Lanx Sales, LLC
Form 424B3
October 14, 2014
Table of Contents

Filed Pursuant to Rule 424(b)(3)
Registration No. 333-194855
PROSPECTUS SUPPLEMENT
(to prospectus dated October 7, 2014 and the prospectus supplement dated October 9, 2014)
BIOMET, INC.
$1,825,000,000 6.500% Senior Notes due 2020
$800,000,000 6.500% Senior Subordinated Notes due 2020

This prospectus supplement updates and supplements the prospectus dated October 7, 2014 and the prospectus supplement dated October 9, 2014.

See the "Risk Factors" section beginning on page 6 of the prospectus and the "Risk Factors" section in our Quarterly Report on Form 10-Q filed with the Securities and Exchange Commission on October 14, 2014 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 14, 2014.

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, 2014.

OR

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

For the transition period from to .

Commission File Number 000-54505

Commission File Number 001-15601

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

Delaware	26-0499682
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.

LVB ACQUISITION, INC. Yes þ No ¨

BIOMET, INC. Yes þ No ¨

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§ 232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files).

LVB ACQUISITION, INC. Yes þ No ¨

BIOMET, INC. Yes þ No ¨

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See the definitions of “large accelerated filer,” “accelerated filer” and “smaller reporting company” in Rule 12b–2 of the Exchange Act. (Check one):

LVB ACQUISITION, INC.

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

BIOMET, INC.

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

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

LVB ACQUISITION, INC. Yes ¨ No þ

BIOMET, INC. Yes ¨ No þ

The number of shares of the registrants’ common stock outstanding as of September 30, 2014:

LVB ACQUISITION, INC. 552,552,033 shares of common stock

BIOMET, INC. 1,000 shares of common stock

TABLE OF CONTENTS

Table of Contents

PART I. FINANCIAL INFORMATION

Explanatory Note

This Form 10-Q is a combined quarterly report being filed separately by two registrants: LVB Acquisition, Inc. (“LVB”) and Biomet, Inc. (“Biomet”). Unless the context indicates otherwise, any reference in this report to the “Company,” “we,” “us” and “our” refer to LVB, Biomet and their subsidiaries. Each registrant hereto is filing on its own behalf all of the information contained in this quarterly report that relates to such registrant. Each registrant hereto is not filing any information that does not relate to such registrant, and therefore makes no representation as to any such information.

Table of Contents

Item 1. Condensed Consolidated Financial Statements.

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

	(Unaudited) August 31, 2014	May 31, 2014
Assets		
Current assets:		
Cash and cash equivalents	$192.0	$247.6
Accounts receivable, less allowance for doubtful accounts receivables of $34.8 ($31.9 at May 31, 2014)	530.4	577.3
Inventories	724.2	693.4
Deferred income taxes	149.2	149.9
Prepaid expenses and other	184.4	202.9
Total current assets	1,780.2	1,871.1
Property, plant and equipment, net	723.3	716.0
Investments	28.2	12.5
Intangible assets, net	3,350.8	3,439.6
Goodwill	3,627.8	3,634.4
Other assets	86.8	93.0
Total assets	$9,597.1	$9,766.6
Liabilities & Shareholders' Equity		
Current liabilities:		
Current portion of long-term debt	$132.8	$133.1
Accounts payable	120.4	135.3
Accrued interest	36.8	53.4
Accrued wages and commissions	119.0	168.7
Other accrued expenses	316.4	354.7
Total current liabilities	725.4	845.2
Long-term liabilities:		
Long-term debt, net of current portion	5,603.5	5,587.3
Deferred income taxes	939.3	968.6
Other long-term liabilities	252.7	256.3
Total liabilities	7,520.9	7,657.4
Commitments and contingencies		
Shareholders' equity:		
Common stock, par value $0.01 per share; 740,000,000 shares authorized; 552,531,186 and 552,484,996 shares issued and outstanding	5.5	5.5
Contributed and additional paid-in capital	5,685.4	5,681.5
Accumulated deficit	(3,609.8)	(3,617.1)
Accumulated other comprehensive income (loss)	(4.9)	39.3
Total shareholders' equity	2,076.2	2,109.2
Total liabilities and shareholders' equity	$9,597.1	$9,766.6

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

Table of Contents

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

	(Unaudited) For the Three Months Ended	
	August 31, 2014	August 31, 2013
Net sales	$774.8	$730.7
Cost of sales	215.9	208.0
Gross profit	558.9	522.7
Selling, general and administrative expense	361.7	313.3
Research and development expense	42.8	37.5
Amortization	71.9	75.5
Operating income	82.5	96.4
Interest expense	80.1	87.6
Other (income) expense	(4.2)	2.2
Other expense, net	75.9	89.8
Income before income taxes	6.6	6.6
Benefit from income taxes	(0.7)	(24.5)
Net income	7.3	31.1
Other comprehensive income (loss), net of tax:		
Change in unrealized holding value on available-for-sale securities	0.1	—
Interest rate swap unrealized gains (losses)	3.6	13.5
Foreign currency related gains (losses)	(48.2)	4.5
Unrecognized actuarial gains (losses)	0.3	0.2
Other comprehensive income (loss)	(44.2)	18.2
Comprehensive income (loss)	$(36.9)	$49.3

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

Table of Contents

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

	(Unaudited) Three Months Ended August 31, 2014	August 31, 2013
Cash flows provided by (used in) operating activities:		
Net income	$7.3	$31.1
Adjustments to reconcile net loss to net cash provided by operating activities:		
Depreciation and amortization	122.1	120.4
Amortization and write off of deferred financing costs	2.8	3.6
Stock-based compensation expense	3.6	4.2
Provision for (recovery) of doubtful accounts receivable	(1.0)	0.1
Deferred income taxes	(29.8)	(61.0)
Other	(3.6)	(3.9)
Changes in operating assets and liabilities, net of acquired assets:		
Accounts receivable	40.9	8.0
Inventories	(36.7)	(7.5)
Prepaid expenses	20.6	2.3
Accounts payable	(14.0)	(19.6)
Income taxes	4.0	17.0
Accrued interest	(16.6)	(16.2)
Accrued wages and commissions	(48.2)	(34.8)
Accrued expenses and other	(49.0)	7.1
Net cash provided by operating activities	2.4	50.8
Cash flows provided by (used in) investing activities:		
Proceeds from sales/maturities of investments	—	9.5
Purchases of investments	(16.3)	(9.5)
Net proceeds from sale of assets	—	0.2
Capital expenditures	(60.8)	(46.5)
Other acquisitions, net of cash acquired	(0.3)	(0.4)
Net cash used in investing activities	(77.4)	(46.7)
Cash flows provided by (used in) financing activities:		
Debt:		
Payments under European facilities	—	(2.3)
Payments under senior secured credit facilities	(7.8)	(8.3)
Proceeds under revolvers	205.0	2.3
Payments under revolvers	—	(5.0)
Retirement of term loans	(180.0)	—
Payment of fees related to refinancing activities	—	(0.2)
Equity:		
Option exercises	0.3	0.3
Net cash provided by (used in) financing activities	17.5	(13.2)
Effect of exchange rate changes on cash	1.9	(1.1)
Increase (decrease) in cash and cash equivalents	(55.6)	(10.2)
Cash and cash equivalents, beginning of period	247.6	355.6
Cash and cash equivalents, end of period	$192.0	$345.4
Supplemental disclosures of cash flow information:		
Cash paid during the period for:		
Interest	$93.8	$101.3

Income taxes	$19.4	$32.2

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

Table of Contents

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

	(Unaudited) August 31, 2014	May 31, 2014
Assets		
Current assets:		
Cash and cash equivalents	$192.0	$247.6
Accounts receivable, less allowance for doubtful accounts receivables of $34.8 ($31.9 at May 31, 2014)	530.4	577.3
Inventories	724.2	693.4
Deferred income taxes	149.2	149.9
Prepaid expenses and other	184.4	202.9
Total current assets	1,780.2	1,871.1
Property, plant and equipment, net	723.3	716.0
Investments	28.2	12.5
Intangible assets, net	3,350.8	3,439.6
Goodwill	3,627.8	3,634.4
Other assets	86.8	93.0
Total assets	$9,597.1	$9,766.6
Liabilities & Shareholder's Equity		
Current liabilities:		
Current portion of long-term debt	$132.8	$133.1
Accounts payable	120.4	135.3
Accrued interest	36.8	53.4
Accrued wages and commissions	119.0	168.7
Other accrued expenses	316.4	354.7
Total current liabilities	725.4	845.2
Long-term liabilities:		
Long-term debt, net of current portion	5,603.5	5,587.3
Deferred income taxes	939.3	968.6
Other long-term liabilities	252.7	256.3
Total liabilities	7,520.9	7,657.4
Commitments and contingencies		
Shareholder's equity:		
Common stock, without par value; 1,000 shares authorized; 1,000 shares issued and outstanding	—	—
Contributed and additional paid-in capital	5,690.9	5,687.0
Accumulated deficit	(3,609.8)	(3,617.1)
Accumulated other comprehensive income (loss)	(4.9)	39.3
Total shareholder's equity	2,076.2	2,109.2
Total liabilities and shareholder's equity	$9,597.1	$9,766.6

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

Table of Contents

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

	(Unaudited) For the Three Months Ended	
	August 31, 2014	August 31, 2013
Net sales	$774.8	$730.7
Cost of sales	215.9	208.0
Gross profit	558.9	522.7
Selling, general and administrative expense	361.7	313.3
Research and development expense	42.8	37.5
Amortization	71.9	75.5
Operating income	82.5	96.4
Interest expense	80.1	87.6
Other (income) expense	(4.2)	2.2
Other expense, net	75.9	89.8
Income before income taxes	6.6	6.6
Benefit from income taxes	(0.7)	(24.5)
Net income	7.3	31.1
Other comprehensive income (loss), net of tax:		
Change in unrealized holding value on available-for-sale securities	0.1	—
Interest rate swap unrealized gains (losses)	3.6	13.5
Foreign currency related gains (losses)	(48.2)	4.5
Unrecognized actuarial gains (losses)	0.3	0.2
Other comprehensive income (loss)	(44.2)	18.2
Comprehensive income (loss)	$(36.9)	$49.3

The accompanying notes are an integral 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, 2014	August 31, 2013
Cash flows provided by (used in) operating activities:		
Net income	$7.3	$31.1
Adjustments to reconcile net loss to net cash provided by operating activities:		
Depreciation and amortization	122.1	120.4
Amortization and write off of deferred financing costs	2.8	3.6
Stock-based compensation expense	3.6	4.2
Provision for (recovery) of doubtful accounts receivable	(1.0)	0.1
Deferred income taxes	(29.8)	(61.0)
Other	(3.6)	(3.9)
Changes in operating assets and liabilities, net of acquired assets:		
Accounts receivable	40.9	8.0
Inventories	(36.7)	(7.5)
Prepaid expenses	20.6	2.3
Accounts payable	(14.0)	(19.6)
Income taxes	4.0	17.0
Accrued interest	(16.6)	(16.2)
Accrued wages and commissions	(48.2)	(34.8)
Accrued expenses and other	(49.0)	7.1
Net cash provided by operating activities	2.4	50.8
Cash flows provided by (used in) investing activities:		
Proceeds from sales/maturities of investments	—	9.5
Purchases of investments	(16.3)	(9.5)
Net proceeds from sale of assets	—	0.2
Capital expenditures	(60.8)	(46.5)
Other acquisitions, net of cash acquired	(0.3)	(0.4)
Net cash used in investing activities	(77.4)	(46.7)
Cash flows provided by (used in) financing activities:		
Debt:		
Payments under European facilities	—	(2.3)
Payments under senior secured credit facilities	(7.8)	(8.3)
Proceeds under revolvers	205.0	2.3
Payments under revolvers	—	(5.0)
Retirement of term loans	(180.0)	—
Payment of fees related to refinancing activities	—	(0.2)
Equity:		
Option exercises	0.3	0.3
Net cash provided by (used in) financing activities	17.5	(13.2)
Effect of exchange rate changes on cash	1.9	(1.1)
Increase (decrease) in cash and cash equivalents	(55.6)	(10.2)
Cash and cash equivalents, beginning of period	247.6	355.6
Cash and cash equivalents, end of period	$192.0	$345.4
Supplemental disclosures of cash flow information:		
Cash paid during the period for:		
Interest	$93.8	$101.3

Income taxes	$19.4	$32.2

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

Table of Contents

LVB ACQUISITION, INC.
BIOMET, INC.
Notes to Condensed Consolidated Financial Statements (Unaudited)
Note 1—Basis of Presentation.
The accompanying unaudited condensed consolidated financial statements include the accounts of LVB Acquisition, Inc. (“LVB” and “Parent”) and Biomet, Inc. and its subsidiaries (individually and collectively with its subsidiaries referred to as “Biomet”, and together with LVB, the “Company”, “we”, “us” or “our”). Biomet is a wholly-owned subsidiary of LVB. LVB has no other operations beyond its ownership of Biomet. Intercompany accounts and transactions have been eliminated in consolidation.
The unaudited condensed consolidated financial statements have been prepared in accordance with U.S. generally accepted accounting principles (“GAAP”) for condensed financial information, the instructions to Form 10-Q and Article 10 of Regulation S-X. As a result, they do not include all of the information and footnotes required by U.S. GAAP for complete financial statements. In the opinion of management, all adjustments (consisting of normal recurring accruals) considered necessary for a fair presentation of the financial condition, results of operations and cash flows for the periods presented have been included. Operating results for the three months ended August 31, 2014 are not necessarily indicative of the results that may be expected for the fiscal year ending May 31, 2015. For further information, including the Company’s significant accounting policies, refer to the audited consolidated financial statements and notes thereto included in the Company’s Annual Report on Form 10-K for the fiscal year ended May 31, 2014 (the “2014 Form 10-K”).
The May 31, 2014 condensed consolidated balances have been derived from the audited financial statements included in the 2014 Form 10-K.

Zimmer Merger
On April 24, 2014, LVB, a Delaware corporation, which owns all of the outstanding shares of common stock of Biomet, Inc., entered into an Agreement and Plan of Merger (the “Merger Agreement”), with Zimmer Holdings, Inc., a Delaware corporation, and Owl Merger Sub, Inc., a Delaware corporation and wholly owned subsidiary of Zimmer. Zimmer and LVB currently expect to complete the merger in the first quarter of 2015, subject to the receipt of regulatory approvals and the satisfaction or waiver of the other conditions to the merger contained in the Merger Agreement. However, it is possible that factors outside the control of Zimmer and LVB could require Zimmer and LVB to complete the merger at a later date or not complete it at all.
LVB Acquisition Holding, LLC (“Holdings”) and the Principal Stockholders (as defined below) have entered into a voting agreement with Zimmer (the “Voting Agreement”). Under the Voting Agreement, Holdings agreed to execute and deliver a written consent with respect to the shares of LVB common stock owned by it, adopting the Merger Agreement and approving the merger. On October 3, 2014 Holdings executed and delivered a written consent adopting the Merger Agreement and approving the merger with respect to the 536,034,330 shares, or approximately 97%, of our common stock outstanding on the record date for the consent, September 19, 2014. As such, we have received written consents sufficient to approve our proposed merger with Zimmer.
Under the Merger Agreement, LVB will be acquired for an aggregate purchase price based on a total enterprise value of $13.35 billion, which will consist of $10.35 billion in cash (which is subject to adjustment) and 32,704,677 shares of Zimmer common stock (which number of shares represents the quotient of $3.0 billion divided by $91.73, the volume weighted average price of Zimmer’s common stock on the New York Stock Exchange for the five trading days prior to the date of the Merger Agreement). According to Zimmer’s Form 10-Q filed on August 7, 2014, in connection with the merger, Zimmer expects to pay off all of the outstanding funded debt of LVB, totaling $5,736.3 million as of August 31, 2014 and its subsidiaries, and the aggregate cash merger consideration paid by Zimmer at the closing will be reduced by such amount. Zimmer is expected to fund the cash portion of the merger consideration and the repayment of the outstanding funded debt of LVB and its subsidiaries with a combination of new debt and cash on hand. The closing of the merger is not conditioned on the receipt of any debt financing by Zimmer. Zimmer, however, is not required to consummate the merger until the completion of a 15 consecutive business day marketing period.
Recent Accounting Pronouncements

Income Taxes—In July 2013, the FASB issued ASU 2013-11 Income Taxes (Topic 740): Presentation of an Unrecognized Tax Benefit When a Net Operating Loss Carryforward, a Similar Tax Loss, or a Tax Credit Carryforward Exists. The amendments in this Update provide guidance on the financial statement presentation of an unrecognized tax benefit when a net operating loss carryforward, similar tax loss, or tax credit carryforward exists. The new guidance is effective for fiscal year

Table of Contents

and interim periods beginning after December 15, 2013. The Company projects that this will have a very minimal impact, if any, on its financial position, results of operations or cash flows.

Property, Plant and Equipment—In April 2014, the FASB issued ASU 2014-08, Presentation of Financial Statements (Topic 205) and Property, Plant and Equipment (Topic 360), Reporting Discontinued Operations and Disclosures of Disposals of Components of an Entity. This update modifies the requirements for reporting discontinued operations. Under the amendments in ASU 2014-08, the definition of discontinued operation has been modified to only include those disposals of an entity that represent a strategic shift that has (or will have) a major effect on an entity's operations and financial results. This update also expands the disclosure requirements for disposals that meet the definition of a discontinued operation and requires entities to disclose information about disposals of individually significant components that do not meet the definition of discontinued operations. This update is effective for annual and interim periods beginning after December 15, 2014. The Company does not expect this ASU to have an impact on its financial position, results of operations or cash flows.

Revenue—In May 2014, the FASB issued ASU 2014-09, Revenue from Contracts with Customers (Topic 606). This update provides a comprehensive new revenue recognition model that requires a company to recognize revenue to depict the transfer of goods or services to a customer at an amount that reflects the consideration it expects to receive in exchange for those goods or services. The guidance also requires additional disclosure about the nature, amount, timing and uncertainty of revenue and cash flows arising from customer contracts. This update is effective for annual and interim periods beginning after December 15, 2016. Early application is not permitted. This update permits the use of either the retrospective or cumulative effect transition method. The Company is currently evaluating the impact this ASU will have on its financial position, results of operations or cash flows.

Note 2—Recent Acquisitions by Biomet.

2013 Spine Acquisition

On October 5, 2013, the Company and its wholly-owned subsidiaries EBI Holdings, LLC, a Delaware limited liability company (“EBI”), and LNX Acquisition, Inc., a Delaware corporation (“Merger Sub Lanx”), entered into an Agreement and Plan of Merger with Lanx, Inc., a Delaware corporation (“Lanx”). On October 31, 2013, Merger Sub Lanx merged with and into Lanx and the separate corporate existence of Merger Sub Lanx ceased (the “Lanx Merger”). Upon the consummation of the Lanx Merger, Lanx became a wholly-owned subsidiary of EBI and the Company (“2013 Spine Acquisition”). As of November 1, 2013, the activities of Lanx were included in the Company’s consolidated results. The aggregate purchase price for the acquisition was approximately $150.8 million on a debt-free basis. The Company acquired Lanx to strengthen its spine product portfolio, as well as integrate and focus its distribution network to grow the spine business.

The acquisition has been accounted for as a business combination. The preliminary purchase price was allocated to the acquired assets and liabilities based on the estimated fair value of the acquired assets at the date of acquisition. As of August 31, 2014, the Company recorded a preliminary allocation of the purchase price to acquired tangible and identifiable intangible assets and liabilities assumed based on their fair value at the initial acquisition date. The Company is in the process of obtaining valuations of certain tangible and intangible assets and determining certain employee liabilities. The Company expects to complete the purchase price allocation in the second quarter of fiscal year 2015 after all valuations have been finalized.

The following table summarizes the preliminary purchase price allocation:

(in millions)		
Cash	$2.0	
Accounts receivable	16.5	
Inventory	24.8	
Prepaid expenses and other	11.0	
Instruments	9.9	
Other property, plant and equipment	2.1	
Deferred tax liability	(39.5	)
Other liabilities assumed	(20.7	)

Intangible assets	102.3
Goodwill	42.4
Preliminary purchase price	$150.8

Table of Contents

The results of operations of the business have been included subsequent to the October 31, 2013 closing date in the accompanying consolidated financial statements. The intangible assets are allocated to core technology, product trade names and customer relationships. The goodwill arising from the acquisition consists largely of the synergies and economies of scale from combining operations as well as the value of the workforce. All of the intangible assets and goodwill were assigned to the spine and bone healing reporting unit. The goodwill value is not expected to be tax deductible.

The following pro forma financial information summarizes the combined results of the Company and Lanx, which assumes that they were combined as of the beginning of the Company's fiscal year 2013.

The unaudited pro forma financial information for the combined entity is as follows:

	Three Months Ended
(in millions)	August 31, 2013
Net sales	$753.8
Net income	$27.6

Pro forma adjustments have been made to the historical financial statements to account for those items directly attributable to the transaction and to include only adjustments which have a continuing impact. Pro forma adjustments include the incremental amortization and depreciation of assets of $1.2 million for the three months ended August 31, 2013. Adjustments reflect the elimination of the historical interest expense of Lanx as the transaction was a debt-free transaction. All pro forma adjustments were calculated with no tax impact due to the historical and acquired net operating losses.

Note 3—Inventories.

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

(in millions)	August 31, 2014	May 31, 2014
Raw materials	$90.2	$83.1
Work-in-process	52.1	54.4
Finished goods	581.9	555.9
Inventories	$724.2	$693.4

Note 4—Property, Plant and Equipment.

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

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

Useful lives by major product category consisted of the following:

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

Table of Contents

Property, plant and equipment consisted of the following:

(in millions)	August 31, 2014	May 31, 2014
Land and land improvements	$40.6	$40.8
Buildings and leasehold improvements	123.5	126.8
Machinery and equipment	420.8	414.5
Instruments	812.9	791.9
Construction in progress	50.2	47.9
Total property, plant and equipment	1,448.0	1,421.9
Accumulated depreciation	(724.7)	(705.9)
Total property, plant and equipment, net	$723.3	$716.0

The Company recorded depreciation expense of $49.7 million and $44.9 million for the three months ended August 31, 2014 and 2013, respectively.

Note 5—Investments.

At August 31, 2014, the Company's investment securities were classified as follows:

(in millions)	Amortized Cost	Unrealized Gains	Losses	Fair Value
Available-for-sale:				
Equity securities	$0.5	$0.1	$—	$0.6
Time deposit	24.9	—	—	24.9
Total available-for-sale investments	$25.4	$0.1	$—	$25.5

	Amortized Cost	Realized Gains	Losses	Fair Value
Trading:				
Equity securities	$2.6	$0.1	$—	$2.7
Total trading investments	$2.6	$0.1	$—	$2.7

At May 31, 2014, the Company's investment securities were classified as follows:

(in millions)	Amortized Cost	Unrealized Gains	Losses	Fair Value
Available-for-sale:				
Equity securities	$0.2	$0.6	$(0.3)	$0.5
Time deposit	10.2	—	—	10.2
Total available-for-sale investments	$10.4	$0.6	$(0.3)	$10.7

	Amortized Cost	Realized Gains	Losses	Fair Value
Trading:				
Equity securities	$1.6	$0.3	$(0.1)	$1.8
Total trading investments	$1.6	$0.3	$(0.1)	$1.8

The Company recorded proceeds on the sales/maturities of investments of $9.5 million for the three months ended August 31, 2013, and no proceeds during the three months ended August 31, 2014. The Company purchased investments of $16.3 million and $9.5 million during the three months ended August 31, 2014 and 2013, respectively.

Table of Contents

Note 6—Goodwill and Other Intangible Assets.
The balance of goodwill as of August 31, 2014 and May 31, 2014 was $3,627.8 million and $3,634.4 million, respectively. The change in goodwill is primarily related to foreign currency fluctuations.
The Company uses an accelerated method for amortizing customer relationship intangibles, as the value for those relationships is greater at the beginning of their life. The accelerated method was calculated using historical customer attrition rates. The remaining finite-lived intangibles are amortized on a straight line basis. The decrease in the net intangible asset balance is primarily due to amortization.
The Company performs its annual assessment for impairment as of March 31 for all reporting units, or on an interim basis if an event occurs or circumstances change that would more likely than not reduce the fair value of a reporting unit below its carrying amount. The estimates and assumptions underlying the fair value calculations used in the Company's annual impairment tests are uncertain by their nature and can vary significantly from actual results. Factors that management must estimate include, but are not limited to, industry and market conditions, sales volume and pricing, raw material costs, capital expenditures, working capital changes, cost of capital, and tax rates. These factors are especially difficult to predict when global financial markets are volatile. The estimates and assumptions used in its impairment tests are consistent with those the Company uses in its internal planning. These estimates and assumptions may change from period to period. If the Company uses different estimates and assumptions in the future, impairment charges may occur and could be material.

Intangible assets consisted of the following at August 31, 2014 and May 31, 2014:

(in millions)	August 31, 2014		
	Gross Carrying Amount	Accumulated Amortization	Net Carrying Amount
Core technology	$1,736.4	$(590.9)	$1,145.5
Completed technology	670.1	(272.6)	397.5
Product trade names	205.5	(79.8)	125.7
Customer relationships	2,362.4	(988.1)	1,374.3
Non-compete contracts	4.9	(4.6)	0.3
Sub-total	4,979.3	(1,936.0)	3,043.3
Corporate trade names	307.5	—	307.5
Total	$5,286.8	$(1,936.0)	$3,350.8

(in millions)	May 31, 2014		
	Gross Carrying Amount	Accumulated Amortization	Net Carrying Amount
Core technology	$1,743.3	$(569.8)	$1,173.5
Completed technology	672.0	(262.1)	409.9
Product trade names	208.1	(77.6)	130.5
Customer relationships	2,371.6	(955.9)	1,415.7
Non-compete contracts	4.9	(4.6)	0.3
Sub-total	4,999.9	(1,870.0)	3,129.9
Corporate trade names	309.7	—	309.7
Total	$5,309.6	$(1,870.0)	$3,439.6

Table of Contents

The weighted average useful life of the intangibles at August 31, 2014 is as follows:

	Weighted Average Useful Life
Core technology	14 years
Completed technology	8 years
Product trade names	12 years
Customer relationships	13 years
Non-compete contracts	1 year
Corporate trade names	Indefinite life

Expected amortization expense for the intangible assets stated above for the years ending May 31, 2015 through 2019 is $278.6 million, $273.7 million, $270.0 million, $252.6 million, and $246.6 million, respectively.

Note 7—Debt.

The terms and carrying value of each debt instrument at August 31, 2014 and May 31, 2014 are set forth below:

(U.S. dollars and euros in millions)	Maturity Date	Interest Rate	Currency	August 31, 2014	May 31, 2014
Debt Instruments					
Term loan facility B	March 25, 2015	LIBOR + 3.00%	USD	$103.0	$103.3
Term loan facility B-1	July 25, 2017	LIBOR + 3.50%	USD	$2,772.2	$2,959.6
Cash flow revolving credit facility	April 25, 2017	LIBOR + 3.50%	USD	$—	$—
Cash flow revolving credit facility	April 25, 2017	LIBOR + 3.50%	USD/EUR	$—	$—
Asset-based revolving credit facility	July 25, 2017	LIBOR + 2.00%	USD	$205.0	$—
Senior notes	August 1, 2020	6.500%	USD	$1,825.0	$1,825.0
Senior subordinated notes	October 1, 2020	6.500%	USD	$800.0	$800.0
Premium on notes				$31.1	$32.5
Total debt				$5,736.3	$5,720.4

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

The Company currently elects to use 1-month LIBOR for setting the interest rates on 90% of its U.S. dollar-denominated term loans. The 1-month LIBOR rate for the majority of the U.S. dollar-denominated term loan and asset-based revolver as of August 31, 2014 was 0.16%. The 3-month LIBOR rate is used on the remainder of the U.S. dollar-denominated term loans and was 0.25% as of August 31, 2014. The Company's term loan facilities require payments each year in an amount equal to (x) 0.25%of the product of (i) the aggregate principal amount of all dollar-denominated term loans outstanding under the original credit agreement on the closing date multiplied by (ii) a fraction, the numerator of which is the aggregate principal amount of dollar-denominated term B loans outstanding on August 2, 2012 (after giving effect to certain conversions to occur on or after August 2, 2012 pursuant to the amended and restated credit agreement) and the denominator of which is the aggregate principal amount of all outstanding term loans on August 2, 2012 and (y) 0.25% of the aggregate principal amount of all outstanding dollar-denominated term B-1 loans, in each case in equal calendar quarterly installments until maturity of the loan and after giving effect to the application of any prepayments. The total amount of required payments under the Company's term loan facilities was $7.8 million for the three months ended August 31, 2014. The cash flow and asset-based revolving credit facilities and the notes do not have terms for mandatory principal paydowns.

The Company’s revolving borrowing base available under all debt facilities at August 31, 2014 was $469.5 million, which is net of the borrowing base limitations relating to the asset-based revolving credit facility and outstanding balances of $205.0 million under the asset-based revolving credit facility.

15

As of August 31, 2014, $66.8 million of financing fees related to the Company's credit agreement and refinancing remain in long-term assets and continue to be amortized through interest expense over the remaining life of the credit agreement and new debt instruments.

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

Retirement of euro-denominated Term Loan and Repricing of U.S. dollar-denominated Term B-1 Loan

On September 10, 2013, Biomet retired €167.3 million ($221.4 million) principal amount of its euro-denominated term loan using cash on hand. On September 25, 2013, Biomet completed an $870.5 million U.S. dollar-denominated term loan offering, the proceeds of which were used to retire the remaining euro-denominated term loan principal balance of €657.7 million ($870.2 million). Concurrently with the new $870.5 million U.S. dollar-denominated term loan offering, Biomet also completed a repricing of its existing $2,111.4 million extended U.S. dollar-denominated term loan to LIBOR + 3.50%. The terms of the new term loan are consistent with the existing extended U.S. dollar-denominated term loan.

Note 8—Fair Value Measurements.

Assets and Liabilities Measured at Fair Value on a Recurring Basis

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

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

- Level 2—Inputs include quoted prices for similar assets or liabilities in active markets, quoted prices for identical or similar assets or liabilities in markets that are not active and inputs (other than quoted prices) that are observable for the asset or liability, either directly or indirectly. The Company's Level 2 assets and liabilities primarily include time deposits, interest rate swaps, pension plan assets (equity securities, debt securities and other) and foreign currency exchange contracts whose value is determined using a pricing model with inputs that are observable in the market or can be derived principally from or corroborated by observable market data.

- Level 3—Inputs are unobservable for the asset or liability. The Company's Level 3 assets include other equity investments. See the section below titled Level 3 Valuation Techniques for further discussion of how the Company determines fair value for investments classified as Level 3.

The following table provides information by level for assets and liabilities that are measured at fair value on a recurring basis at August 31, 2014 and May 31, 2014:

(in millions)	Fair Value at August 31, 2014	Fair Value Measurements Using Inputs Considered as Level 1	Level 2	Level 3
Assets:				
Money market funds	$88.7	$88.7	$—	$—
Time deposits	24.9	—	24.9	—
Pension plan assets	147.4	—	132.4	15.0
Foreign currency exchange contracts	3.0	—	3.0	—
Equity securities	3.3	3.1	—	0.2
Total assets	$267.3	$91.8	$160.3	$15.2
Liabilities:				
Interest rate swaps	$14.8	$—	$14.8	$—
Foreign currency exchange contracts	3.4	—	3.4	—
Total liabilities	$18.2	$—	$18.2	$—

(in millions)	Fair Value at May 31, 2014	Fair Value Measurements Using Inputs Considered as Level 1	Level 2	Level 3
Assets:				
Money market funds	$145.0	$145.0	$—	$—
Time deposits	25.8	—	25.8	—
Pension plan assets	147.5	—	132.5	15.0
Foreign currency exchange contracts	1.1	—	1.1	—
Equity securities	0.5	0.3	—	0.2
Total assets	$319.9	$145.3	$159.4	$15.2
Liabilities:				
Interest rate swaps	$20.2	$—	$20.2	$—
Foreign currency exchange contracts	1.3	—	1.3	—
Total liabilities	$21.5	$—	$21.5	$—

Level 3 Valuation Techniques

Financial assets are considered Level 3 when their fair values are determined using pricing models, discounted cash flow methodologies or similar techniques and at least one significant model assumption or input is unobservable. Level 3 financial assets also include certain investment securities for which there is limited market activity where the determination of fair value requires significant judgment or estimation. Level 3 investment securities primarily include other equity investments for which there was a decrease in the observation of market pricing. As of August 31, 2014 and May 31, 2014, 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 estimated fair value of the Company's long-term debt, including the current portion, at August 31, 2014 and May 31, 2014 was $5,897.0 million and $5,912.9 million, respectively, compared to carrying values of $5,736.3 million and $5,720.4 million, respectively. The fair value of the Company's traded debt is considered Level 3 and was estimated using quoted market prices for the same or similar instruments, among other inputs. The fair value of the Company's variable rate term debt was estimated using Bloomberg composite quotes. In determining the fair values and carrying values, the Company considers the terms of the related debt and excludes the impacts of debt discounts and interest rate swaps.

17

Assets and Liabilities that are Measured at Fair Value on a Nonrecurring Basis
During the three months ended August 31, 2014 and 2013, the Company had no significant measurements of assets or liabilities at fair value on a nonrecurring basis subsequent to their initial recognition.

Note 9—Derivative Instruments and Hedging Activities.
The Company is exposed to certain market risks relating to its ongoing business operations, including foreign currency risk, interest rate risk and commodity price risk. The Company currently manages foreign currency risk and interest rate risk through the use of derivatives.
Derivatives Designated as Hedging Instruments
Interest Rate Instruments—The Company uses interest rate swap agreements (cash flow hedges) in U.S. dollars as a means of fixing the interest rate on portions of its floating-rate debt instruments. As of August 31, 2014, the Company had a swap liability of $14.8 million, which consisted of $7.0 million short-term and $8.0 million long-term, partially offset by a $0.2 million credit valuation adjustment. As of May 31, 2014, the Company had a swap liability of $20.2 million, which consisted of $8.8 million short-term and $11.6 million long-term, partially offset by a $0.2 million credit valuation adjustment.
The table below summarizes existing swap agreements at August 31, 2014 and May 31, 2014:

(in millions)						
		Notional			Fair Value at August 31, 2014	Fair Value at May 31, 2014
Structure	Currency	Amount	Effective Date	Termination Date	Asset (Liability)	Asset (Liability)
5 years	USD	$195.0	September 25, 2009	September 25, 2014	$(1.3)	$ (1.7)
2 years	USD	190.0	March 25, 2013	March 25, 2015	(0.7)	(1.0)
3 years	USD	270.0	December 27, 2013	September 25, 2016	(4.7)	(5.8)
5 years	USD	350.0	September 25, 2012	September 25, 2017	(4.2)	(6.0)
5 years	USD	350.0	September 25, 2012	September 25, 2017	(4.1)	(5.9)
Credit valuation adjustment					0.2	0.2
Total interest rate instruments					$(14.8)	$ (20.2)

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). Hedge effectiveness is tested quarterly to determine if hedge treatment is still appropriate. The tables below summarize the effective portion and ineffective portion of the Company's interest rate swaps before tax for the three months ended August 31, 2014 and 2013:

(in millions)	Three Months Ended	
Derivatives in cash flow hedging relationship	August 31, 2014	August 31, 2013
Interest rate swaps:		
Amount of gain (loss) recognized in OCI	$5.3	$21.7
Amount of (gain) loss reclassified from accumulated OCI into interest expense (effective portion)	4.8	7.5
Amount (gain) loss recognized in other income (expense) (ineffective portion and amount excluded from effectiveness testing)	—	—

As of August 31, 2014, the effective interest rate, including the applicable lending margin, on 47.13% ($1,355.0 million) of the outstanding principal of the Company's U.S. dollar term loan was fixed at 5.07% through the use of interest rate swaps. The remaining unhedged balances of the U.S. dollar term loans had an effective interest rate of 3.63%. As of August 31, 2014 and May 31, 2014, the Company's effective weighted average interest rate on all outstanding debt, including the interest rate swaps, was 5.24% and 5.37%, respectively.

18

Table of Contents

Derivatives Not Designated as Hedging Instruments

Foreign Currency Instruments—The Company faces transactional currency exposures that arise when it or its foreign subsidiaries enter into transactions, primarily on an intercompany basis, denominated in currencies other than their functional currency. The Company may enter into short-term forward currency exchange contracts in order to mitigate the currency exposure related to these intercompany payables and receivables arising from intercompany trade. The Company does not designate these contracts as hedges; therefore, all forward currency exchange contracts are recorded at their fair value each period, with the resulting gains and losses recorded in other (income) expense. Any foreign currency remeasurement gains or losses recognized in a period are generally offset with gains or losses on the forward currency exchange contracts. As of August 31, 2014, the fair value of the Company's derivatives not designated as hedging instruments on a gross basis were assets of $3.0 million recorded in prepaid expenses and other, and liabilities of $3.4 million recorded in other accrued expenses. As of May 31, 2014, the fair value of the Company's derivatives not designated as hedging instruments on a gross basis were assets of $1.1 million recorded in prepaid expenses and other, and liabilities of $1.3 million recorded in other accrued expenses.

Note 10—Accumulated Other Comprehensive Income (Loss).

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

Accumulated other comprehensive income (loss) and the related components, net of tax, are included in the table below:

(in millions)	Unrecognized actuarial gains (losses)	Foreign currency translation adjustments	Unrealized gain (loss) on interest rate swaps	Unrealized gain (loss) on available-for-sale securities	Accumulated other comprehensive income
May 31, 2014	$(11.0)	$62.6	$(12.3)	$—	$39.3
OCI before reclassifications	0.3	(48.2)	0.6	0.1	(47.2)
Reclassifications	—	—	3.0	—	3.0
August 31, 2014	$(10.7)	$14.4	$(8.7)	$0.1	$(4.9)

Reclassification adjustments from OCI are included in the table below:

(in millions)	Three Months Ended August 31, 2014	Three Months Ended August 31, 2013	Location on Statement of Operations
Interest rate swaps	$4.8	$7.5	Interest expense

Table of Contents

The tax effects in other comprehensive income (loss) are included in the tables below:

	Three Months Ended August 31, 2014			Three Months Ended August 31, 2013		
(in millions)	Before Tax	Tax	Net of Tax	Before Tax	Tax	Net of Tax
Unrecognized actuarial gains (losses)	$0.4	$(0.1)	$0.3	$0.2	$—	$0.2
Foreign currency translation adjustments	(51.8)	3.6	(48.2)	(7.5)	12.0	4.5
Unrealized gain (loss) on interest rate swaps	(3.0)	3.6	0.6	14.2	(5.4)	8.8
Reclassifications on interest rate swaps	4.8	(1.8)	3.0	7.5	(2.8)	4.7
Unrealized gain (loss) on available-for-sale securities	0.1	—	0.1	—	—	—
Accumulated other comprehensive income	$(49.5)	$5.3	$(44.2)	$14.4	$3.8	$18.2

The tables above have been modified to reflect the retrospective application of ASU 2013-02, Reporting of Amounts Reclassified Out of Accumulated Other Comprehensive Income for all periods presented.

Note 11—Share-based Compensation and Stock Plans.

The Company expenses all share-based payments to employees and non-employee distributors, including stock options, leveraged share awards and restricted stock units (“RSUs”), based on the grant date fair value over the required award service period using the graded vesting attribution method. As the Company’s common stock is not currently traded on a national securities exchange, the fair market value of the Company’s common shares is determined by the Compensation Committee. For awards with a performance vesting condition, the Company recognizes expense when the performance condition is considered probable to occur. Share-based compensation expense recognized was $3.6 million and $4.7 million for the three months ended August 31, 2014 and 2013, respectively.

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

Note 12—Income Taxes.

The Company applies guidance issued by the Financial Accounting Standards Board for uncertainty in income taxes. The Company records the liability for unrecognized tax positions 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, China, France, Germany, Japan, Luxembourg, the Netherlands, Spain, the United Kingdom and the United States. In addition, certain state and foreign tax returns are under examination by various regulatory authorities. The Company is no longer subject to U.S. federal income tax examinations for the fiscal years prior to and including the year ended May 31, 2010.

The Company regularly reviews issues that are raised from ongoing examinations and open tax years to evaluate the adequacy of its liabilities. As the various taxing authorities continue with their audit/examination programs, the

Company will adjust its reserves accordingly to reflect these settlements. As of August 31, 2014, the Company does not anticipate a significant change in its worldwide gross liabilities for unrecognized tax benefits within the succeeding twelve months.

Table of Contents

The Company's effective income tax rate was (9.9)% for the three months ended August 31, 2014, compared to (371.2)% for the three months ended August 31, 2013. Primary factors in determining the effective tax rates include the mix of various jurisdictions in which profits are projected to be earned and taxed, as well as assertions regarding the expected repatriation of earnings of the Company's foreign operations. Fluctuations in effective tax rates between comparable periods also reflect the discrete tax benefit or expense of items in continuing operations that represent tax effects not attributable to current-year ordinary income. The quarterly income tax benefit increased by ($0.8) million, or (11.5)%, in the three months ended August 31, 2014, primarily as a result of updated assertions regarding uncertain tax benefits. Discrete items, consisting primarily of changes in deferred taxes due to state and international reorganizations, release of valuation allowance on state net operating loss carryforwards and the prospective reduction of the United Kingdom statutory corporate tax rate enacted in July 2013, decreased the quarterly income tax provision by ($25.9) million, or (392.8)%, in the three months ended August 31, 2013.

Note 13—Segment Reporting.

The Company operates in one reportable segment, musculoskeletal products, which includes the designing, manufacturing and marketing of knees; hips; sports, extremities and trauma ("S.E.T."); spine, bone healing and microfixation; dental; and cement, biologics and other products. Other products consist primarily of general instruments and operating room supplies. The Company operates in various geographies. These geographic markets are comprised of the United States, Europe and International. Major markets included in the International geographic market are Canada, Latin America and the Asia Pacific region.

Net sales by product category for the three months ended August 31, 2014 and 2013 were as follows:

	Three Months Ended	
(in millions)	August 31, 2014	August 31, 2013
Net sales by product:		
Knees	$234.7	$225.1
Hips	155.3	149.7
S.E.T.	154.5	149.5
Spine, Bone Healing and Microfixation	122.8	