Other (income) expense	$

As of August 31, 2010, the effective interest rate, including the applicable lending margin, on 85.0% ($1,935.0 million) of the outstanding principal of the Company s U.S. dollar term loan was fixed at 6.94% through the use of interest rate swaps. The effective interest rate on 59.9% (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 3.26% and 3.58%, respectively. As stated in Note 6 to the condensed consolidated financial statements, the remaining debt instruments have a fixed interest rate. As of August 31, 2010, the Company s effective weighted average interest rate on all outstanding debt was 8.07%.

Derivatives Not Designated as Hedging Instruments

Foreign Currency Instruments The Company faces transactional currency exposures that arise when it or its foreign subsidiaries enter into transactions, primarily on an intercompany basis, denominated in currencies other than their functional currency. Beginning in fiscal 2011, the Company entered into short-term forward currency exchange contracts in order to mitigate the currency exposure related to these intercompany payables and receivables arising from intercompany purchases of finished goods inventory. The Company does not designate these contracts as hedges; therefore, all forward currency exchange contracts are recorded at their fair value each period, with the resulting gains and losses recorded in other income (expense). Any foreign currency remeasurement gains or losses recognized in a period are generally offset with gains or losses on the forward currency exchange contracts. The notional amount of these contracts at August 31, 2010 was $13.1 million. The fair value of these contracts was not material at August 31, 2010. There was no material gain or loss on the forward currency exchange contracts during the three months ended August 31, 2010.

Note 9 Other Comprehensive Income (Loss).

Other comprehensive income (loss) includes net income (loss), 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 translating the investment in a foreign currency to U.S. dollars. When the Company determines that a foreign investment is no longer permanent in nature, estimated taxes are provided for the related deferred tax liability (asset), if any, resulting from currency translation adjustments. As of August 31, 2010, foreign investments were all permanent in nature.

13

Table of Contents

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

Note 9 Other Comprehensive Income (Loss), Continued.

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

	Three Months Ended	
(in millions)	**August 31, 2010**	**August 31, 2009**
Net loss	$ (17.8)	$ (22.8)
Other comprehensive income (loss), net of tax:		
Unrecognized actuarial gain (loss) on pension assets	(10.9)	(0.7)
Foreign currency translation adjustments	88.7	45.8
Unrealized gain (loss) on interest rate swaps	(9.2)	5.2
Unrealized gain (loss) on available-for-sale securities	(0.1)	0.2
Total other comprehensive income (loss), net of tax	68.5	50.5
Total other comprehensive income (loss)	$ 50.7	$ 27.7

Note 10 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 in conjunction with selling goods or services.

Share-based compensation expense recognized was $5.1 million and $5.2 million for the three months ended August 31, 2010 and 2009, respectively.

Note 11 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 Company records the liability for unrecognized tax benefits as a long-term liability.

The Company conducts business globally and, as a result, certain of its subsidiaries file income tax returns in the U.S. federal jurisdiction, and various state and foreign jurisdictions. In the normal course of business, the Company is subject to examinations by taxing authorities throughout the world, including major jurisdictions such as Australia, Canada, France, Germany, Japan, Netherlands, Spain, the United Kingdom and the United States. In addition, certain state and foreign tax returns are under examination by various regulatory authorities.

The Internal Revenue Service is currently examining the Company s U.S. federal income tax returns for the years ended May 31, 2007 and 2008. The remainder of this examination is expected to be completed in 2011. The Company is no longer subject to U.S. federal income tax examinations for the fiscal years prior to and including the year ended May 31, 2002.

The Company regularly reviews issues that are raised from ongoing examinations and open tax years to evaluate the adequacy of its liabilities. As the various taxing authorities continue with their audit/examination programs, the Company will adjust its reserves accordingly to reflect these settlements. Substantially all of the Company s unrecognized tax benefits as of August 31, 2010, if recognized, would affect its effective tax rate. As of August 31, 2010, the Company believes that it is reasonably possible that its gross liabilities for unrecognized tax benefits may decrease by up to $6.0 million within the succeeding twelve months due to potential tax settlements.

14

Table of Contents

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

Note 12 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 in the periods presented were as follows:

	Three Months Ended August 31,	
(in millions)	**2010**	**2009** [1]
Net sales by product:		
Reconstructive	$ 478.4	$ 468.6
Fixation	59.4	61.1
Spinal	57.9	58.0
Other	45.0	42.4
Total	$ 640.7	$ 630.1

[1] Certain amounts have been adjusted to conform to the current presentation. Specifically, reconstructive product net sales increased, and other product net sales decreased, $5.8 million and fixation product net sales increased, and spine product net sales decreased, $1.3 million. The current presentation aligns with how the Company presently manages and markets its products.

Net sales by geographic segment in the periods presented were as follows:

	Three Months Ended August 31,	
(in millions)	**2010**	**2009** [1]
Net sales by geographic segment:		
United States	$ 419.1	$ 400.2
Europe	137.2	153.8
International	84.4	76.1
Total	$ 640.7	$ 630.1

[1] Certain amounts have been adjusted to conform to the current presentation. Specifically, International net sales increased, and Europe net sales decreased, $1.0 million. The current presentation aligns with how the Company presently manages and markets its products.

Long-term assets by geographic segment as of the period presented were as follows:

(in millions)	August 31, 2010	May 31, 2010
Long-term assets [1] by geographic segment:		
United States	$ 7,440.8	$ 7,508.0
Europe	1,990.0	1,939.6
International	1,120.0	1,072.2
Total	$ 10,550.8	$ 10,519.8

[1] 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 13 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 the Company s senior secured cash flow facilities.

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

Condensed Consolidating Balance Sheets

			August 31, 2010		
(in millions)	**Biomet, Inc.**	**Guarantors**	**Non-Guarantors**	**Eliminations**	**Total**
Assets					
Current assets:					
Cash and cash equivalents	$	$ 197.8	$ 76.2	$	$ 274.0
Accounts receivable, net		228.2	200.8		429.0
Income tax receivable		13.8	0.6		14.4
Inventories		293.7	353.1	(111.9)	534.9
Deferred income taxes		42.3	15.1		57.4
Prepaid expenses and other		43.3	43.5		86.8
Total current assets		819.1	689.3	(111.9)	1,396.5
Property, plant and equipment, net		364.0	268.6	(6.4)	626.2
Investments		19.3			19.3
Investment in subsidiaries	9,844.9			(9,844.9)	
Intangible assets, net		3,621.4	1,547.6		5,169.0
Goodwill		3,461.4	1,294.2		4,755.6
Other assets		66.5	47.6		114.1
Total assets	$ 9,844.9	$ 8,351.7	$ 3,847.3	$ (9,963.2)	$ 12,080.7
Liabilities & Shareholder s Equity					
Current liabilities:					
Current portion of long-term debt	$ 34.6	$	$ 1.4	$	$ 36.0
Accounts payable		50.7	36.9		87.6
Accrued interest	137.9				137.9
Accrued wages and commissions		48.7	32.4		81.1
Other accrued expenses		161.9	59.7		221.6
Total current liabilities	172.5	261.3	130.4		564.2
Long-term debt	5,883.3		4.5		5,887.8
Deferred income taxes		1,177.7	459.1		1,636.8
Other long-term liabilities		166.4	36.4		202.8
Total liabilities	6,055.8	1,605.4	630.4		8,291.6
Shareholder s equity	3,789.1	6,746.3	3,216.9	(9,963.2)	3,789.1
Total liabilities and shareholder s equity	$ 9,844.9	$ 8,351.7	$ 3,847.3	$ (9,963.2)	$ 12,080.7

16

Table of Contents

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

Note 13 Guarantor and Non-guarantor Financial Statements, Continued.

	May 31, 2010				
(in millions)	**Biomet, Inc.**	**Guarantors**	**Non-Guarantors**	**Eliminations**	**Total**
Assets					
Current assets:					
Cash and cash equivalents	$	$ 103.5	$ 85.6	$	$ 189.1
Accounts receivable, net		248.7	203.8		452.5
Income tax receivable		18.7	0.5		19.2
Inventories		288.7	283.2	(64.6)	507.3
Deferred income taxes		48.6	15.7		64.3
Prepaid expenses and other		34.5	38.1		72.6
Total current assets		742.7	626.9	(64.6)	1,305.0
Property, plant and equipment, net		374.1	253.8	(5.9)	622.0
Investments		23.3			23.3
Investment in subsidiaries	9,693.9			(9,693.9)	
Intangible assets, net		3,678.5	1,511.8		5,190.3
Goodwill		3,461.4	1,246.1		4,707.5
Other assets		70.5	50.4		120.9
Total assets	$ 9,693.9	$ 8,350.5	$ 3,689.0	$ (9,764.4)	$ 11,969.0
Liabilities & Shareholder s Equity					
Current liabilities:					
Current portion of long-term debt	$ 34.1	$	$ 1.5	$	$ 35.6
Accounts payable		48.8	37.5		86.3
Accrued interest	70.2				70.2
Accrued wages and commissions		70.3	41.0		111.3
Other accrued expenses		167.3	47.8		215.1
Total current liabilities	104.3	286.4	127.8		518.5
Long-term debt	5,856.1		4.8		5,860.9
Deferred income taxes		1,216.3	458.6		1,674.9
Other long-term liabilities		147.6	33.6		181.2
Total liabilities	5,960.4	1,650.3	624.8		8,235.5
Shareholder s equity	3,733.5	6,700.2	3,064.2	(9,764.4)	3,733.5
Total liabilities and shareholder s equity	$ 9,693.9	$ 8,350.5	$ 3,689.0	$ (9,764.4)	$ 11,969.0

Condensed Consolidating Statements of Operations

	Three Months Ended August 31, 2010				
(in millions)	**Biomet, Inc.**	**Guarantors**	**Non-Guarantors**	**Eliminations**	**Total**
Net sales	$	$ 430.4	$ 210.3	$	$ 640.7
Cost of sales		124.7	99.1	(29.8)	194.0

Gross margin		305.7	111.2	29.8	446.7
Operating expenses		254.2	122.8		377.0
Operating income (loss)		51.5	(11.6)	29.8	69.7
Other (income) expense, net	125.4	(1.3)	0.9		125.0
Income (loss) before income taxes	(125.4)	52.8	(12.5)	29.8	(55.3)
Tax expense (benefit)	(47.8)	20.0	(1.8)	(7.9)	(37.5)
Equity in earnings of subsidiaries	59.8			(59.8)	
Net income (loss)	$ (17.8)	$ 32.8	$ (10.7)	$ (22.1)	$ (17.8)

Table of Contents

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

Note 13 Guarantor and Non-guarantor Financial Statements, Continued.

	Three Months Ended August 31, 2009				
(in millions)	**Biomet, Inc.**	**Guarantors**	**Non-Guarantors**	**Eliminations**	**Total**
Net sales	$	$ 414.8	$ 215.3	$	$ 630.1
Cost of sales		122.9	99.8	(37.4)	185.3
Gross margin		291.9	115.5	37.4	444.8
Operating expenses		245.1	120.6		365.7
Operating income (loss)		46.8	(5.1)	37.4	79.1
Other (income) expense, net	131.1	(0.6)	(3.3)		127.2
Income (loss) before income taxes	(131.1)	47.4	(1.8)	37.4	(48.1)
Tax expense (benefit)	(49.8)	18.0	(0.3)	6.8	(25.3)
Equity in earnings of subsidiaries	58.5			(58.5)	
Net income (loss)	$ (22.8)	$ 29.4	$ (1.5)	$ (27.9)	$ (22.8)

Condensed Consolidating Statements of Cash Flows

	Three Months Ended August 31, 2010				
(in millions)	**Biomet, Inc.**	**Guarantors**	**Non-Guarantors**	**Eliminations**	**Total**
Cash flows provided by (used in) operating activities	$ 52.4	$ 90.7	$ 10.3	$ (22.1)	$ 131.3
Cash flows used in investing activities	(46.4)	3.6	(21.6)	22.1	(42.3)
Cash flows provided by (used in) financing activities	(6.0)		(3.2)		(9.2)
Effect of exchange rate changes on cash			5.1		5.1
Increase (decrease) in cash and cash equivalents		94.3	(9.4)		84.9
Cash and cash equivalents, beginning of period		103.5	85.6		189.1
Cash and cash equivalents, end of period	$	$ 197.8	$ 76.2	$	$ 274.0

	Three Months Ended August 31, 2009				
(in millions)	**Biomet, Inc.**	**Guarantors**	**Non-Guarantors**	**Eliminations**	**Total**
Cash flows provided by (used in) operating activities	$ 49.8	$ 23.3	$ 10.3	$ (27.9)	$ 55.5
Cash flows used in investing activities	(40.3)	(17.2)	(25.1)	27.9	(54.7)
Cash flows provided by (used in) financing activities	(9.5)		18.8		9.3
Effect of exchange rate changes on cash			0.7		0.7
Increase (decrease) in cash and cash equivalents		6.1	4.7		10.8
Cash and cash equivalents, beginning of period		178.9	36.7		215.6
Cash and cash equivalents, end of period	$	$ 185.0	$ 41.4	$	$ 226.4

18

Table of Contents

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

Note 14 Restructuring.

The Company recorded $1.9 million in employee severance costs during the three months ended August 31, 2010, primarily resulting from the commencement of the transition of our trauma hardware business from our Parsippany, New Jersey operations to our Warsaw, Indiana-based U.S. orthopedics division. These restructuring charges were recorded within cost of sales and selling, general and administrative expense. A summary of the severance and benefit costs in the periods presented is as follows:

(in millions)	Employee Severance and Benefit Costs
Restructuring Accrual:	
Balance at May 31, 2010	2.8
Costs incurred and charged to expense	1.9
Costs paid or otherwise settled	(1.0)
Non-cash adjustments[(1)]	0.1
Balance at August 31, 2010	$ 3.8

(1) Primarily related to foreign currency fluctuations, including the weakening of the euro against the U.S. dollar.

Payments related to severance and benefits are expected to be paid in full by the end of fiscal 2011.

The Company recorded a property, plant and equipment impairment charge of $0.6 million within selling, general and administrative expense during the three months ended August 31, 2010, relating to the closure of its manufacturing facility located in Parsippany, New Jersey.

Note 15 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 concluded 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 satisfied 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. On March 27, 2009, the Deferred Prosecution Agreement expired and the complaint was 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 Conduct and Ethics and certain other provisions, including reporting requirements.

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

In February 2010, the Company received a subpoena from the Office of the Inspector General of the U.S. Department of Health and Human Services requesting various documents relating to agreements or arrangements between physicians and the Company s Interpore Cross subsidiary

for the period from 1999 through the present and the marketing and sales activities associated with Interpore Cross spinal products. The Company is currently in the process of evaluating the scope of the subpoena and intends to fully cooperate with the request of the Office of the Inspector General. 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.

Table of Contents

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

Note 15 Contingencies, Continued.

In April 2009, the Company received an administrative subpoena from the U.S. Attorney s Office for the District of Massachusetts requesting various documents relating primarily to the Medicare reimbursement of and certain business practices related to the Company s EBI subsidiary s non-invasive bone growth stimulators. It is the Company s understanding that competitors in the non-invasive bone growth stimulation market received similar subpoenas. The Company received subsequent subpoenas in connection with the investigation in September 2009 and June 2010 along with several informal requests for information. The Company is producing responsive documents and is fully cooperating in the investigation.

In April 2009, the Company became aware of a qui tam complaint alleging violations of the federal and various state False Claims Acts filed in the United States District Court for the District of Massachusetts, where it is currently pending. The Company, its parent company LVB Acquisition, Inc., and several of the Company s competitors in the non-invasive bone growth stimulation market were named as defendants in this action. The allegations in the complaint are similar in nature to certain categories of requested documents in the above-referenced administrative subpoenas. The U.S. government has not intervened in the action. The Company is vigorously defending this matter and intends to continue to do so. The Company can make no assurances as to the time or resources that will be needed to devote to this litigation or its final outcome.

U.S. Department of Justice Civil Division Investigation

In September 2010, the Company received a Civil Investigative Demand (CID) issued by the U.S. Department of Justice Civil Division pursuant to the False Claims Act. The CID requests that the Company provide documents and testimony related to allegations that Biomet, OtisMed Corp. and Stryker Corp. have violated the False Claims Act relating to the marketing of, and payment submissions for, OtisMed s OtisKnee® (a registered trademark of OtisMed) knee replacement system. The Company is currently in the process of evaluating the scope of the CID and its response. 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.

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 believes it has fully cooperated with both requests and the Company has conducted its own review relating to these matters in certain countries in which the Company and its distributors conduct business. The Company can make no assurances as to the time or resources that will be needed to devote to this litigation or its final outcome.

Other Matters

On December 30, 2009, Heraeus Kulzer GmbH initiated legal proceedings in Germany against the Company and its subsidiary, Biomet Europe BV, alleging that the Company and Biomet Europe BV misappropriated Heraeus Kulzer trade secrets when developing its new lines of European bone cements. The lawsuit seeks damages in excess of 30 million and injunctive relief to preclude the Company from producing its current line of European bone cements. The Company can make no assurance as to the time or resources that will be needed to devote to this litigation or its final outcome.

20

Table of Contents

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

Note 15 Contingencies, Continued.

There are various other claims, lawsuits, disputes with third parties, investigations and pending actions involving various allegations against the Company incident 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 the Company. 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 amounts provided will not have a material adverse impact on the Company s consolidated financial statements taken as a whole.

Note 16 Related Parties.

Transactions with the Sponsor Group

On December 18, 2006, the Company entered into an Agreement and Plan of Merger with LVB Acquisition, LLC, a Delaware limited liability company, which was subsequently converted to a corporation, LVB Acquisition, Inc. (Parent), and LVB Acquisition Merger Sub, Inc., an Indiana corporation and a wholly-owned subsidiary of Parent, (Purchaser), which agreement was amended and restated as of June 7, 2007 and which we refer to as the Merger Agreement . Pursuant to the Merger Agreement, on June 13, 2007, Purchaser commenced a cash tender offer (the Offer) to purchase all of the Company s outstanding common shares, without par value (the Shares) at a price of $46.00 per Share (the Offer Price) without interest and less any required withholding taxes. The Offer was made pursuant to Purchaser s offer to purchase dated June 13, 2007 and the related letter of transmittal, each of which was filed with the SEC on June 13, 2007. In connection with the Offer, Purchaser entered into a credit agreement dated as of July 11, 2007 for a $6,165.0 million senior secured term loan facility, (the Tender Facility), maturing on June 6, 2008, and pursuant to which it borrowed approximately $4,181.0 million to finance a portion of the Offer and pay related fees and expenses. The Offer expired at midnight, New York City time, on July 11, 2007, with approximately 82% of the outstanding Shares having been tendered to Purchaser. At the Company s special meeting of shareholders held on September 5, 2007, more than 91% of the Company s shareholders voted to approve the proposed merger, and Parent acquired the Company on September 25, 2007 through a reverse subsidiary merger with Biomet, Inc. being the surviving company (the Merger). Subsequent to the acquisition, the Company became a subsidiary of Parent, which is controlled by LVB Acquisition Holding, LLC, or Holding, an entity controlled by a consortium of private equity funds affiliated with The Blackstone Group, Goldman, Sachs & Co., Kohlberg Kravis Roberts & Co., and TPG Capital (each a Sponsor and collectively, the Sponsors), and certain investors who agreed to co-invest with the Sponsors (the Co-Investors). These transactions, including the Merger and the Company s payment of any fees and expenses related to these transactions are referred to collectively as the Transactions.

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 in arrears. The total amount of Sponsor fees was $2.4 million and $2.7 million for the three months ended August 31, 2010 and 2009, respectively. 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. Due to the large portfolios of the Sponsors, the Company and its employees may have transactions with the Sponsors and certain affiliates of the Sponsors independent of transactions described above.

Table of Contents

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

Note 16 Related Parties, Continued.

Amended and Restated Limited Liability Company Operating Agreement of Holding

On September 27, 2007, certain investment funds associated with or designated by the Sponsors (the Sponsor Funds) entered into an amended and restated limited liability company operating agreement, or the LLC Agreement, in respect of Holding. The LLC Agreement contains agreements among the parties with respect to the election of the Company s directors and the directors of its parent companies, restrictions on the issuance or transfer of interests in the Company and other corporate governance provisions (including the right to approve various corporate actions).

Pursuant to the LLC Agreement, each of the Sponsors has the right to nominate, and has nominated, two directors to the Company s Board of Directors and also is entitled to appoint one non-voting observer to the Board of Directors for so long as such Sponsor remains a member of Holding. In addition to their right to appoint non-voting observers to the Board of Directors, certain of the Sponsor Funds have certain other management rights to the extent that any such Sponsor Fund is required to operate as a venture capital operating company as defined in the regulations issued by the U.S. Department of Labor at Section 2510.3-101 of Part 2510 of Chapter XXV, Title 29 of the Code of Federal Regulations, or any successor regulations. Each Sponsor s right to nominate directors is freely assignable to funds affiliated with such Sponsor, and is assignable to non-affiliates of such Sponsor only if the assigning Sponsor transfers its entire interest in Holding not previously transferred and only with the prior written consent of the Sponsors holding at least 70% of the membership interests in Holding, or requisite Sponsor consent . In addition to their rights under the LLC Agreement, the Sponsors may also appoint one or more persons unaffiliated with any of the Sponsors to the Board of Directors. Following Purchaser s purchase of the Shares tendered in the Offer, the Sponsors jointly appointed Dane A. Miller, Ph.D. and Jeffrey R. Binder to the Board of Directors in addition to the two directors appointed by each of the Sponsors.

Pursuant to the LLC Agreement, each director has one vote for purposes of any Board of Directors action, and all decisions of the Board of Directors require the approval of a majority of the directors designated by the Sponsors. In addition, the LLC Agreement provides that certain major decisions regarding the Company or its parent companies require the requisite Sponsor consent.

The LLC Agreement includes certain customary agreements with respect to restrictions on the issuance or transfer of interests in the Company, including preemptive rights, tag-along rights and drag-along rights.

The Co-Investors have also been admitted as members of Holding, both directly and through Sponsor controlled investment vehicles. Although the Co-Investors are therefore parties to the LLC Agreement, they have no rights with respect to the election of the Company s directors or the approval of its corporate actions.

The Sponsors have also caused Holding and Parent to enter into an agreement with the Company obligating the Company and Parent to take all actions necessary to give effect to the corporate governance, preemptive rights, transfer restriction and certain other provisions of the LLC Agreement, and prohibiting the Company and Parent from taking any actions that would be inconsistent with such provisions of the LLC Agreement.

Registration Rights Agreement

The Sponsor Funds and the Co-Investors also entered into a registration rights agreement with Holding, Parent and the Company upon the closing of the Transactions. Pursuant to this agreement, the Sponsor Funds have the power to cause Holding, Parent and the Company to register their, the Co-Investors and certain other persons equity interests under the Securities Act and to maintain a shelf registration statement effective with respect to such interests. The agreement also entitles the Sponsor Funds and the Co-Investors to participate in any future registration of equity interests under the Securities Act that Holding, Parent or the Company may undertake.

Table of Contents

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

Note 16 Related Parties, Continued.

Consulting Agreements

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 $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 was reimbursed for out-of-pocket fees and expenses relating to an off-site office and administrative support, in an amount of $0.1 million per year, ending on August 31, 2009. Dr. Miller received the final payment during the fiscal quarter ended August 31, 2009 for $0.5 million. On January 14, 2010, the Company entered into a new consulting agreement with Dr. Miller, pursuant to which it will pay Dr. Miller a consulting fee of $0.25 million per fiscal year for Dr. Miller s consulting services and will reimburse Dr. Miller for out-of-pocket fees and expenses relating to an off-site office and administrative support in an amount of $0.1 million per year. The term of the agreement extends through the earlier of September 1, 2011, an initial public offering or a change of control. The agreement also contains certain restrictive covenants prohibiting Dr. Miller from competing with the Company and soliciting employees of the Company during the term of the agreement and for a period of one year following such term. There were no payments made to Dr. Miller under the new consulting agreement during the three months ended August 31, 2010.

On July 13, 2010, Biomet, Inc. entered into a Retirement and Consulting Agreement with Roger Van Broeck (the Van Broeck Agreement). Pursuant to the terms of the Van Broeck Agreement, Biomet will pay Mr. Van Broeck 250 per hour, or a maximum of 2,000 per day, as compensation for his consulting services. In addition, Mr. Van Broeck will be reimbursed for reasonable out-of-pocket expenses related to approved travel in connection with his consulting services. The Van Broeck Agreement contains certain restrictive covenants prohibiting Mr. Van Broeck from competing with the Company and soliciting employees of the Company during the term of the Van Broeck Agreement, which extends through the earlier of September 1, 2012, an initial public offering or a change of control, and for a period of one year following such term.

Indemnification Priority Agreement

On January 11, 2010, the Company and LVB Acquisition, Inc. entered into an indemnification priority agreement with the Sponsors (or certain affiliates designated by the Sponsors) pursuant to which the Company and LVB Acquisition, Inc. clarified certain matters regarding the existing indemnification and advancement of expenses rights provided by the Company and LVB Acquisition, Inc. pursuant to their respective charters and the management services agreement described above. In particular, pursuant to the terms of the indemnification agreement, the Company acknowledged that as among the Company, LVB Acquisition, Inc. and the Sponsors and their respective affiliates, the obligation to indemnify or advance expenses to any director appointed by any of the Sponsors will be payable in the following priority: The Company will be the primary source of indemnification and advancement; LVB Acquisition, Inc. will be the secondary source of indemnification and advancement; and any obligation of a Sponsor-affiliated indemnitor to indemnify or advance expenses to such director will be tertiary to the Company s and, then, LVB Acquisition, Inc. obligations. In the event that either the Company or LVB Acquisition, Inc. fails to indemnify or advance expenses to any such director in contravention of its obligations, and any Sponsor-affiliated indemnitor makes any indemnification payment or advancement of expenses to such director on account of such unpaid liability, such Sponsor-affiliated indemnitor will be subrogated to the rights of such director under any such Company or LVB Acquisition, Inc. indemnification agreement.

Equity Healthcare

Effective January 1, 2009, the Company entered into an employer health program agreement with Equity Healthcare LLC (Equity Healthcare). Equity Healthcare negotiates with providers of standard administrative services for health benefit plans as well as other related services for cost discounts and quality of service monitoring capability by Equity Healthcare. Because of the combined purchasing power of its client participants, Equity Healthcare is able to negotiate pricing terms for providers that are believed to be more favorable than the companies could obtain for themselves on an individual basis.

In consideration for Equity Healthcare s provision of access to these favorable arrangements and its monitoring of the contracted third parties delivery of contracted services to the Company, the Company pays Equity Healthcare a fee of $2 per participating employee per month (PEPM Fee). As of August 31, 2010, the Company had approximately 3,300 employees enrolled in its health benefit plans in the United States.

23

Table of Contents

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

Note 16 Related Parties, Continued.

Equity Healthcare may also receive a fee (Health Plan Fees) from one or more of the health plans with whom Equity Healthcare has contractual arrangements if the total number of employees joining such health plans from participating companies exceeds specified thresholds. If and when Equity Healthcare reaches the point at which the aggregate of its receipts from the PEPM Fee and the Health Plan Fees have covered all of its allocated costs, it will apply the incremental revenues derived from all such fees to (a) reduce the PEPM Fee otherwise payable by the Company; (b) avoid or reduce an increase in the PEPM Fee that might otherwise have occurred on contract renewal; or (c) arrange for additional services to the Company at no cost or reduced cost.

Equity Healthcare is an affiliate of Blackstone, with whom Michael Dal Bello and David McVeigh, members of the Company s Board of Directors, are affiliated and in which they may have an indirect pecuniary interest.

Core Trust Purchasing Group Participation Agreement

Effective May 1, 2007, the Company entered into a 5-year participation agreement (Participation Agreement) with Core Trust Purchasing Group, a division of HealthTrust Purchasing Corporation (CPG), designating CPG as the Company s exclusive group purchasing organization for the purchase of certain products and services from third party vendors. CPG secures from vendors pricing terms for goods and services that are believed to be more favorable than participants in the group purchasing organization could obtain for themselves on an individual basis. Under the participation agreement, the Company must purchase 80% of the requirements of its participating locations for core categories of specified products and services, from vendors participating in the group purchasing arrangement with CPG or CPG may terminate the contract. In connection with purchases by its participants (including the Company), CPG receives a commission from the vendors in respect of such purchases.

Although CPG is not affiliated with Blackstone, in consideration for Blackstone s facilitating the Company s participation in CPG and monitoring the services CPG provides to the Company, CPG remits a portion of the commissions received from vendors in respect of the Company s purchases under the Participation Agreement to an affiliate of Blackstone, with whom Michael Dal Bello and David McVeigh, members of the Company s Board of Directors, are affiliated and in which they may have an indirect pecuniary interest.

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.

Biomet, Inc., its subsidiaries, affiliates, employees and direct and indirect 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.

Periodically, the Company charters a plane indirectly owned by Dane A. Miller, Ph.D. through RAI Jets, LLC, for Biomet business related use. There were no payments made during the three months ended August 31, 2010 and 2009.

Capital Contributions

The Company repurchased common shares of its parent company of $0.2 million and $0.6 million for the three months ended August 31, 2010 and 2009, respectively, from former employees pursuant to the LVB Acquisition, Inc. Management Stockholders Agreement. There were no additional contributions for the three months ended August 31, 2010 and 2009.

Table of Contents

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

We design, manufacture and market a comprehensive range of both surgical and non-surgical products used primarily by orthopedic surgeons and other musculoskeletal medical specialists. 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.

Executive Overview

Our net sales increased 2% to $640.7 million for the three months ended August 31, 2010 compared to $630.1 million for the three months ended August 31, 2009 primarily due to mid single-digit growth in the U.S. geographic market, as well as sales growth in the International geographic market. The effect of foreign currency fluctuations negatively impacted reported net sales by $9.4 million, or 1%, with Europe reported net sales negatively impacted by $13.3 million, or 9%, and International reported net sales positively impacted by $3.9 million, or 5%. Pricing within the domestic and international markets was slightly negative with volume being favorable. The following represents key sales growth statistics for the three months ended August 31, 2010 compared to the three months ended August 31, 2009:

Reconstructive product sales increased 2% worldwide and 6% in the U.S.

Knee sales increased 4% worldwide and 6% in the U.S.

Hip sales were flat worldwide and increased 4% in the U.S.

Extremity sales increased 25% worldwide and 40% in the U.S.

Dental sales decreased 2% worldwide and increased 3% in the U.S.

Fixation product sales decreased 3% worldwide and were flat in the U.S.

Spinal product sales were flat worldwide and increased 2% in the U.S.

Our operating income for the three months ended August 31, 2010 was $69.7 million compared to $79.1 million for the three months ended August 31, 2009. This decrease in operating income was primarily due to increased investment in research and development activities.

Our interest expense for the three months ended August 31, 2010 was $126.8 million, as compared to $131.5 million for the three months ended August 31, 2009, primarily due to a lower average interest rate on our outstanding debt.

Net cash provided by operating activities was $131.3 million for the three months ended August 31, 2010, as compared to net cash provided of $55.5 million for the three months ended August 31, 2009, with the current year result improving $47.4 million due to our working capital improvement initiatives and the prior year being negatively impacted by $53.0 million related to a previously disclosed litigation settlement.

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 adverse conditions in the global economy, could have a more wide-ranging and prolonged impact on the general business environment, which could also adversely affect us.

We believe the global uncertainty or recessionary environment has impacted the year over year market growth rates of the orthopedic reconstructive device industry from the historical rates in the high single digits to current market growth rates in the low-to-mid single digits. Because of this, management has taken, and will continue to take, precautionary measures to be able to manage expenses more conservatively, especially if revenues are below those internally forecasted.

In the United States, healthcare providers that purchase our products (*e.g.,* hospitals, physicians, dentists and other health care providers) generally rely on payments from third-party payors (principally federal Medicare, state Medicaid and private health insurance plans) to cover all or a portion of the cost of our musculoskeletal products. In March 2010, comprehensive health care reform legislation was enacted through the Patient Protection and Affordable Health Care Act (H.R. 3590) and the Health Care and Education Reconciliation Act (H.R. 4872). Among other initiatives, these bills impose a 2.3% excise tax on domestic sales of medical devices following December 31, 2012, which is estimated to contribute approximately $27 billion to healthcare reform. Various healthcare reform proposals have also emerged at the state level. Outside of the excise tax, which will impact results of operations following December 31, 2012, we cannot predict with certainty what healthcare initiatives, if any, will be implemented at the state

Table of Contents

level, or what the ultimate effect of federal health care reform or any future legislation or regulation will have on us. However, an expansion in government s role in the U.S. healthcare industry may lower reimbursements for our products, reduce medical procedure volumes and adversely affect our business and results of operations, possibly materially.

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

European Sovereign Debt Crisis

We continue to monitor economic conditions, including the volatility associated with international sovereign economies, and associated impacts on the financial markets and our business, especially in light of the global economic downturn and European sovereign debt crisis. We believe the credit and economic conditions within Greece, Spain, Italy, Portugal, Turkey and other members of the European Union, have deteriorated over the past eighteen months. These conditions have resulted in, and may continue to result in, an increase in the average length of time that it takes to collect on our accounts receivable outstanding in these countries.

As of August 31, 2010, our orthopedic net accounts receivable in Greece, Italy, Spain, Portugal and Turkey totaled over $100.0 million. To date, we have not experienced any significant cash losses with respect to the collection of our accounts receivable related to sales within these countries. However, during fiscal 2010 we did recognize $9.3 million of expense to adjust our public accounts receivable in Greece to its expected net realizable value based upon the recent proposal by the Greek government to settle certain past due healthcare liabilities with long-term zero coupon bonds.

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, and the winter holiday season.

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 produce 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 designed to stabilize traumatic bone injuries), external fixation devices (utilized 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 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 and Biomet Osteobiologics trade names.

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.

26

Table of Contents

Results of Operations

For the Three Months Ended August 31, 2010 Compared to the Three Months Ended August 31, 2009

(in millions, except percentages)	Three Months Ended August 31, 2010	Percentage of Net Sales	Three Months Ended August 31, 2009	Percentage of Net Sales	Percentage Increase/ (Decrease)
Net sales	$ 640.7	100%	$ 630.1	100%	2%
Cost of sales	194.0	30	185.3	29	5
Gross margin	446.7	70	444.8	71	
Selling, general and administrative expense	251.9	39	246.0	39	2
Research and development expense	29.9	5	24.9	4	20
Amortization	95.2	15	94.8	15	
Operating income (loss)	69.7	11	79.1	13	(12)
Interest expense	126.8	20	131.5	21	(4)
Other (income) expense	(1.8)		(4.3)	(1)	(58)
Other expense, net	125.0	20	127.2	20	(2)
Loss before income taxes	(55.3)	(9)	(48.1)	(8)	15
Benefit from income taxes	(37.5)	(6)	(25.3)	(4)	48
Net loss	$ (17.8)	(3)%	$ (22.8)	(4)%	(22)%

Sales

Net sales were $640.7 million for the three months ended August 31, 2010, and $630.1 million for the three months ended August 31, 2009. The following tables provide net sales by geography and product category:

Geography Sales Summary

(in millions, except percentages)	Three Months Ended August 31, 2010	Percentage of Net Sales	Three Months Ended August 31, 2009	Percentage of Net Sales	Percentage Increase/ (Decrease)
United States	$ 419.1	66%	$ 400.2	64%	5%
Europe	137.2	21	153.8	24	(11)
International[(1)]	84.4	13	76.1	12	11
Total	$ 640.7	100%	$ 630.1	100%	2%

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

Product Category Summary

(in millions, except percentages)	Three Months Ended August 31, 2010	Percentage of Net Sales	Three Months Ended August 31, 2009	Percentage of Net Sales	Percentage Increase/ (Decrease)
Reconstructive	$ 478.4	75%	$ 468.6	74%	2 %
Fixation	59.4	9	61.1	10	(3)
Spinal	57.9	9	58.0	9	
Other	45.0	7	42.4	7	6
Total	$ 640.7	100%	$ 630.1	100%	2%

Reconstructive

Our worldwide sales of reconstructive products continued to be a significant percentage of total net sales. Net sales of reconstructive products for the three months ended August 31, 2010 were $478.4 million, or 75% of net sales, representing a 2% increase compared to net sales of $468.6 million, or 74% of net sales, during the three months ended August 31, 2009. The effect of foreign currency fluctuations negatively impacted growth on a reported basis of this product category by $7.5 million, or 2%.

Table of Contents

Our growth rates for global knee and hip product sales decelerated to flat to mid single digits during the three months ended August 31, 2010, compared to high single to low double digit growth rates in prior periods. Certain events, such as the current adverse conditions in the global economy, including high unemployment rates, employed patients concerns about taking medical leave during the slow economy and increased deductibles and co-pays, may have contributed to the deceleration of our growth rates.

Global knee product sales increased 4% worldwide and increased 6% in the United States during the three months ended August 31, 2010. The key driver of global knee product sales was the Vanguard® Complete Knee System, with the E1 Antioxidant Infused Technology Tibial Bearings also contributing to sales growth. E1 Antioxidant Infused Technology Tibial Bearings provide Vitamin E-infused highly crosslinked polyethylene, which is designed to offer strength and oxidative stability for improved wear characteristics.

Global hip product sales were flat worldwide, with a 4% sales increase in the United States during the three months ended August 31, 2010. The primary drivers of the U.S. hip sales growth included the Ringloc® and Regenerex® RingLoc®+ Acetabular Systems, E1 Antioxidant Infused Technology Bearings, the Taperloc® Microplasty® Hip System and the Echo® Hip System.

Global extremity product sales increased 25% worldwide, with a 40% sales increase in the United States during the three months ended August 31, 2010. The primary drivers of sales growth included the Comprehensive® Primary and Reverse Shoulder Systems and the Comprehensive® Fracture System.

Dental sales decreased 2% worldwide and increased 3% in the United States during the three months ended August 31, 2010. The OSSEOTITE® product line is our flagship dental reconstructive implant system.

Fixation

Worldwide net sales of fixation products for the three months ended August 31, 2010 were $59.4 million, or 9% of net sales, representing a 3% decrease compared to net sales of $61.1 million, or 10% of net sales, during the three months ended August 31, 2009. The effect of foreign currency fluctuations negatively impacted growth on a reported basis of this product category by $0.6 million, or 1%. Sales of fixation products reflected growth in internal fixation and electrical stimulation product sales more than offset by decreases in craniomaxillofacial fixation and external fixation product sales. The primary contributors of worldwide fixation net sales included the Biomet® PTN (Peritrochanteric Nail) System, the Phoenix product line of nail systems and the OptiLock® product line of plating systems.

Spinal

Worldwide net sales of spinal products for the three months ended August 31, 2010 were $57.9 million, or 9% of net sales, and were flat compared to net sales of $58.0 million, also 9% of net sales, for the three months ended August 31, 2009. Sales of spinal products were flat due to increased sales of spine hardware and spinal stimulation products offset by decreased sales of orthobiologics products. In addition, volume increases during the quarter were primarily offset by decreased pricing in the mid-single digits, with virtually no impact from fluctuations in foreign currency. The primary contributors of worldwide spinal net sales included the Polaris product line and the SpinalPak® II Bone Growth Stimulator.

Other

Worldwide net sales of other products for the three months ended August 31, 2010 were $45.0 million, or 7% of net sales, representing a 6% increase compared to net sales of $42.4 million, also 7% of net sales, during the three months ended August 31, 2009. The primary contributors of other product sales during the three months ended August 31, 2010 consisted of products from our sports medicine division, which reported double digit sales growth, including the JuggerKnot Soft Anchor, the ComposiTCP Interference Screw, the MaxFire MarXmen Meniscal Repair Device, the ToggleLoc Femoral Fixation Device with ZipLoop Technology, and the ALLthread Knotless Suture Anchor.

Gross Profit

Gross profit for the three months ended August 31, 2010 increased to $446.7 million compared to gross profit for the three months ended August 31, 2009 of $444.8 million, or 70% and 71% of net sales, respectively. Gross profit for the three months ended August 31, 2010 was negatively impacted by pricing pressures, partially offset by operational restructuring cost savings related to our operational improvement initiatives.

28

Table of Contents

Selling, General and Administrative Expense

Selling, general and administrative expense during the three months ended August 31, 2010 and 2009 was $251.9 million and $246.0 million, respectively, or 39% of net sales for each period. Selling, general and administrative expenses remained flat relative to net sales primarily due to a focus by management to tightly monitor fixed costs.

Research and Development Expense

Research and development expense during the three months ended August 31, 2010 and 2009 was $29.9 million and $24.9 million, respectively, or 4.7% and 4.0% of net sales, respectively. This increase in research and development expenses for the three months ended August 31, 2010 primarily related to our ongoing commitment to increase investment in engineering within our business. Higher clinical and regulatory costs due to increased FDA requirements also contributed to the increase in research and development expenses for the three months ended August 31, 2010.

Expenses during the three months ended August 31, 2010 have primarily been related to the following research and development projects from a product and technology perspective: continued patient specific technologies (Reconstructive-Knees), Arcos Modular Revision Hip System (Reconstructive-Hips), OrthoPak® and SpinalPak® stimulation platform technologies (Fixation-Stimulation and Spine-Stimulation), and ZipTight Fixation Device (Other-Sports Medicine).

Amortization

Amortization expense for the three months ended August 31, 2010 was $95.2 million, or 15% of net sales, compared to $94.8 million for the three months ended August 31, 2009, also 15% of net sales. This increase is primarily due to unfavorable foreign currency translation during the three months ended August 31, 2010 and acquisitions subsequent to the Merger.

Interest Expense

Interest expense was $126.8 million for the three months ended August 31, 2010, compared to interest expense of $131.5 million for the three months ended August 31, 2009. The decrease in interest expense was primarily due to a lower average interest rate on our outstanding debt of 8.07% for the three months ended August 31, 2010 compared to 8.25% for the three months ended August 31, 2009.

Other (Income) Expense

Other (income) expense was income of $1.8 million for the three months ended August 31, 2010, compared to income of $4.3 million for the three months ended August 31, 2009. The decrease in other income for the three months ended August 31, 2010 primarily related to a decrease in currency transaction gains of $1.7 million. The currency transaction gains related to our foreign operations were primarily due to the change in the exchange rate of the euro compared to the U.S. dollar on intercompany inventory purchases.

Benefit from Income Taxes

The effective income tax rate increased to 67.8% for the three months ended August 31, 2010 compared to 52.6% for the three months ended August 31, 2009. Our effective tax rate is higher than the statutory tax rates because we are in a loss position in the U.S. while profitable outside the U.S., with the statutory rates outside the U.S. typically lower than that of the U.S. Also, the August 31, 2010 effective tax rate includes the discrete impact of the tax benefit associated with the reduction of net deferred tax liabilities due to the prospective reduction of the United Kingdom statutory corporate tax rate enacted in July 2010.

Liquidity and Capital Resources

Cash Flows

The following is a summary of the cash flows by activity for the three months ended August 31, 2010 and 2009.

(in millions)	Three Months Ended August 31, 2010	Three Months Ended August 31, 2009
Net cash from (used in):		
Operating activities	$ 131.3	$ 55.5
Investing activities	(42.3)	(54.7)
Financing activities	(9.2)	9.3
Effect of exchange rate changes on cash	5.1	0.7
Change in cash and cash equivalents	$ 84.9	$ 10.8

Table of Contents

For the Three Months Ended August 31, 2010 Compared to the Three Months Ended August 31, 2009

Our cash and cash equivalents was $274.0 million as of August 31, 2010 compared to $226.4 million as of August 31, 2009. We maintain our cash and investments in money market funds, certificates of deposit, corporate bonds and debt instruments. We are exposed to interest rate risk on our corporate bonds and debt instruments.

Operating Cash Flows

Net cash provided by operating activities was $131.3 million for the three months ended August 31, 2010, compared to cash flows provided of $55.5 million for the three months ended August 31, 2009. Cash generated by operating activities continues to be a source of funds for deleveraging and investing in our growth. Net cash provided by operating activities for the three months ended August 31, 2010 included a net loss of $17.8 million, offset by non-cash amounts of $101.7 million (primarily depreciation and amortization and stock based compensation, partially offset by deferred income taxes), and cash provided by working capital of $47.4 million. This compares to the three months ended August 31, 2009 which included a net loss of $22.8 million, offset by non-cash amounts of $96.9 million (primarily depreciation and amortization and stock based compensation, partially offset by deferred income taxes), and cash used in working capital of $18.6 million. The increase in cash provided by operating activities of $75.8 million is primarily due to working capital improvement initiatives and the prior year being negatively impacted by $53.0 million related to a previously disclosed litigation settlement.

Investing Cash Flows

Net cash used in investing activities was $42.3 million for the three months ended August 31, 2010 and $54.7 million for the three months ended August 31, 2009. Net cash used in investing activities for the three months ended August 31, 2010 and 2009 primarily related to capital expenditures of $36.5 million and $53.9 million, respectively. This decrease in capital expenditures is due to a concentrated effort to better manage cash flow in a lower than expected sales growth environment by delaying certain capital investments.

Financing Cash Flows

Net cash used in financing activities was $9.2 million for the three months ended August 31, 2010, compared to net cash provided by financing activities of $9.3 million for the three months ended August 31, 2009. Net cash used in financing activities for the three months ended August 31, 2010 primarily related to required payments under the senior secured credit facility of $8.5 million. Net cash provided by financing activities for the three months ended August 31, 2009 primarily related to proceeds under the revolving credit facilities of $20.1 million, partially offset by required payments under the senior secured credit facility of $8.9 million.

Balance Sheet Metrics

Cash flows from operations are impacted by profitability and changes in operating working capital. Management monitors operating working capital with particular focus on certain metrics, including days sales outstanding (DSO) and inventory turns (turns). The following is a summary of our DSO and turns.

	August 31, 2010	May 31, 2010
Days Sales Outstanding	61.1	58.8
Inventory Turns	1.54	1.59

We use DSO as a measure that places emphasis on how quickly we collect our accounts receivable balances from customers. We use inventory turns as a measure that places emphasis on how efficiently we are managing our inventory levels. These measures may not be computed the same as similarly titled measures used by other companies. The increase in DSO is primarily due to lower sales during the three months ended August 31, 2010 compared to our fourth fiscal quarter ended May 31, 2010.

Other Liquidity Information

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 in connection with the Merger, all of which are primarily classified as long-term obligations. There were no borrowings under our asset-based revolving facility as of August 31, 2010. 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. As of August 31, 2010, required principal payments of $34.5 million are due within the next twelve months related to our senior secured term loan facilities.

Table of Contents

Our revolving borrowing base available under all debt facilities at August 31, 2010 was $826.3 million, which is net of the amount that will not be funded by subsidiaries of Lehman Brothers Holding Inc. and borrowing base limitations relating to the senior secured asset-based revolving facility.

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, regulatory and other factors. We will not be able to control many of these factors, such as economic conditions and regulatory changes 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, results of operations, liquidity, capital expenditures or capital resources.

Critical Accounting Policies and Estimates

Management s discussion and analysis of our financial position and results of operations are based upon our consolidated financial statements, which have been prepared in accordance with accounting principles generally accepted in the United States. The preparation of these financial statements requires management to make estimates and judgments that affect the reported amounts of assets, liabilities, revenues and expenses, and related disclosure of contingent assets and liabilities. In management s opinion, our critical accounting policies include revenue recognition, excess and obsolete inventory, goodwill and intangible assets, legal proceedings and other loss contingencies, income taxes and valuation of purchased in-process research and development. 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, 2010. There have been no significant modifications to the policies related to our critical accounting estimates since May 31, 2010.

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, 2010. 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, 2010, 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 months ended August 31, 2010 are not necessarily indicative of the results to be expected for the full fiscal year ending May 31, 2011 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, predict , possibly, pote will or 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

31

Table of Contents

in our Annual Report on Form 10-K for the year ended May 31, 2010 and this Quarterly Report on Form 10-Q for the fiscal quarter ended August 31, 2010. 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, 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.

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. Beginning in fiscal 2011, the Company entered into short-term forward currency exchange contracts in order to mitigate the currency exposure related to these intercompany payables and receivables arising from intercompany purchases of finished goods inventory. The Company does not designate these contracts as hedges; therefore, all forward currency exchange contracts are recorded at their fair value each period, with the resulting gains and losses recorded in other income (expense). Any foreign currency remeasurement gains or losses recognized in a period are generally offset with gains or losses on the forward currency exchange contracts. The notional amount of these contracts at August 31, 2010 was $13.1 million. There was no material gain or loss on the forward currency exchange contracts during the three months ended August 31, 2010.

There have been no other material changes from the information about market risk provided in the Company s Annual Report on Form 10-K for the fiscal year ended May 31, 2010.

Item 4. Controls and Procedures.

Management s 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)) and internal controls over financial reporting that are designed to provide reasonable assurance that material information required to be disclosed by the Company, including its consolidated entities, in the reports that the Company files or submits under the Act, are 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 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 August 31, 2010. Based on this evaluation, the Company s Principal Executive Officer and its Principal Financial Officer concluded that Biomet s disclosure controls and procedures were effective as of August 31, 2010.

Changes in internal control over financial reporting

There were no changes in Biomet s internal control over financial reporting (as defined in Rule 13a-15(f) of the Act) during the three months ended August 31, 2010 that have materially affected, or are reasonably likely to materially affect, Biomet s internal control over financial reporting.

Table of Contents

PART II. OTHER INFORMATION

Item 1. Legal Proceedings

Information with respect to legal proceedings can be found in Note 15, Contingencies, to the unaudited condensed consolidated financial statements contained in Part I, Item 1 of this report and is hereby incorporated by reference herein. Except as discussed in these notes, there were no material developments in the legal proceedings disclosed by the Company in Part I, Item 3 of the Company s Annual Report on Form 10-K for the fiscal year ended May 31, 2010.

Item 1A. Risk Factors

As of August 31, 2010, other than the risk factors listed below, 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, 2010. 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.

Our business, financial condition, results of operations and cash flows could be significantly and negatively affected by substantial government regulations.

Our products are subject to rigorous regulation by the FDA and numerous other federal, state and foreign governmental authorities. Overall, there appears to be a trend toward more stringent regulation throughout the world, and we do not anticipate this trend to dissipate in the near future.

In general, the development, testing, manufacturing and marketing of our products are subject to extensive regulation and review by numerous governmental authorities both in the United States and abroad. The regulatory process requires the expenditure of significant time, effort and expense to bring new products to market. In addition, we are required to implement and maintain stringent reporting, labeling and record keeping procedures. The medical device industry also is subject to a complex set of laws and regulations governing Medicare and Medicaid reimbursement and health care fraud and abuse laws, with these laws and regulations being subject to interpretation. In many instances, the industry does not have the benefit of significant regulatory or judicial interpretation of these laws and regulations. In certain public statements, governmental authorities have taken positions on issues for which little official interpretation was previously available. Some of these positions appear to be inconsistent with common practices within the industry but have not previously been challenged.

Various federal and state agencies have become increasingly vigilant in recent years in their investigation of various business practices. Governmental and regulatory actions against us can result in various actions that could adversely impact our operations, including:

- the recall or seizure of products;
- the suspension or revocation of the authority necessary for the production or sale of a product;
- the suspension of shipments from particular manufacturing facilities;
- the imposition of fines and penalties;
- the delay of our ability to introduce new products into the market;

the exclusion of our products from being reimbursed by federal and state health care programs (such as Medicare, Medicaid, Veterans Administration health programs and Civilian Health and Medical Program Uniformed Service, or CHAMPUS); and

other civil or criminal sanctions against us.

Any of these actions, in combination or alone, or even a public announcement that we are being investigated for possible violations of these laws, could have a material adverse effect on our business, financial condition, results of operations and cash flows.

On July 28, 2010, we received a warning letter from the U.S. Food and Drug Administration (FDA) regarding the Signature Personalized Patient Care system, alleging that we do not have appropriate clearance or approval to market the system in the United States. While we believe that the Company has been legally marketing the Signature Personalized Patient Care system, which is manufactured by Materialise, the FDA has informed us that it does not agree with our position. In September 2010, we met with the FDA and we have agreed on a course of corrective action. An additional 510(k) application for our Signature Personalized Patient Care System was submitted to the FDA on September 27, 2010. During the FDA s review of the 510(k), Biomet will cease all

promotional activities regarding the system as well as sales to new customers in the United States. Notwithstanding these restrictions, however, based on discussions with the FDA, we will rely on the FDA s enforcement discretion to continue to support and provide products to our current users of the Signature Personalized Patient Care System while we expeditiously pursue clearance of our 510(k) application.

In many of the foreign countries in which we market our products, we are subject to regulations affecting, among other things: clinical efficacy, product standards, packaging requirements, labeling requirements, import/export restrictions, tariff regulations, duties and tax requirements. Many of the regulations applicable to our devices and products in these countries, such as the European Medical Devices Directive, are similar to those of the FDA. In addition, in many countries the national health or social security organizations require our products to be qualified before they can be marketed with the benefit of reimbursement eligibility. Failure to receive or delays in the receipt of relevant foreign qualifications also could have a material adverse effect on our business, financial condition, results of operations and cash flows.

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

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

In September 2010, we received a Civil Investigative Demand (CID) issued by the U.S. Department of Justice Civil Division pursuant to the False Claims Act. The CID requests that we provide documents and testimony related to allegations that we and OtisMed Corp. and Stryker Corp. have violated the False Claims Act relating to the marketing of, and payment submissions for, OtisMed s OtisKnee knee replacement system. We are currently in the process of evaluating the scope of the CID and our response. We can make no assurances as to the time or resources that will be needed to devote to this inquiry or its final outcome.

In February 2010, we received a subpoena from the Office of the Inspector General of the U.S. Department of Health and Human Services requesting various documents relating to agreements or arrangements between physicians and our Interpore Cross subsidiary for the period from 1999 through the present and the marketing and sales activities associated with Interpore Cross spinal products. We are currently in the process of evaluating the scope of the subpoena and intend to fully cooperate with the request of the Office of the Inspector General. We can make no assurances as to the time or resources that will be needed to devote to this inquiry or its final outcome.

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

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

On September 25, 2007, we received a letter from the SEC informing us that it is conducting an informal investigation regarding possible violations of the Foreign Corrupt Practices Act, or FCPA, in the sale of medical devices in certain foreign countries by companies in the medical devices industry. The FCPA prohibits U.S. companies and their officers, directors, employees, shareholders acting on their behalf and agents from offering, promising, authorizing or making payments to foreign officials for the purpose of obtaining or retaining business abroad or otherwise obtaining favorable treatment and this law requires companies to maintain records which fairly and accurately reflect transactions and to maintain internal accounting controls. In many countries, hospitals and clinics are government-owned and healthcare professionals employed by such hospitals and clinics, with whom we regularly interact, may meet the definition of a foreign official for purposes of the FCPA. If we are found to have violated the FCPA, we may face sanctions including fines, criminal penalties, disgorgement of profits and suspension or debarment of our ability to

34

Table of Contents

contract with government agencies or receive export licenses. On November 9, 2007, we 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. We believe we have fully cooperated with both requests and have conducted our own review relating to these matters in certain countries in which we and our distributors conduct business. We can make no assurances as to the time or resources that will be needed to devote to this inquiry or its final outcome.

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

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.

BIOMET, INC.

Date: October 15, 2010

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

Date: October 15, 2010

By: /s/ DANIEL P. FLORIN
Daniel P. Florin
Senior Vice President and Chief Financial Officer

Table of Contents

EXHIBIT INDEX

Exhibit No.	Exhibit
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 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 August 31, 2010 (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.

October 15, 2010

/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 August 31, 2010 (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.

October 15, 2010

/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 August 31, 2010 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.

October 15, 2010

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

October 15, 2010

/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.