LVB Acquisition, Inc.
Form 10-Q
April 07, 2014
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UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-Q

(Mark One)

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

For the quarterly period ended February 28, 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 March 31, 2014:

LVB ACQUISITION, INC. 552,401,196 shares of common stock

BIOMET, INC. 1,000 shares of common stock

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PART I. FINANCIAL INFORMATION

Explanatory Note

This Form 10-Q is a combined quarterly report being filed separately by two registrants: LVB Acquisition, Inc. ("LVB") and Biomet, Inc. ("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.

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Item 1. Condensed Consolidated Financial Statements.

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

	(Unaudited) February 28, 2014	May 31, 2013
Assets		
Current assets:		
Cash and cash equivalents	$212.4	$355.6
Accounts receivable, less allowance for doubtful accounts receivables of $32.7 ($33.5 at May 31, 2013)	582.9	531.8
Inventories	684.4	624.0
Deferred income taxes	151.6	119.9
Prepaid expenses and other	135.0	141.3
Total current assets	1,766.3	1,772.6
Property, plant and equipment, net	690.9	665.2
Investments	27.0	23.0
Intangible assets, net	3,458.8	3,630.2
Goodwill	3,656.8	3,600.9
Other assets	97.0	102.8
Total assets	$9,696.8	$9,794.7
Liabilities & Shareholders' Equity		
Current liabilities:		
Current portion of long-term debt	$33.2	$40.3
Accounts payable	105.1	111.5
Accrued interest	35.4	56.2
Accrued wages and commissions	149.9	150.1
Other accrued expenses	320.8	206.0
Total current liabilities	644.4	564.1
Long-term liabilities:		
Long-term debt, net of current portion	5,798.5	5,926.1
Deferred income taxes	1,058.4	1,129.8
Other long-term liabilities	194.6	206.1
Total liabilities	7,695.9	7,826.1
Commitments and contingencies		
Shareholders' equity:		
Common stock, par value $0.01 per share; 740,000,000 shares authorized; 552,401,196 and 552,359,416 shares issued and outstanding	5.5	5.5
Contributed and additional paid-in capital	5,676.2	5,662.0
Accumulated deficit	(3,722.9)	(3,693.0)
Accumulated other comprehensive income (loss)	42.1	(5.9)
Total shareholders' equity	2,000.9	1,968.6
Total liabilities and shareholders' equity	$9,696.8	$9,794.7

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

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

	(Unaudited) For the Three Months Ended		(Unaudited) For the Nine Months Ended	
	February 28, 2014	February 28, 2013[1]	February 28, 2014	February 28, 2013[1]
Net sales	$822.5	$771.5	$2,378.9	$2,269.0
Cost of sales	326.9	238.5	790.0	646.7
Gross profit	495.6	533.0	1,588.9	1,622.3
Selling, general and administrative expense	366.4	327.2	1,020.1	976.0
Research and development expense	42.5	35.0	121.4	107.2
Amortization	86.5	74.1	237.2	230.2
Goodwill impairment charge	—	233.0	—	233.0
Intangible assets impairment charge	—	101.1	—	101.1
Operating income	0.2	(237.4)	210.2	(25.2)
Interest expense	81.1	88.8	274.4	310.8
Other (income) expense	(0.5)	10.9	5.4	172.4
Other expense, net	80.6	99.7	279.8	483.2
Income (loss) before income taxes	(80.4)	(337.1)	(69.6)	(508.4)
Provision (benefit) from income taxes	(14.5)	(32.6)	(39.7)	(106.2)
Net income (loss)	(65.9)	(304.5)	(29.9)	(402.2)
Other comprehensive income (loss), net of tax:				
Change in unrealized holding value on available-for-sale securities	1.1	1.5	2.4	3.6
Interest rate swap unrealized gains (losses)	3.4	6.6	25.7	5.9
Foreign currency related gains (losses)	(11.4)	(63.9)	20.3	(56.2)
Unrecognized actuarial gains (losses)	(0.4)	0.3	(0.4)	—
Other comprehensive income (loss)	(7.3)	(55.5)	48.0	(46.7)
Comprehensive income (loss)	$(73.2)	$(360.0)	$18.1	$(448.9)

(1) Certain amounts have been reclassified to conform to the current presentation. See Note 1 to the condensed consolidated financial statements for a description of the reclassification.

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

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

	(Unaudited) Nine Months Ended February 28, 2014	February 28, 2013
Cash flows provided by (used in) operating activities:		
Net income (loss)	$(29.9)	$(402.2)
Adjustments to reconcile net loss to net cash provided by operating activities:		
Depreciation and amortization	378.4	364.8
Amortization and write off of deferred financing costs	18.6	27.3
Stock-based compensation expense	13.6	32.3
Loss on extinguishment of debt	—	155.2
Recovery of doubtful accounts receivable	—	(0.4)
Realized gain on investments	—	(0.2)
Goodwill and intangible assets impairment charge	—	334.1
Deferred income taxes	(126.5)	(165.4)
Other	(6.2)	5.9
Changes in operating assets and liabilities, net of acquired assets:		
Accounts receivable	(30.9)	(53.1)
Inventories	(18.8)	(33.6)
Prepaid expenses	4.4	(7.9)
Accounts payable	(18.2)	(28.0)
Income taxes	18.8	5.5
Accrued interest	(20.9)	(12.6)
Accrued expenses and other	143.2	52.1
Net cash provided by operating activities	325.6	273.8
Cash flows provided by (used in) investing activities:		
Proceeds from sales/maturities of investments	19.0	5.5
Purchases of investments	(19.8)	(6.4)
Net proceeds from sale of assets	0.8	14.0
Capital expenditures	(158.8)	(149.7)
Acquisitions, net of cash acquired - 2012 Trauma Acquisition	—	(280.0)
Acquisitions, net of cash acquired - 2013 Spine Acquisition	(148.8)	—
Other acquisitions, net of cash acquired	(1.3)	(17.2)
Net cash used in investing activities	(308.9)	(433.8)
Cash flows provided by (used in) financing activities:		
Debt:		
Payments under European facilities	(2.3)	(1.0)
Payments under senior secured credit facilities	(22.6)	(25.2)
Proceeds under revolvers	159.3	80.0
Payments under revolvers	(63.0)	(80.0)
Proceeds from senior notes due 2020 and term loans	870.5	3,396.2
Tender/retirement of senior notes due 2017 and term loans	(1,091.6)	(3,423.0)
Payment of fees related to refinancing activities	(15.5)	(77.8)
Equity:		
Option exercises	0.6	—
Repurchase of LVB Acquisition, Inc. shares	—	(0.1)
Net cash used in financing activities	(164.6)	(130.9)
Effect of exchange rate changes on cash	4.7	15.9

Increase (decrease) in cash and cash equivalents	(143.2)	(275.0)
Cash and cash equivalents, beginning of period	355.6	492.4
Cash and cash equivalents, end of period	$212.4	$217.4
Supplemental disclosures of cash flow information:		
Cash paid during the period for:		
Interest	$287.0	$315.5
Income taxes	$69.7	$49.0

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

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

	(Unaudited) February 28, 2014	May 31, 2013
Assets		
Current assets:		
Cash and cash equivalents	$212.4	$355.6
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Liabilities & Shareholder’s Equity		
Current liabilities:		
Current portion of long-term debt	$33.2	$40.3
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Deferred income taxes	1,058.4	1,129.8
Other long-term liabilities	194.6	206.1
Total liabilities	7,695.9	7,826.1
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	5,681.7	5,667.5
Accumulated deficit	(3,722.9)	(3,693.0)
Accumulated other comprehensive income (loss)	42.1	(5.9)
Total shareholder’s equity	2,000.9	1,968.6
Total liabilities and shareholder’s equity	$9,696.8	$9,794.7

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

	(Unaudited) For the Three Months Ended		(Unaudited) For the Nine Months Ended	
	February 28, 2014	February 28, 2013[1]	February 28, 2014	February 28, 2013[1]
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Comprehensive income (loss)	$(73.2)	$(360.0)	$18.1	$(448.9)

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(in millions)

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Inventories	(18.8)	(33.6)
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Equity:		
Option exercises	0.6	—
Repurchase of LVB Acquisition, Inc. shares	—	(0.1)
Net cash used in financing activities	(164.6)	(130.9)
Effect of exchange rate changes on cash	4.7	15.9

Increase (decrease) in cash and cash equivalents	(143.2)	(275.0)
Cash and cash equivalents, beginning of period	355.6	492.4
Cash and cash equivalents, end of period	$212.4	$217.4
Supplemental disclosures of cash flow information:		
Cash paid during the period for:		
Interest	$287.0	$315.5
Income taxes	$69.7	$49.0

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

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LVB ACQUISITION, INC.
BIOMET, INC.
Notes to Condensed Consolidated Financial Statements (Unaudited)
Note 1—Basis of Presentation.
The accompanying unaudited condensed consolidated financial statements include the accounts of LVB Acquisition, Inc. ("LVB" and "Parent") and Biomet, Inc. and its subsidiaries (individually and collectively with its subsidiaries referred to as "Biomet", and together with LVB, the "Company", "we", "us" or "our"). Biomet is a wholly-owned subsidiary of LVB. LVB has no other operations beyond its ownership of Biomet. Intercompany accounts and transactions have been eliminated in consolidation.
The unaudited condensed consolidated financial statements have been prepared in accordance with U.S. generally accepted accounting principles ("GAAP") for condensed financial information, the instructions to Form 10-Q and Article 10 of Regulation S-X. As a result, they do not include all of the information and footnotes required by U.S. GAAP for complete financial statements. In the opinion of management, all adjustments (consisting of normal recurring accruals) considered necessary for a fair presentation of the financial condition, results of operations and cash flows for the periods presented have been included. Operating results for the three and nine months ended February 28, 2014 are not necessarily indicative of the results that may be expected for the fiscal year ending May 31, 2014. 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, 2013 (the "2013 Form 10-K").
The May 31, 2013 condensed consolidated balances have been derived from the audited financial statements included in the 2013 Form 10-K.

Instruments—Instrument depreciation was reclassified from cost of sales to selling, general and administrative expense, as instruments are currently used as selling tools as the instrumentation is used in conjunction with implantation of the Company's products. This reclassification was also made to conform the Company's classification of instrument depreciation to industry practice. The Company reclassified $33.4 million and $89.4 million for the three and nine months ended February 28, 2013, respectively.
Legal Fees—Legal fees are charged to expense and are not accrued based on specific cases.
Recent Accounting Pronouncements

Comprehensive Income—In February 2013, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("ASU") No. 2013-02, Comprehensive Income (Topic 220): Reporting of Amounts Reclassified Out of Accumulated Other Comprehensive Income. This ASU expands the presentation of changes in accumulated other comprehensive income. The new guidance requires an entity to disaggregate the total change of each component of other comprehensive income either on the face of the net income statement or as a separate disclosure in the notes. ASU 2013-02 is effective for fiscal years beginning after December 15, 2012. The Company adopted this ASU in the second quarter of fiscal 2014. The provisions of ASU 2013-02 did not have a material impact on its financial position, results of operations or cash flows.

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 new guidance is effective for fiscal year and interim periods beginning after December 15, 2013. The Company is currently evaluating the impact this ASU will have on its financial position, results of operations and cash flows.

Note 2—Acquisitions.
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"), entered into an Agreement and

Plan of Merger (the “Merger Agreement”) with Lanx, Inc., a Delaware corporation (“Lanx”). On October 31, 2013, Merger Sub merged with and into Lanx and the separate corporate existence of Merger Sub ceased (the “Merger”). Upon the consummation of the 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

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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 February 28, 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 fiscal year 2014 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	(28.0)
Other liabilities assumed	(20.7)
Intangible assets	59.4
Goodwill	73.8
Preliminary purchase price	$150.8

The results of operations of the business have been included subsequent to the October 31, 2013 closing date in the accompanying condensed consolidated financial statements. Acquisition-related costs for the three and nine months ended February 28, 2014 were $10.4 million and $14.5 million, respectively, and are recorded in cost of sales and selling, general and administrative expenses. 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 amounts of net sales and net loss of Lanx included in the Company’s condensed consolidated statement of operations from the acquisition date of October 31, 2013 to the period ended February 28, 2014 is as follows:

(in millions)	Three Months Ended February 28, 2014	Nine Months Ended February 28, 2014
Net sales	$17.1	$23.2
Net loss	$(8.0)	$(10.6)

The following pro forma financial information summarizes the combined results of Biomet 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		Nine Months Ended	
(in millions)	February 28, 2014	February 28, 2013	February 28, 2014	February 28, 2013
Net sales	$822.5	$791.7	$2,417.8	$2,333.4
Net income (loss)	$(51.0)	$(307.3)	$(15.4)	$(413.0)

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 $1.9 million for the nine months ended February 28, 2014 and $1.2 million and $3.5 million for the three and nine months ended February 28, 2013, respectively. The pro forma financial

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statements also reflect the elimination of $10.4 million and $14.5 million for the three and nine months ended February 28, 2014, respectively, of transaction costs directly attributable to the acquisition. 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.

2012 Trauma Acquisition

On May 24, 2012, DePuy Orthopaedics, Inc. accepted the Company's binding offer to purchase certain assets representing substantially all of DePuy's worldwide trauma business (the "2012 Trauma Acquisition"), which involves researching, developing, manufacturing, marketing, distributing and selling products to treat certain bone fractures or deformities in the human body, including certain intellectual property assets, and to assume certain liabilities, for approximately $280.0 million in cash. The Company acquired the DePuy worldwide trauma business to strengthen its trauma business and to continue to build a stronger presence in the global trauma market. On June 15, 2012, the Company announced the initial closing of the transaction. During the first and second quarters of fiscal year 2013, subsequent closings in various foreign countries occurred on a staggered basis, with the final closing occurring on December 7, 2012.

The acquisition has been accounted for as a business combination. The 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.

The following table summarizes the purchase price allocation:

(in millions)		
Inventory	$93.7	
Prepaid expenses and other	2.1	
Instruments	29.2	
Other property, plant and equipment	7.2	
Liabilities assumed	(5.6	)
Intangible assets	141.5	
Goodwill	11.9	
Purchase price	$280.0	

The results of operations of the business have been included subsequent to the respective country closing dates in the accompanying condensed consolidated financial statements. Acquisition-related costs for the three and nine months ended February 28, 2013 were $1.1 million and $10.3 million, respectively, and are recorded in cost of sales and selling, general and administrative expenses. The goodwill value is not tax deductible.

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

Note 3—Inventories.

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

(in millions)	February 28, 2014	May 31, 2013
Raw materials	$79.0	$78.8
Work-in-process	57.4	44.7
Finished goods	548.0	500.5
Inventories	$684.4	$624.0

Note 4—Property, Plant and Equipment.

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

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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

Property, plant and equipment consisted of the following:

(in millions)	February 28, 2014	May 31, 2013
Land and land improvements	$40.7	$40.5
Buildings and leasehold improvements	115.5	106.3
Machinery and equipment	400.1	375.4
Instruments	801.3	710.5
Construction in progress	61.3	48.8
Total property, plant and equipment	1,418.9	1,281.5
Accumulated depreciation	(728.0)	(616.3)
Total property, plant and equipment, net	$690.9	$665.2

The Company recorded depreciation expense of $49.7 million and $48.6 million for the three months ended February 28, 2014 and 2013, respectively, and $141.5 million and $134.6 million for the nine months ended February 28, 2014 and 2013, respectively.

Note 5—Investments.
At February 28, 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	$0.5	$(0.2)	$0.5
Time deposit	15.9	1.1	—	17.0
Greek bonds	1.1	6.6	—	7.7
Total available-for-sale investments	$17.2	$8.2	$(0.2)	$25.2

	Amortized Cost	Realized Gains	Losses	Fair Value
Trading:				
Equity securities	$1.6	$0.2	$—	$1.8
Total trading investments	$1.6	$0.2	$—	$1.8

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At May 31, 2013, the Company’s investment securities were classified as follows:

(in millions)	Amortized Cost	Unrealized Gains	Losses	Fair Value
Available-for-sale:				
Equity securities	$0.2	$0.2	$—	$0.4
Time deposit	15.9	0.1	—	16.0
Greek bonds	1.1	4.5	—	5.6
Total available-for-sale investments	$17.2	$4.8	$—	$22.0

	Amortized Cost	Realized Gains	Losses	Fair Value
Trading:				
Equity securities	$0.8	$0.2	$—	$1.0
Total trading investments	$0.8	$0.2	$—	$1.0

The Company recorded proceeds on the sales/maturities of investments of $19.0 million for the nine months ended February 28, 2014, and no proceeds during the three months ended February 28, 2014 and $5.5 million for the three and nine months ended February 28, 2013. The Company purchased investments of $0.2 million during the three months ended February 28, 2014, with no purchases during the three months ended February 28, 2013 and $19.8 million and $6.4 million during the nine months ended February 28, 2014 and 2013, respectively.

The Company holds Greek bonds which are designated as available-for-sale securities. The bonds have maturities ranging from 9 to 28 years. As of February 28, 2014, the face value of the bonds was $11.7 million.

Note 6—Goodwill and Other Intangible Assets.

The balance of goodwill as of February 28, 2014 and May 31, 2013 was $3,656.8 million and $3,600.9 million, respectively. The change in goodwill is primarily related to the $73.8 million of goodwill recorded related to the 2013 Spine Acquisition, which is described in Note 2 — Acquisitions, and 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, partially offset by the 2013 Spine Acquisition.

The Company operates in one reportable segment and evaluates goodwill for impairment at the reporting unit level. The reporting units are based on the Company's current administrative organizational structure and the availability of discrete financial information.

During the third quarter of fiscal year 2013, the Company recorded a $334.1 million goodwill and definite and indefinite-lived intangible assets impairment charge related to its Dental Reconstructive reporting unit, primarily due to declining industry market growth rates in certain European and Asia Pacific markets and corresponding unfavorable margin trends.

The Company used the income approach, specifically the discounted cash flow method, to determine the fair value of the Dental Reconstructive reporting unit and the associated amount of the impairment charges. This approach calculates fair value by estimating the after-tax cash flows attributable to a reporting unit and then discounting these after-tax cash flows to a present value using a risk-adjusted discount rate. This methodology is consistent with how the Company estimates the fair value of its reporting units during its annual goodwill and indefinite lived intangible asset impairment tests. In applying the income approach to calculate the fair value of the Dental Reconstructive reporting unit, the Company used assumptions about future revenue contributions and cost structures. The application of the income approach for both goodwill and intangibles requires judgment in determining a risk-adjusted discount rate at the reporting unit level. The Company based this determination on estimates of the weighted-average costs of capital of market participants. The Company performed a peer company analysis and considered the industry weighted-average return on debt and equity from a market participant perspective.

To calculate the amount of the impairment charge related to the Dental Reconstructive reporting unit, the Company allocated the reporting unit's fair value to all of its assets and liabilities, including certain unrecognized intangible assets, in order to determine the implied fair value of goodwill. This allocation process required judgment and the use of additional

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valuation assumptions in deriving the individual fair values of the Company's Dental Reconstructive reporting unit's assets and liabilities as if the reporting units had been acquired in a business combination.

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

The Company performs its annual assessment for impairment as of March 31 for all reporting units, or on an interim basis if an event occurs or circumstances change that would more likely than not reduce the fair value of a reporting unit below its carrying amount. The estimates and assumptions underlying the fair value calculations used in the Company's annual impairment tests are uncertain by their nature and can vary significantly from actual results. Factors that management must estimate include, but are not limited to, industry and market conditions, sales volume and pricing, raw material costs, capital expenditures, working capital changes, cost of capital, and tax rates. These factors are especially difficult to predict when global financial markets are volatile. The estimates and assumptions used in its impairment tests are consistent with those the Company uses in its internal planning. These estimates and assumptions may change from period to period. If the Company uses different estimates and assumptions in the future, impairment charges may occur and could be material.

Intangible assets consisted of the following at February 28, 2014 and May 31, 2013:

(in millions)	February 28, 2014		
	Gross Carrying Amount	Accumulated Amortization	Net Carrying Amount
Core technology	$1,733.3	$(548.0)	$1,185.3
Completed technology	610.1	(252.0)	358.1
Product trade names	214.4	(75.2)	139.2
Customer relationships	2,386.1	(918.1)	1,468.0
Non-compete contracts	4.6	(4.6)	—
Sub-total	4,948.5	(1,797.9)	3,150.6
Corporate trade names	308.2	—	308.2
Total	$5,256.7	$(1,797.9)	$3,458.8

(in millions)	May 31, 2013					
	Gross Carrying Amount	Impairment Charge	New Carrying Amount	Accumulated Amortization	Impairment Charge	Net Carrying Amount
Core technology	$1,772.6	$(39.0)	$1,733.6	$(481.1)	$4.1	$1,256.6
Completed technology	628.8	(48.5)	580.3	(254.9)	36.7	362.1
Product trade names	204.2	—	204.2	(65.9)	—	138.3
Customer relationships	2,429.5	(46.1)	2,383.4	(828.4)	9.9	1,564.9
Non-compete contracts	4.6	—	4.6	(3.8)	—	0.8
Sub-total	5,039.7	(133.6)	4,906.1	(1,634.1)	50.7	3,322.7
Corporate trade names	319.0	(11.5)	307.5	—	—	307.5
Total	$5,358.7	$(145.1)	$5,213.6	$(1,634.1)	$50.7	$3,630.2

The weighted average useful life of the intangibles at February 28, 2014 is as follows:

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	Weighted Average Useful Life
Core technology	15 years
Completed technology	9 years
Product trade names	13 years
Customer relationships	14 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, 2014 through 2018 is $285.6 million, $278.6 million, $273.7 million, $270.0 million, and $252.6 million, respectively.

Note 7—Debt.

The terms and carrying value of each debt instrument at February 28, 2014 and May 31, 2013 are set forth below:

(U.S. dollars and euros in millions)	Maturity Date	Interest Rate	Currency	February 28, 2014	May 31, 2013
Debt Instruments					
European facility	No fixed maturity date	Interest free	EUR	€—	€1.8
				$—	$2.3
China facility	January 16, 2016	LIBOR + 2.10%	USD	$2.3	$6.0
Term loan facility B	March 25, 2015	LIBOR + 3.00%	USD	$103.5	$104.3
Term loan facility B-1	July 25, 2017	LIBOR + 3.50%	USD	$2,967.1	$2,116.8
Term loan facility B	March 25, 2015	LIBOR + 3.00%	EUR	€—	€167.8
				$—	$217.9
Term loan facility B-1	July 25, 2017	LIBOR + 4.00%	EUR	€—	€659.4
				$—	$856.4
Cash flow revolving credit facility	April 25, 2017	LIBOR + 3.50%	USD	$—	$—
Cash flow revolving credit facility	April 25, 2017	LIBOR + 3.50%	USD/EUR	$—	$—
Asset-based revolving credit facility	July 25, 2017	LIBOR + 1.75%	USD	$100.0	$—
Asset-based revolving credit facility	July 25, 2017	LIBOR + 1.75%	EUR	€—	€—
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				$33.8	$37.7
Total debt				$5,831.7	$5,966.4

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 94% 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 February 28, 2014 was 0.16%. The 3-month LIBOR rate for the U.S.

dollar-denominated term loan was 0.25% as of February 28, 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 $23.7 million for the nine months ended February 28, 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 February 28, 2014 was $695.8 million, which is net of the borrowing base limitations relating to the asset-based revolving credit facility and outstanding balances of $100.0 million and $2.3 million under the asset-based revolving credit facility and the China facility, respectively.

As of February 28, 2014, $5.1 million of financing fees related to the Company's credit agreement remain in long-term assets and continue to be amortized through interest expense over the remaining life of the credit agreement. Additionally, $71.7 million of new financing fees related to the refinancing referenced below are also in long-term assets and will be amortized through interest expense over the remaining lives of the new debt instruments.

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

Notes Offerings and Concurrent Tender Offers

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

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

Amendment and Restatement Agreement-Senior Secured Credit Facilities

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

Joinder Agreement

On October 4, 2012, LVB, Biomet and certain subsidiaries of Biomet entered into a joinder agreement (the "Joinder") with Bank of America, N.A., as administrative agent, swing line lender and letter of credit issuer, each lender from time to time party thereto and each of the other parties identified as an "Extending Term Lender." The Joinder was entered into pursuant to its credit agreement, dated as of September 25, 2007, as amended and restated by the amendment and restatement agreement dated as of August 2, 2012 (the "Amendment"), by and among Biomet, LVB, certain subsidiaries of Biomet, Bank of America, N.A. and each lender from time to time party thereto.

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

Refinancing of Asset-Based Revolving Credit Facility

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

Refinancing of U.S. dollar-denominated Term Loan

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

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 Greek bonds, time deposits, interest rate swaps, pension plan assets (equity securities, debt securities and other) and foreign currency exchange contracts whose value is determined using a pricing model with inputs that are observable in the market or can be derived principally from or corroborated by observable market data.

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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 February 28, 2014 and May 31, 2013:

(in millions)	Fair Value at February 28, 2014	Fair Value Measurements Using Inputs Considered as Level 1	Level 2	Level 3
Assets:				
Money market funds	$110.8	$110.8	$—	$—
Time deposits	17.0	—	17.0	—
Greek bonds	7.7	—	7.7	—
Pension plan assets	147.6	—	147.6	—
Foreign currency exchange contracts	0.9	—	0.9	—
Equity securities	2.3	2.2	—	0.1
Total assets	$286.3	$113.0	$173.2	$0.1
Liabilities:				
Interest rate swaps	$22.4	$—	$22.4	$—
Foreign currency exchange contracts	0.1	—	0.1	—
Total liabilities	$22.5	$—	$22.5	$—

(in millions)	Fair Value at May 31, 2013	Fair Value Measurements Using Inputs Considered as Level 1	Level 2	Level 3
Assets:				
Money market funds	$93.1	$93.1	$—	$—
Time deposits	31.5	—	31.5	—
Greek bonds	5.6	—	5.6	—
Pension plan assets	137.6	—	137.6	—
Foreign currency exchange contracts	0.5	—	0.5	—
Equity securities	1.4	1.3	—	0.1
Total assets	$269.7	$94.4	$175.2	$0.1
Liabilities:				
Interest rate swaps	$54.1	$—	$54.1	$—
Foreign currency exchange contracts	0.6	—	0.6	—
Total liabilities	$54.7	$—	$54.7	$—

Level 3 Valuation Techniques

Financial assets are considered Level 3 when their fair values are determined using pricing models, discounted cash flow methodologies or similar techniques and at least one significant model assumption or input is unobservable. Level 3 financial assets also include certain investment securities for which there is limited market activity where the determination of fair value requires significant judgment or estimation. Level 3 investment securities primarily include other equity investments for which there was a decrease in the observation of market pricing. As of February 28, 2014 and May 31, 2013, 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 February 28, 2014 and May 31, 2013 was $6,017.9 million and $6,090.4 million, respectively, compared to carrying values of $5,831.7 million and $5,966.4 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.

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

During the three and nine months ended February 28, 2013, the Company measured nonfinancial long-lived assets and liabilities at fair value in conjunction with the impairment of the dental reporting unit. The Company used the income approach to measure the fair value of the reporting unit and related intangible assets. See Note 6 for a full description of key assumptions. The inputs used in the impairment fair value analysis fall within Level 3 due to the significant unobservable inputs used to determine fair value. During the three and nine months ended February 28, 2014, 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

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 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. Effective September 25, 2013, with the retirement of the euro-denominated term loan discussed in Note 7, the Company no longer has a net investment hedge related to its European subsidiaries. Hedge effectiveness is tested quarterly to determine whether hedge treatment is still appropriate. The Company tests effectiveness on this net investment hedge by determining if the net investment in its European subsidiaries is greater than the outstanding euro-denominated debt balance. Any amount of a derivative instrument designated as a hedge determined to be ineffective is recorded as other (income) expense.

Interest Rate Instruments—The Company uses interest rate swap agreements (cash flow hedges) in U.S. dollars as a means of fixing the interest rate on portions of its floating-rate debt instruments. As of February 28, 2014, the Company had a swap liability of $22.4 million, which consisted of $10.0 million short-term and $12.6 million long-term, partially offset by a $0.2 million credit valuation adjustment. As of May 31, 2013, the Company had a swap liability of $54.1 million, which consisted of $19.9 million short-term and $34.8 million long-term, partially offset by a $0.6 million credit valuation adjustment.

The table below summarizes existing swap agreements at February 28, 2014 and May 31, 2013:

(U.S. dollars and euros in millions)					Fair Value at February 28, 2014	Fair Value at May 31, 2013
Structure	Currency	Notional Amount	Effective Date	Termination Date	Asset (Liability)	Asset (Liability)
5 years	EUR[1]	€200.0	September 25, 2012	September 25, 2017	—	(11.3)
5 years	EUR[1]	200.0	September 25, 2012	September 25, 2017	—	(11.1)
5 years	USD	$325.0	December 26, 2008	December 25, 2013	—	(3.8)
5 years	USD	195.0	September 25, 2009	September 25, 2014	(3.0)	(6.7)
2 years	USD	190.0	March 25, 2013	March 25, 2015	(1.3)	(1.7)
3 years	USD	270.0	December 27, 2013	September 25, 2016	(6.2)	(5.2)
5 years	USD	350.0	September 25, 2012	September 25, 2017	(6.1)	(7.5)
5 years	USD	350.0	September 25, 2012	September 25, 2017	(6.0)	(7.4)
Credit valuation adjustment					0.2	0.6
Total interest rate instruments					$(22.4)	$(54.1)

(1) The euro interest rate swaps were terminated during the second quarter of fiscal year 2014.

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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. Certain amounts reported in the prior year amount of (gain) loss reclassified from accumulated OCI into interest expense (effective portion) have been corrected to more accurately reflect the reclassifications and to conform to the current period presentation. The Company believes such amounts are immaterial. The tables below summarize the effective portion and ineffective portion of the Company's interest rate swaps for the nine months ended February 28, 2014 and February 28, 2013:

(in millions)	Three Months Ended		Nine Months Ended	
Derivatives in cash flow hedging relationship	February 28, 2014	February 28, 2013	February 28, 2014	February 28, 2013
Interest rate swaps:				
Amount of gain (loss) recognized in OCI	$5.5	$10.7	$31.7	$9.5
Amount of (gain) loss reclassified from accumulated OCI into interest expense (effective portion)	6.2	9.0	20.5	40.4
Amount (gain) loss recognized in other income (expense) (ineffective portion and amount excluded from effectiveness testing)	—	—	21.8	—

As of February 28, 2014, the effective interest rate, including the applicable lending margin, on 44.13% ($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 February 28, 2014 and May 31, 2013, the Company's effective weighted average interest rate on all outstanding debt, including the interest rate swaps, was 5.38% and 6.29%, respectively.

Derivatives Not Designated as Hedging Instruments

Foreign Currency Instruments—The Company faces transactional currency exposures that arise when it or its foreign subsidiaries enter into transactions, primarily on an intercompany basis, denominated in currencies other than their functional currency. The Company 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