

INVITROGEN CORP
Form S-3
May 19, 2004
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As filed with the Securities and Exchange Commission on May 18, 2004

Registration No. 333-

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

Form S-3

REGISTRATION STATEMENT

UNDER

THE SECURITIES ACT OF 1933

INVITROGEN CORPORATION

(Exact name of registrant as specified in its charter)

Delaware
(State or other jurisdiction of
incorporation or organization)

33-0373077
(I.R.S. Employer
Identification No.)

1600 Faraday Avenue

Carlsbad, California 92008

(760) 603-7200

(Address, including zip code, and telephone number, including area
code, of registrant's principal executive offices)

GREGORY T. LUCIER

1600 Faraday Avenue

Carlsbad, California 92008

(760) 603-7200

(Name, address, including zip code, and telephone number, including area code, of agent for service)

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San Diego, CA 92121-2133

Approximate date of commencement of proposed sale to the public: As soon as practicable after this registration statement becomes effective.

If the only securities being registered on this Form are being offered pursuant to dividend or interest reinvestment plans, please check the following box:

If any of the securities being registered on this Form are to be offered on a delayed or continuous basis pursuant to Rule 415 under the Securities Act of 1933, other than securities offered only in connection with dividend or interest reinvestment plans, check the following box:

If this Form is filed to register additional securities for an offering pursuant to Rule 462(b) under the Securities Act, please check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering. _____

If this Form is a post-effective amendment filed pursuant to Rule 462(c) under the Securities Act, check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering. _____

If delivery of the prospectus is expected to be made pursuant to Rule 434 under the Securities Act, please check the following box.

CALCULATION OF REGISTRATION FEE

Title of Each Class of Securities to be Registered	Amount to be Registered	Proposed Maximum Aggregate Price Per Unit	Proposed Maximum Aggregate Offering Price	Amount of Registration Fee
1.5% Convertible Senior Notes due 2024	\$450,000,000 (1)	100% (2)(3)	\$450,000,000 (2)	\$57,015
Common Stock, \$.01 par value	4,410,675 shares (4)			(5)

(1) Represents the aggregate principal amount of the notes issued by the registrant.

(2) Estimated solely for the purpose of calculating the Registration Fee pursuant to Rule 457(i) under the Securities Act of 1933, as amended.

(3) Exclusive of accrued interest and distributions, if any.

(4) Such number represents the number of shares of Common Stock as are initially issuable upon conversion of the 1.5% Convertible Senior Notes due 2024 registered hereby and, pursuant to Rule 416 under the Securities Act of 1933 as amended, such indeterminate number of shares of Common Stock as may be issued from time to time upon conversion of the Notes as a result of the antidilution provisions thereof.

(5) No additional consideration will be received for the common stock and therefore, pursuant to Rule 457(i), no registration fee is required for these shares.

The registrant hereby amends this registration statement on such date or dates as may be necessary to delay its effective date until the registrant shall file a further amendment which specifically states that this registration statement shall thereafter become effective in accordance with Section 8(a) of the Securities Act of 1933 or until the registration statement shall become effective on such date as the Commission, acting pursuant to such Section 8(a), may determine.

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PROSPECTUS

\$450,000,000

INVITROGEN CORPORATION

1.5% Convertible Senior Notes due 2024

4,410,675 Shares of Common Stock Issuable on Conversion of the Notes

This prospectus relates to 1.5% Convertible Senior Notes due 2024 of Invitrogen Corporation, a Delaware corporation (Invitrogen), held by certain security holders who may offer for sale the notes and shares of our common stock into which the notes are convertible at any time, at market prices prevailing at the time of sale or at privately negotiated prices. The selling security holders may sell the notes or the common stock directly to purchasers or through underwriters, broker-dealers or agents, that may receive compensation in the form of discounts, concessions or commissions. We will not receive any proceeds from this offering.

You may convert the notes into shares of our common stock under certain circumstances described in this prospectus before their maturity unless we have previously redeemed or repurchased them. The notes will be due on February 15, 2024. The conversion rate is 9.8015 shares per each \$1,000 principal amount of notes, subject to adjustment in certain circumstances. This is equivalent to a conversion price of approximately \$102.03 per share. The notes are not listed on any securities exchange or included in any automated quotation system. The notes are eligible for trading in the Private Offerings, Resale and Trading through Automated Linkages (PORTAL) Market of the National Association of Securities Dealers, Inc. Our common stock is quoted on the Nasdaq National Market under the symbol IVGN. On May 14, 2004, the last reported sales price for our common stock as quoted on the Nasdaq National Market was \$63.58 per share.

We will pay interest on the notes on February 15 and August 15 of each year. The first interest payment will be made on August 15, 2004. The notes are our senior unsecured obligations and rank equally in right of payment with all our existing and future unsecured and unsubordinated indebtedness, senior to our existing and future subordinated indebtedness. The notes will be issued only in denominations of \$1,000 and integral multiples of \$1,000.

We have the right to redeem all or a portion of the notes that have not been previously converted at the redemption prices set forth in this prospectus on or after February 15, 2012. On February 15, 2012, 2017 and 2022, and after a repurchase event, as described in this prospectus, you may require us to repurchase any notes that you hold.

Investing in the notes and our common stock involves risk. See Risk Factors beginning on page 7.

**THE SECURITIES AND EXCHANGE COMMISSION HAS NOT APPROVED OR DISAPPROVED
OF THESE SECURITIES OR PASSED UPON THE ACCURACY OR ADEQUACY OF THIS PROSPECTUS. ADDITIONALLY, NO
STATE SECURITIES COMMISSION HAS APPROVED**

**OR DISAPPROVED OF THESE SECURITIES OR PASSED UPON THE ACCURACY OR
ADEQUACY OF THIS PROSPECTUS. ANY REPRESENTATION TO THE CONTRARY IS
A CRIMINAL OFFENSE.**

The date of this prospectus is May 18, 2004.

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SUMMARY

This summary highlights certain important information regarding our business and this offering. We have incorporated certain financial and other information in this prospectus by reference. This summary may not contain all the information that may be important to you. You should carefully read this entire prospectus, especially the section entitled Risk Factors, as well as any supplemental material and any documents that are incorporated by reference. Unless the context requires otherwise, references to Invitrogen, we, our, us, and similar terms refer to Invitrogen Corporation and its consolidated subsidiaries.

Invitrogen Corporation

We are a leading supplier of kits, reagents, sera and cell media and informatics software for life sciences research, drug discovery, and the production of biopharmaceuticals with \$649 million of sales in 2002 and \$778 million of sales in 2003. We offer a full range of products that enable researchers to understand the molecular basis of life and potential mechanisms of disease, as well as identify attractive targets for drug development. Our products are also used to support the clinical development and commercial production of biopharmaceuticals.

Our target markets

The principal markets for our products include the life sciences research market and the biopharmaceutical production market. The life sciences research market consists of laboratories generally associated with universities, medical research centers, government institutions, and other research institutions as well as biotechnology, pharmaceutical, energy, agricultural and chemical companies. Life sciences researchers use our reagents and informatics to perform a broad range of experiments in the laboratory.

The biopharmaceutical production market consists of biotechnology and pharmaceutical companies that use sera and media for the production of clinical and commercial quantities of biopharmaceuticals. Biopharmaceuticals include interferons, interleukins, t-PA and monoclonal antibodies. The selection of sera and media generally occurs early in the clinical process and continues through commercialization. Other industries consume sera and media for the commercial production of genetically engineered products including food processing and agricultural industries.

Our strategy

Our objective is to provide essential life science technologies for disease research, drug discovery and commercial bioproduction. Our strategies to achieve this objective include:

New Product Innovation and Development

Developing innovative new products. We place a great emphasis on internally developing new technologies for the life sciences research and biopharmaceutical production markets. A significant portion of our growth and current revenue base has been

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created by the application of technology to accelerate the drug discovery process of our customers. We expect to increase research and development spending as a percentage of sales over the next several quarters and to focus new product development on three critical technology areas:

Protein production, purification and characterization;

Biochemical and cell based assays; and

Labeling and detection, particularly in proteomics.

In-licensing technologies. We actively and selectively in-license new technologies, which we modify to create high value kits, many of which address bottlenecks in the research or drug

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discovery laboratories. We have a dedicated group of individuals that is focused on in-licensing technologies from academic and government institutions, as well as biotechnology and pharmaceutical companies.

Acquisitions. We actively and selectively seek to acquire and integrate companies with complementary products and technologies, trusted brand names, strong market positions, and strong intellectual property positions. We have acquired several companies since we became a public company in 1999. Our most significant acquisitions include Life Technologies, BioReliance, Molecular Probes, PanVera, NOVEX, Research Genetics and InforMax.

Our recent significant acquisitions include:

Our February 6, 2004, acquisition of all outstanding shares of common stock of BioReliance Corporation. BioReliance is a leading contract service organization providing testing, development and manufacturing services for biologic-based drugs to biotechnology and pharmaceutical companies worldwide. The results of operations of BioReliance will be included in our consolidated financial statements in the BioProduction segment from the date of acquisition.

Our August 20, 2003, acquisition of all outstanding shares of common stock of Molecular Probes, Inc., a privately-held corporation based in Eugene, Oregon. Molecular Probes is a provider of fluorescence-based technologies for use in labeling molecules for biological research and drug discovery. The results of operations of Molecular Probes are included in our consolidated financial statements in the BioDiscovery segment from the date of acquisition.

Our March 28, 2003, acquisition of products and technology rights from PanVera LLC, a wholly-owned subsidiary of Vertex Pharmaceuticals, Inc. Based in Madison, Wisconsin, our PanVera business provides products and services that are designed to accelerate the discovery of new medicines by the pharmaceutical and biopharmaceutical industries. Through this transaction, we have acquired PanVera's biochemical and cellular assay capabilities and its commercial portfolio of proprietary reagents, probes and proteins. As part of the transaction, we have also acquired PanVera's research, development and manufacturing facility in Madison. We plan to expand the sale of Pan Vera products to target a broader market, including academic and government researchers. The results of operations of PanVera are included in our consolidated financial statements in the BioDiscovery segment from the date of acquisition.

Leverage of Existing Sales and Distribution Network

Multi-national sales footprint. We have developed what we consider to be a world-class sales and distribution network with sales in approximately seventy countries throughout the world. Our sales force is highly-trained, with many of our sales-people possessing degrees in molecular biology, biochemistry or related fields. We believe our sales force has a proven track record for selling and distributing our products, and we expect to leverage this capacity to increase sales of our existing, newly developed and acquired products.

High customer satisfaction. Our sales, marketing, customer service and technical support staffs work well together to provide our customers exceptional service for our products, and we have been highly rated in customer satisfaction surveys. We expect to take advantage of this strength to attract new customers.

Rapid product delivery. We have the ability to ship typical orders on a same-day or next-day basis. We intend to use this ability to provide convenient service to our customers to generate additional sales.

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Our products

Our biodiscovery product segment supplies a full range of reagents, kits and informatics to enable scientists to isolate, amplify, purify, identify, and characterize genes and their related proteins. Our kits comprise all the reagents necessary to perform a specific experiment and are optimized to simplify and improve the reliability and yield of such experiment. Scientists use our reagents and kits to elucidate the molecular basis of disease, identify disease targets for drug discovery, and understand the therapeutic mechanism of a drug.

Our bioproduction segments supply a full range of mammalian sera, cell and tissue culture media, and reagents. These products provide the physiological conditions and nutrients necessary for cells to grow outside their native environment. Pharmaceutical and biotechnology companies use our products to support cells and organisms utilized in the production of biopharmaceuticals. Scientists in academic, government, and industrial laboratories also use our products to support cells utilized in research.

Sales and marketing

We sell most of our products through our own sales force, and the remaining products are sold through agents or distributors. We currently market our products directly in over 24 countries throughout the world and sell through distributors or agents in approximately 45 additional countries. These independent distributors may also market research products for other companies, including some products that are competitive with our offerings. As of December 31, 2003 we employed approximately 930 people in our sales and marketing group.

We were incorporated in 1989 under the laws of California and were reincorporated in 1997 under the laws of Delaware. Our principal executive offices are located at 1600 Faraday Avenue, Carlsbad, California 92008. Our telephone number is (760) 603-7200. Our website address is www.invitrogen.com. Our website is not part of this prospectus.

The Offering

Securities Offered	\$450,000,000 principal amount of 1.5% convertible senior notes due 2024.
Maturity	February 15, 2024, unless earlier redeemed repurchased or converted.
Ranking	The notes are our senior unsecured obligations and rank equally in right of payment with all our existing and future unsecured and unsubordinated indebtedness, senior to our existing and future subordinated indebtedness. The notes are not guaranteed by any of our subsidiaries and, accordingly, the notes are effectively subordinated to the indebtedness and other liabilities of our subsidiaries, including trade creditors. As of March 31, 2004, our subsidiaries had approximately \$56.7 million of outstanding indebtedness and trade payables (excluding intercompany liabilities and liabilities of the type not required to be reflected on a balance sheet in accordance with U.S. generally accepted accounting principles).
Interest	

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1.5% per year on the principal amount, payable semi-annually in arrears on August 15 and February 15 of each year, beginning August 15, 2004.

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Contingent Interest

We will pay contingent interest to the holders of notes during any six-month period from February 15 to August 14 and from August 15 to February 14, commencing with the six-month period beginning on February 15, 2012 if the average market price of a note for the five trading days ending on the third trading day immediately preceding the first day of the relevant six-month period equals 120% or more of the principal amount of such notes. The amount of contingent interest payable per note in respect of any six-month period will equal 0.35% of the average market price of a note for the applicable five trading day reference period ending on and including the third trading day immediately preceding the first day of such six-month interest period.

Conversion Rights

Holders may convert their notes into shares of our common stock prior to stated maturity under the following circumstances:

during any fiscal quarter (beginning with the quarter ending June 30, 2004) if the sale price of our common stock for at least 20 consecutive trading days in the 30 consecutive trading-day period ending on the last trading day of the immediately preceding fiscal quarter exceeds 120% of the conversion price on that 30th trading day;

during any five consecutive trading day period immediately following any five consecutive trading day period (the Note Measurement Period) in which the average market price for the notes during that Note Measurement Period was less than 97% of the average conversion value for the notes during such period; provided, however, that if, at the time of conversion pursuant to this provision, the closing sale price of our common stock is greater than 100% of the conversion price but equal to or less than 120% of the conversion price, then the holders will receive, in lieu of common stock based on the applicable conversion rate, common stock, at our option, with a value equal to the principal amount of the notes on the conversion date, which we refer to as the value conversion;

upon the occurrence of specified corporate transactions; or

if we have called the notes for redemption.

The notes are convertible into shares of our common stock at an initial conversion rate of 9.8015 shares per \$1,000 principal amount of notes (which represents a conversion price of approximately \$102.03 per share) under the conditions and subject to such adjustments as are described under Description of the Notes Conversion Rights and Conversion Rate Adjustments.

Optional Redemption

On or after February 15, 2012, we may redeem the notes for cash at any time as a whole, or from time to time in part, at a price equal to 100% of the principal amount of the notes to be redeemed plus any accrued and unpaid interest, including contingent interest, if any, to,

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but not including, the redemption date. For more information about redemption of the notes at our option, see Description of the Notes Optional Redemption by Us.

Repurchase of Notes at the Option of Holders Each holder of the notes may require us to repurchase all or a portion of that holder's notes on February 15 of 2012, 2017 and 2022, at a repurchase price equal to 100% of the principal amount of those notes plus accrued and unpaid interest, including contingent interest, if any, to, but not including, the date of repurchase. We will pay the repurchase price of any notes repurchased by us in cash. For more information about the purchase of the notes by us at the option of the holder, see Description of the Notes Repurchase of Notes at the Option of Holders Optional put.

Repurchase of Notes Upon a Repurchase Event If a repurchase event, as defined, occurs, each holder may require us to purchase all or a portion of the holder's notes at 100% of the principal amount, plus any accrued and unpaid interest to the repurchase date. See Description of the Notes Repurchase of Notes at the Option of Holders Repurchase of notes at the option of holders upon a repurchase event.

Registration Rights We have agreed to:

file a shelf registration statement with respect to the resale of the notes and the shares of our common stock issuable upon conversion of the notes with the SEC within 90 days after the first date of original issuance of the notes; and

use our reasonable best efforts to cause such shelf registration statement to become effective within 180 days after the first date of original issuance of the notes.

We also have agreed to use our reasonable best efforts to cause the shelf registration statement to be effective until the earliest of:

the date when all of the registrable securities covered by the shelf registration statement have been sold pursuant to the shelf registration;

the date on which all registrable securities held by non-affiliates are eligible to be sold in the absence of any registration;

the date on which there cease to be outstanding any registrable securities; or

two years from the date of original issuance of the notes.

We will be required to pay additional interest, which we refer to as special interest, if we fail to comply with our obligations to register

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the notes and the shares of our common stock issuable upon conversion of the notes within the specified time periods. See Description of the Notes Registration Rights.

Listing and Trading

We expect that the notes will be eligible for trading on the PORTAL Market. Our common stock is quoted on the Nasdaq National Market under the symbol IVGN.

Ratio of Earnings to Fixed Charges

	Three Months Ended March 31, 2004 ⁽²⁾	Years Ended December 31,				
		2003	2002	2001	2000	1999
Ratio of earnings to fixed charges ⁽¹⁾	1.50	3.79	3.70			14.5

⁽¹⁾ For the years ended December 31, 2001 and 2000, earnings were insufficient to cover fixed charges by \$138.0 million and \$54.6 million, respectively. Earnings are defined as income (loss) before provision for income taxes and minority interest plus Fixed Charges less minority interest in pre-tax income of subsidiaries that have not incurred Fixed Charges. Fixed Charges are defined as the sum of interest expensed plus amortized capitalized expenses related to indebtedness plus an estimate of the interest within rental expense.

⁽²⁾ Includes \$6.8 million in fixed charges incurred during the three months ended March 31, 2004, on the early retirement of our \$172.5 million in principal amount 5 1/2% convertible notes. The \$6.8 million amount is comprised of \$4.1 million for the call premium and \$2.7 million for the write-off of unamortized deferred financing costs. Excluding the \$6.8 million in the calculation on a pro-forma basis, the ratio of earnings to fixed charges is 2.54.

Risk Factors

You should refer to the section entitled Risk Factors for an explanation of certain risks related to investing in the notes.

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RISK FACTORS

*An investment in the notes involves the following risks. You should carefully consider these risks, together with other matters described in this prospectus, or incorporated into this prospectus by reference, before you purchase any of the notes. If any of the following risks occurs, our business, financial condition or operating results could be harmed. In such case, the trading price of our securities could decline and you could lose all or part of your investment. The risks described below are not the only ones we face. Additional risks not presently known to us or that we currently deem immaterial may also impair our business operations. Certain statements in this prospectus (including certain of the following factors) constitute forward-looking statements. Please refer to the section entitled *Forward-Looking Statements*.*

RISKS RELATED TO THE GROWTH OF OUR BUSINESS

Failure to manage growth could impair our business.

Our business has grown rapidly. Our net revenues increased from \$55.3 million in 1997 to \$777.7 million in 2003. During that same period we significantly expanded our operations in the United States, Europe and Asia-Pacific. The number of our employees increased from 272 at December 31, 1996, to approximately 2,995 at December 31, 2003.

It is difficult to manage this rapid growth, and our future success depends on our ability to implement:

- research and product development programs;
- sales and marketing programs;
- manufacturing operations at an appropriate capacity;
- customer support programs;
- operational and financial control systems; and
- recruiting and training programs.

Our ability to offer products and services successfully and to implement our business plan in a rapidly evolving market requires an effective planning, reporting and management process. We expect that we will need to continue to improve our financial and managerial controls, reporting systems and procedures, and to expand and train our workforce worldwide. We also need to continue to manufacture our products efficiently and to control or adjust the expenses related to research and development, marketing, sales and general and administrative activities in response to changes in revenues. If we are not successful in efficiently manufacturing our products or managing such expenses there could be an adverse impact on our earnings and the growth of our business.

Our acquisition strategy has required substantial investments in operations, product research and development, administration and sales and marketing. These are significant expenses. Our failure to manage successfully and coordinate the growth of the combined company could have an adverse impact on our revenues and profits. In addition, there is no guarantee that some of the businesses we have acquired will become profitable.

Failure to integrate acquired businesses into our operations successfully could reduce our revenues and profits.

Since the beginning of 2000, we have made several acquisitions. We have also recently acquired BioReliance Corporation. Our integration of the operations of BioReliance and other acquired companies and

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businesses will continue to require significant efforts, including the coordination of information technologies, research and development, sales and marketing, and manufacturing. We may find it difficult to integrate fully the operations of these acquired companies and businesses.

Our U.S. headquarters are located in Carlsbad, California. We also have significant operations in Frederick and Rockville, Maryland, Grand Island, New York, Madison, Wisconsin, Eugene, Oregon, Natick, Massachusetts and New Haven, Connecticut, as well as locations throughout Europe, Asia-Pacific and the Americas. Because our facilities are physically separated, it may be difficult for us to communicate effectively with, manage and integrate these employees and operations with the rest of Invitrogen. Such difficulties could seriously damage our operations and consequently our financial results.

Management may have its attention diverted while trying to continue to integrate companies and businesses that we have acquired, including BioReliance. Such diversion of management's attention or difficulties in the transition process could have a harmful effect on our revenues and profits. If we are not able to integrate the operations of all these companies and businesses successfully, we may not be able to meet our expectations of future results of operations.

Factors that will affect the success of our acquisitions include:

presence or absence of adequate internal controls and/or significant fraud in the financial systems of acquired companies;

decrease in customer loyalty and product orders caused by dissatisfaction with the combined companies' product lines and sales and marketing practices, including price increases;

the ability to retain key employees;

competitive factors, including technological advances attained by competitors and patents granted to, or contested by competitors, which would result in increased efficiency in their ability to compete against us;

the ability of the combined company to increase sales of all such companies' products; and

the ability of the combined company to operate efficiently and achieve cost savings.

Even if we are able to integrate our acquired operations, we cannot assure you that we will achieve synergies. Our failure to achieve synergies could have a material adverse effect on the business, results of operations and financial condition of the combined company.

Industry consolidation may lead to increased competition and may harm our operating results.

There has been a trend toward industry consolidation in our markets for the past several quarters. We expect this trend toward industry consolidation to continue as companies attempt to strengthen or hold their market positions in an evolving industry and as companies are acquired or are unable to continue operations. We believe that industry consolidation may result in stronger competitors that are better able to

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compete as sole-source vendors for customers. This could lead to more variability in operating results and could have a material adverse effect on our business, operating results, and financial condition. Furthermore, particularly in the drug discovery market, consolidation could lead to fewer customers, with the effect that loss of a major customer could have a material impact on results not anticipated in a customer marketplace comprised of more numerous participants.

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RISKS RELATED TO OUR SALES

Competition in the life sciences research market, and/or a reduction in demand for our products, could reduce sales.

The markets for our products are very competitive and price sensitive. Other life science research product suppliers, as well as certain customers, such as large pharmaceutical companies, have significant financial, operational, sales and marketing resources, and experience in research and development. These and other companies may have developed or could in the future develop new technologies that compete with our products or even render our products obsolete. If a competitor develops superior technology or cost-effective alternatives to our kits and other products, our business, operating results, and financial condition could be seriously harmed. In addition, demand for our products may weaken due to reduction in research and development budgets, loss of distributors and other factors identified in this prospectus, which would have an adverse effect on our financial condition.

The markets for certain of our products, such as electrophoresis products, custom primers, amplification products, and fetal bovine serum, are also subject to specific competitive risks. These markets are highly price competitive. Our competitors have competed in the past by lowering prices on certain products. Our competitors may lower prices on these or other products in the future and we may, in certain cases, respond by lowering our prices. This would reduce revenues and profits. Conversely, failure to anticipate and respond to price competition may hurt our market share.

We believe that customers in our markets display a significant amount of loyalty to their initial supplier of a particular product. Therefore, it may be difficult to generate sales to potential customers who have purchased products from competitors. Additionally, instead of using kits, there are numerous scientists making materials themselves. To the extent we are unable to be the first to develop and supply new products, our competitive position will suffer.

Reduction in research and development budgets and government funding may affect sales.

Our customers include researchers at pharmaceutical and biotechnology companies, academic institutions, government laboratories and private foundations. Fluctuations in the research and development budgets of these researchers and their organizations could have a significant effect on the demand for our products. Research and development budgets fluctuate due to changes in available resources, mergers of pharmaceutical and biotechnology companies, spending priorities and institutional budgetary policies. Our business could be seriously damaged by any significant decrease in life sciences research and development expenditures by pharmaceutical and biotechnology companies, academic institutions, government laboratories or private foundations.

In recent years, the pharmaceutical industry has undergone substantial downsizing and consolidation. Additional mergers or corporate consolidations in the pharmaceutical industry could cause us to lose existing customers and potential future customers, which could have a harmful effect on our business, financial condition and results of operations.

A significant portion of our sales have been to researchers at academic institutions, government laboratories and private foundations whose funding is dependent upon grants from government agencies such as the U.S. National Institutes of Health (NIH) and similar domestic and international agencies. Although the level of research funding has increased during the past several years, we cannot assure you that this trend will continue. The NIH budget has increased on average in excess of 10% in each of the past five years through fiscal 2003. Increases for fiscal

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2004 were significantly less than this amount, and proposed increases for fiscal 2005 are in line with the 2004 increase. Government funding of research and development is subject to the political process, which is inherently fluid and unpredictable. Additionally, as the U.S. government continues to address program funding requirements in the current period of global unrest, including homeland security, any shift away from the funding of life sciences research and development may cause our customers to delay or forego purchases of our

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products. Our revenues may be adversely affected if our customers delay or cancel purchases as a result of these and other uncertainties or delays surrounding the approval of government budget proposals. Also, government proposals to reduce or eliminate budgetary deficits have sometimes included reduced allocations to the NIH and other government agencies that fund research and development activities. A reduction in government funding for the NIH or other government research agencies could seriously damage our business.

Our customers generally receive funds from approved grants at particular times of the year, for example as determined by the U.S. federal government. In the past, such grants have been frozen for extended periods or have otherwise become unavailable to various institutions without advance notice. The timing of the receipt of grant funds affects the timing of purchase decisions by our customers and, as a result, can cause fluctuations in our sales and operating results.

Loss of customers may hurt our sales, and customers may force us to use more expensive distribution channels.

Certain of our customers have developed purchasing initiatives to reduce the number of vendors from which they purchase in order to lower their supply costs. In some cases these accounts have established agreements with large distributors, which include discounts and the distributors direct involvement with the purchasing process. These activities may force us to supply the large distributors with our products at a discount to reach those customers. For similar reasons many larger customers, including the U.S. government, have requested and may in the future request, special pricing arrangements, including blanket purchase agreements. These agreements may limit our pricing flexibility, which could have an adverse impact on our business, financial condition and results of operations. Our pricing flexibility could particularly be affected with respect to electrophoresis products, custom oligonucleotides, amplification products, and fetal bovine serum. For a limited number of customers we have made sales, at the customer's request, through third-party Internet vendors. Although Internet sales through third parties have not had a significant impact to date, it is possible that this method of distribution could have a negative impact on our gross margins, because any commission paid on Internet sales would be an additional cost not incurred through the use of non-Internet vendors.

We have launched a biodefense initiative, which depends upon the acceptance of our products by the U.S. government and its defense contractors and could cause us to engage in activities that third parties would find objectionable.

We have developed products for use in detecting exposure to biological pathogens, and have begun marketing those products to the U.S. government and several defense contractors. If our products do not perform well, or the U.S. government changes its priorities with respect to defense against biological and chemical weapons, our sales growth could be affected. In addition, some third parties could object to our development of biological defense products, which could have a negative impact on our company.

RISKS RELATED TO THE DEVELOPMENT AND MANUFACTURING OF OUR PRODUCTS

Our market share depends on new product introductions and acceptance.

Rapid technological change and frequent new product introductions are typical for the market for certain of our products and services. For example, prepackaged kits to perform research in particular cell lines and already-isolated genetic material only recently have come into widespread use among researchers. In addition, the market for the life science informatics products of our subsidiary, InforMax, is also in the midst of rapid technological change. Our future success will depend in part on continuous, timely development and introduction of new products that address evolving market requirements and are attractive to customers. We believe successful new product introductions provide a significant

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competitive advantage because customers make an investment of time in selecting and learning to use a new product, and are reluctant to switch thereafter. We spend significant resources on internal research and development as well as on technology developed elsewhere to support our effort to develop and introduce new products. To the extent that we fail to introduce new and innovative

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products, we could fail to obtain an adequate return on these investments and could lose market share to our competitors, which would be difficult or impossible to regain. An inability, for technological or other reasons, to develop successfully and introduce new products could reduce our growth rate or otherwise damage our business.

In the past we have experienced, and we are likely to experience in the future, delays in the development and introduction of products. We cannot assure you that we will keep pace with the rapid rate of change in life sciences research and life science informatics software development, or that our new products will adequately meet the requirements of the marketplace or achieve market acceptance. Some of the factors affecting market acceptance of our products include:

availability, quality and price as compared to competitive products;

the functionality of new and existing products;

the timing of introduction of our products as compared to competitive products;

scientists' and customers' opinions of the products' utility and our ability to incorporate their feedback into future products;

citation of the products in published research; and

general trends in life sciences research and life science informatics software development.

The expenses or losses associated with unsuccessful product development activities or lack of market acceptance of our new products could seriously harm our business, financial condition and results of operations.

Failure to license new technologies could impair our new product development.

Our business model of providing products to researchers working on a variety of genetic and related projects requires us to develop a wide spectrum of products. To generate broad product lines it is sometimes advantageous to license technologies from the scientific community at large rather than depending exclusively on the inventions of our own employees. As a result, we believe our ability to in-license new technologies from third parties is and will continue to be critical to our ability to offer new products. A significant portion of our current revenues are from products manufactured or sold under licenses from third parties.

From time to time we are notified or become aware of patents held by third parties which are related to technologies we are selling or may sell in the future. After a review of these patents, we may decide to obtain a license for these technologies from such third parties. We are currently in the process of negotiating several such licenses and expect that we will also negotiate these types of licenses in the future. We cannot assure you that we will be able to negotiate such licenses on favorable terms, or at all.

Our ability to gain access to technologies that we need for new products and services depends in part on our ability to convince inventors and their agents or assignees that we can successfully commercialize their inventions. We cannot assure you that we will be able to continue to identify new technologies of interest to our customers which are developed by others. Even if we are able to identify new technologies of interest, we may not be able to negotiate a license on acceptable terms, or at all.

Loss of licenses could hurt our performance.

A small number of our licenses do not run for the length of the underlying patent. We may not be able to renew our existing licenses on favorable terms, or at all. If we lose the rights to a patented technology, we may need to stop selling these products and possibly other products, redesign our products or lose a competitive advantage. Potential competitors could in-license technologies that we fail to license and potentially erode our market share for these and other products.

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Our licenses typically subject us to various economic and commercialization obligations. If we fail to comply with these obligations we could lose important rights under a license, such as the right to exclusivity in a certain market. In some cases, we could lose all rights under a license. In addition, certain rights granted under the license could be lost for reasons out of our control. For example, the licensor could lose patent protection for a number of reasons, including invalidity of the licensed patent, or a third party could obtain a patent that curtails our freedom to operate under one or more licenses. We do not receive indemnification from a licensor against third-party claims of intellectual property infringement.

Failure to obtain products and components from third-party manufacturers could affect our ability to manufacture and deliver our products.

We rely on third-party manufacturers to supply many of our raw materials, product components, and in some cases, entire products, none of which are material to our business. In addition, we have a single source for supplies of some raw materials and components to our products. Manufacturing problems may occur with these and other outside sources. If such problems occur, we cannot assure you that we will be able to manufacture our products profitably or on time.

Fluctuation in the price and supply of raw FBS could affect our business.

The supply of raw fetal bovine serum (FBS) is sometimes limited because serum collection tends to be cyclical. This can cause the price of raw FBS to fluctuate. The profit margins we achieve on finished FBS, one of our major products, have been unstable in the past because of the fluctuations in the price of raw FBS, and any increase in the price could adversely affect those profit margins. In addition, if we are unable to obtain an adequate supply of FBS, or if we are unable to meet demand for FBS from supplies outside the U.S., we may lose market share.

Violation of government regulations or voluntary quality programs could result in loss of sales and customers and additional expense to attain compliance.

Certain products and test services provided by our BioProduction segment and our BioReliance subsidiary are regulated by the U.S. Food and Drug Administration (FDA) as medical devices, pharmaceuticals, or biologics. Additionally, the FDA regulates test services provided by our BioReliance subsidiary. As such, we must register with the FDA as both a medical device manufacturer and as a manufacturer and tester of drug products and comply with all required regulations. Failure to comply with these regulations can lead to sanctions by the FDA such as written observations made following inspections, warning letters, product recalls, fines, product seizures and consent decrees. Test data for use in client submissions with the FDA could be disqualified. If the FDA were to take such actions, the FDA's observations, warnings, etc. would be available to the public. Such publicity could affect our ability to sell these regulated products.

Additionally, some of our customers use our products and services in the manufacturing process for their drug and medical device products, and such end products are regulated by the FDA under GMP. Although the customer is ultimately responsible for GMP compliance for their products, it is also the customer's expectation that the materials sold to them will meet GMP requirements. We could lose sales and customers, and incur products liability claims, if these products do not meet GMP requirements.

ISO is an internationally recognized voluntary quality standard that requires compliance with a variety of quality requirements somewhat similar to the GMP requirements. The operations of our BioProduction segments and Eugene, Oregon facilities are intended to comply with ISO 9001.

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Failure to comply with this voluntary standard can lead to observations of non-compliance or even suspension of ISO certification by the certifying unit. If we lose ISO certification, this loss could cause some customers to purchase products from other suppliers.

If we violate a government mandated or voluntary quality program, we may incur additional expense to comply with the government mandated or voluntary standards. That expense may be material, and we may not have anticipated that expense in our financial forecasts. Our financial results could suffer as a result of these increased expenses.

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RISKS RELATED TO OUR INTELLECTUAL PROPERTY

Inability to protect our technologies could affect our ability to compete.

Our success depends to a significant degree upon our ability to develop proprietary products and technologies. However, we cannot assure you that patents will be granted on any of our patent applications. We also cannot assure you that the scope of any of our issued patents will be sufficiently broad to offer meaningful protection. We only have patents issued in selected countries. Therefore, third parties can make, use, and sell products covered by our patents in any country in which we do not have patent protection. In addition, our issued patents or patents we license could be successfully challenged, invalidated or circumvented so that our patent rights would not create an effective competitive barrier. We provide our customers the right to use our products under label licenses that are for research purposes only. These licenses could be contested, and we cannot assure you that we would either be aware of an unauthorized use or be able to enforce the restrictions in a cost-effective manner.

If a third party claimed an intellectual property right to technology we use, we might need to discontinue an important product or product line, alter our products and processes, defend our right to use such technology in court or pay license fees. Although we might under these circumstances attempt to obtain a license to such intellectual property, we may not be able to do so on favorable terms, or at all. Additionally, if our products are found to infringe a third party's intellectual property, we may be required to pay damages for past infringement, and lose the ability to sell certain products or receive licensing revenues.

Disclosure of trade secrets could aid our competitors.

We attempt to protect our trade secrets by entering into confidentiality agreements with third parties, our employees and consultants. However, these agreements can be breached and, if they are, there may not be an adequate remedy available to us. If our trade secrets become known we may lose our competitive position.

Intellectual property litigation and other litigation could harm our business.

Litigation regarding patents and other intellectual property rights is extensive in the biotechnology industry. We are aware that patents have been applied for and, in some cases, issued to others claiming technologies that are closely related to ours. We are currently a defendant in several court actions involving our intellectual property. As a result, and in part due to the ambiguities and evolving nature of intellectual property law, we periodically receive notices of potential infringement of patents held by others. We may not be able to resolve these types of claims successfully in the future.

We are currently enforcing our intellectual property rights through patent litigation in several court actions. We have incurred substantial costs, and are currently incurring substantial costs, in enforcing our intellectual property rights, primarily relating to H minus reverse transcriptase, which is the basis for our Superscript and related product lines, and we expect to incur such costs in the future for Superscript and other technologies. In the event of additional intellectual property disputes, we may be involved in further litigation. In addition to court actions, patent litigation could involve proceedings before the U.S. Patent and Trademark Office or the International Trade Commission. Intellectual property litigation can be extremely expensive, and such expense, as well as the consequences should we not prevail, could seriously harm our business. If we do not prevail in our pending patent litigation relating to H minus reverse transcriptase, we may be unable to prevent third parties

from using this technology in the commercial marketplace. This could have a seriously harmful effect on our business.

RISKS RELATED TO OUR OPERATIONS

Litigation may harm our business or otherwise distract our management.

Substantial, complex or extended litigation could cause us to incur large expenditures and distract our management. For example, lawsuits by employees, stockholders, collaborators, distributors, customers, or end-users of our products or services could be very costly and substantially disrupt our business. Disputes from time to time with such companies or individuals are not uncommon, and we cannot assure you that we will

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always be able to resolve such disputes out of court or on terms favorable to us. Unexpected results could cause our financial exposure in these matters to exceed stated reserves and insurance, requiring us to allocate additional funds and other resources to address these liabilities.

In particular, in acquiring Dexter and Life Technologies, Inc., we assumed certain of Dexter's and Life Technologies, Inc.'s liabilities, ongoing disputes and litigation. These include environmental and warranty claims, among others.

Loss of key personnel could hurt our business.

Our products and services are highly technical in nature. In general, only highly qualified and trained scientists have the necessary skills to develop and market our products and provide our services. In addition, some of our manufacturing positions are highly technical as well. We face intense competition for these professionals from our competitors, customers, marketing partners and other companies throughout our industry. We do not generally enter into employment agreements requiring these employees to continue in our employment for any period of time. Any failure on our part to hire, train, and retain a sufficient number of qualified professionals would seriously damage our business. Additionally, some measures that we implement during the course of integrating acquired companies and businesses into our operations may be disruptive to some of our key personnel, including those in research and development and manufacturing, and cause them to leave us. If we were to lose a sufficient number of our key employees, including research and development scientists, and were unable to replace them or satisfy our needs for research and development through outsourcing, it could seriously damage our business.

We have a significant amount of debt which could adversely affect our financial condition.

We have \$500 million of subordinated convertible notes that are due in 2006, \$350 million of the senior convertible notes that are due in 2023 and \$450 million of senior convertible notes that are due in 2024 that are offered hereby by our selling security holders, which is in aggregate a significant amount of debt and debt service obligations. If we are unable to generate sufficient cash flow or otherwise obtain funds necessary to make required payments on these notes, we will be in default under the terms of the loan agreements, or indentures, which could, in turn, cause defaults under our other existing and future debt obligations. These notes also could have a negative effect on our earnings per share, depending on the rate of interest we earn on cash balances and our stock price, and on our ability to make favorable acquisitions using the proceeds from the notes.

Even if we are able to meet our debt service obligations, the amount of debt we have could adversely affect us in a number of ways, including by:

limiting our ability to obtain any necessary financing in the future for working capital, capital expenditures, debt service requirements, or other purposes;

limiting our flexibility in planning for, or reacting to, changes in our business;

placing us at a competitive disadvantage relative to our competitors who have lower levels of debt;

making us more vulnerable to a downturn in our business or the economy generally; and

requiring us to use a substantial portion of our cash to pay principal and interest on our debt, instead of contributing those funds to other purposes such as working capital and capital expenditures.

We could lose the tax deduction on our convertible senior notes due 2023 and the convertible senior notes due 2024 under certain circumstances.

We could lose some or all of the tax deduction for interest expense associated with our convertible senior notes due 2023 and the convertible senior notes due in 2024 if, under certain circumstances, the foregoing notes are not subject to the special Treasury Regulations governing contingent payment debt instruments. We also could lose the tax deduction for interest expense associated with the foregoing notes if we were to invest in non-taxable investments.

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Absence of dividends could reduce our attractiveness to investors.

Some investors favor companies that pay dividends, particularly in market downturns. We have never declared or paid any cash dividends on our common stock, although some of the companies that we have acquired, including Life Technologies and Dexter, declared and paid dividends prior to the acquisitions. We currently intend to retain any future earnings for funding growth and, therefore, we do not currently anticipate paying cash dividends on our common stock.

Our anti-takeover defense provisions may deter potential acquirers and may depress our stock price.

Certain provisions of our certificate of incorporation, by-laws and Delaware law, as well as certain agreements we have with our executives, could be used by our incumbent management to make it substantially more difficult for a third party to acquire control of us. These provisions include the following:

we may issue preferred stock with rights senior to those of our common stock;

we have adopted a stock purchase rights plan;

we have a classified board of directors;

our by-laws prohibit action by written consent by stockholders;

our board of directors has the exclusive right to fill vacancies and set the number of directors;

cumulative voting is not allowed;

we require advance notice for nomination of directors and for stockholder proposals; and

a number of our executives have agreements with us that entitle them to payments in certain circumstances following a change in control.

These provisions may discourage certain types of transactions involving an actual or potential change in control. These provisions may also limit our stockholders' ability to approve transactions that they may deem to be in their best interests and discourage transactions in which our stockholders might otherwise receive a premium for their shares over the then current market price.

RISKS RELATED TO OUR INTERNATIONAL OPERATIONS

International unrest or foreign currency fluctuations could adversely affect our results.

Including subsidiaries and distributors, our products are currently marketed in approximately 70 countries throughout the world. Our international revenues, which include revenues from our non-U.S. subsidiaries and export sales from the U.S., represented 48% of our product revenues in 2003, 44% of our product revenues in 2002, and 45% of our product revenues in 2001. We expect that international revenues will continue to account for a significant percentage of our revenues for the foreseeable future.

There are a number of risks arising from our international business, including:

foreign currencies we receive for sales outside the U.S. could be subject to unfavorable exchange rates with the U.S. dollar and reduce the amount of revenue and profits that we recognize;

the possibility that unfriendly nations or groups could boycott our products;

general economic and political conditions in the markets in which we operate;

potential increased costs associated with overlapping tax structures;

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potential trade restrictions and exchange controls;

more limited protection for intellectual property rights in some countries;

difficulties and costs associated with staffing and managing foreign operations;

unexpected changes in regulatory requirements;

the difficulties of compliance with a wide variety of foreign laws and regulations;

longer accounts receivable cycles in certain foreign countries; and

import and export licensing requirements.

A significant portion of our business is conducted in currencies other than the U.S. dollar, which is our reporting currency. We recognize foreign currency gains or losses arising from our operations in the period incurred. As a result, fluctuations between the currencies in which we do business have caused and will continue to cause foreign currency transaction gains and losses. We cannot predict the effects of currency exchange rate fluctuations upon our future operating results because of the number of currencies involved, the variability of currency exposures, and the potential volatility of currency exchange rates.

In January 2004 we expanded our foreign currency hedging program to hedge up to twelve months of future forecasted foreign currency cash flows. The goal of this program is to reduce the volatility of our earnings and cash flows from changes in foreign currency exchange rates, but we cannot assure you that this program will adequately protect our operating results from the full effects of exchange rate fluctuations. Failure to hedge effectively against exchange rate fluctuations may adversely affect our results of operations.

Several foreign countries in which we generate revenue have experienced somewhat unsteady economic conditions and significant devaluation in currencies. The economic situation in these regions may result in slower payments of outstanding receivable balances or even defaults. Our business could be damaged by weakness in the economies and currencies in these regions.

RISKS RELATED TO THE MARKET FOR OUR SECURITIES

The market price of our stock and convertible notes could be volatile.

The market price of our common stock and convertible notes has been subject to volatility and, in the future, the market price of our common stock and convertible notes may fluctuate substantially due to a variety of factors, including:

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quarterly fluctuations in our operating income and earnings per share results;

technological innovations or new product introductions by us or our competitors;

economic conditions;

disputes concerning patents or proprietary rights;

changes in earnings estimates and market growth rate projections by market research analysts;

sales of common stock by existing holders;

loss of key personnel;

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securities class actions or other litigation; and

changes to the NIH budget, and the research and development budgets of our customers.

The market price for our common stock and the convertible notes may also be affected by our ability to meet analysts' expectations. Any failure to meet such expectations, even slightly, could have an adverse effect on the market price of our common stock and the convertible notes. In addition, the stock market is subject to extreme price and volume fluctuations. This volatility has had a significant effect on the market prices of securities issued by many companies for reasons unrelated to the operating performance of these companies. In the past, following periods of volatility in the market price of a company's securities, securities class action litigation has often been instituted against that company. If similar litigation were instituted against us, it could result in substantial costs and a diversion of our management's attention and resources, which could have an adverse effect on our business, results of operations and financial condition.

Our operating results may fluctuate in future periods.

The results of operations for any quarter are not necessarily indicative of results to be expected in future periods. Our operating results have in the past been, and will continue to be, subject to quarterly fluctuations as a result of a number of factors. These factors include, but are not limited to:

the integration of people, operations and products from acquired businesses and technologies;

our ability to introduce new products successfully;

market acceptance of existing or new products and prices;

competitive product introductions;

currency exchange rate fluctuations;

changes in customer research budgets which are influenced by the timing of their research and commercialization efforts and their receipt of government grants;

our ability to manufacture our products efficiently;

our ability to control or adjust research and development, marketing, sales and general and administrative expenses in response to changes in revenues; and

the timing of orders from distributors and mix of sales among distributors and our direct sales force.

RISKS RELATED TO ENVIRONMENTAL ISSUES

Incidents related to hazardous materials could adversely affect our business.

Portions of our operations require the controlled use of hazardous and radioactive materials. Although we are diligent in designing and implementing safety procedures to comply with the standards prescribed by federal, state, and local regulations, the risk of accidental contamination of property or injury to individuals from these materials cannot be completely eliminated. In the event of such an incident, we could be liable for any damages that result, which could adversely affect our business.

Additionally, although unlikely, a catastrophic incident could partially or completely shut down our research and manufacturing facilities and operations.

We generate waste that must be transported to approved treatment, storage and disposal facilities. The transportation and disposal of such waste are required to meet applicable state and federal statutes and

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regulations. The storage, treatment and disposal of such waste potentially exposes us to environmental liability if, in the future, such transportation and disposal is deemed to have violated such statutes and/or regulations or if the storage, treatment and disposal facilities are inadequate and are proved to have damaged the environment.

Furthermore, in acquiring Dexter, we assumed certain of Dexter's environmental liabilities, including clean-up of several hazardous waste sites listed on the National Priority List under federal Superfund law. Unexpected results related to the investigation and clean-up of these sites could cause our financial exposure in these matters to exceed stated reserves and insurance, requiring us to allocate additional funds and other resources to address our environmental liabilities, which could cause a material adverse effect on our business.

Environmental, health and safety regulation by the government could adversely affect our operations.

Our operations are subject to complex and stringent environmental, health, safety and other governmental laws and regulations. While we believe that we have obtained the requisite approvals and permits for our existing operations, and that our business is operated in accordance with applicable laws in all material respects, we remain subject to a varied and complex body of laws and regulations that both public officials and private individuals may seek to enforce. Existing laws and regulations may be revised or reinterpreted, or new laws and regulations may become applicable to us that may have a negative effect on our business and results of operations.

Potential product liability claims could affect our earnings and financial condition.

We face a potential risk of liability claims based on our products or services. We carry product liability insurance coverage which is limited in scope and amount. We cannot assure you, however, that we will be able to maintain this insurance at a reasonable cost and on reasonable terms. We also cannot assure you that this insurance will be adequate to protect us against a product liability claim, should one arise.

Our BioReliance subsidiary formulates, tests and manufactures products intended for use by the public. In addition, BioReliance's services include the manufacture of biologic products to be tested in human clinical trials. These activities could expose BioReliance to risk of liability for personal injury or death to persons using such products, although neither Invitrogen nor BioReliance commercially markets or sells the products to end users. We seek to reduce our potential liability through measures such as contractual indemnification provisions with clients (the scope of which may vary from client-to-client, and the performances of which are not secured) and insurance maintained by clients. BioReliance and Invitrogen could be materially and adversely affected if BioReliance or Invitrogen were required to pay damages or incur defense costs in connection with a claim that is outside the scope of the indemnification agreements, if the indemnity, although applicable, is not performed in accordance with its terms or if our liability exceeds the amount of applicable insurance or indemnity. In addition, BioReliance could be held liable for errors and omissions in connection with the services it performs. We currently maintain product liability and errors and omissions insurance with respect to these risks. There can be no assurance that our insurance coverage will be adequate or that insurance coverage will continue to be available on terms acceptable to us.

RISKS RELATED TO THE NOTES

The notes will effectively be subordinated to the debt of our subsidiaries and are not secured by any of our assets.

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The notes offered hereby will be general unsecured obligations. In addition, the notes will be effectively junior to all our existing and future secured indebtedness to the extent of the value of the assets securing that indebtedness. As a result of such subordination, in the event of our bankruptcy, liquidation or reorganization or certain other events, our assets will be available to pay obligations on the notes only after all of our secured debt, to the extent of the value of the assets securing that debt, has been paid in full. Consequently, there may not be sufficient assets remaining to pay amounts due on any or all of the notes then outstanding. In addition, to the extent our assets cannot satisfy in full the secured indebtedness, the holders of the secured indebtedness would

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have a claim for any shortfall that would rank equally in right of payment with the notes. The indenture governing the notes does not prohibit or limit our or our subsidiaries' incurrence of additional debt, including senior indebtedness or secured debt, and the incurrence of any such additional indebtedness could adversely affect our ability to pay our obligations on the notes. As of March 31, 2004, we had no secured indebtedness while our subsidiaries had approximately \$56.7 million of outstanding indebtedness and trade payables (excluding intercompany liabilities and liabilities of the type not required to be reflected on a balance sheet in accordance with U.S. generally accepted accounting principles), all of which would have been structurally senior to the notes. The \$56.7 million includes approximately \$19 million in aggregate indebtedness from our acquisition of BioReliance, that we carried as of March 31, 2004.

We may be unable to repay or repurchase the notes at maturity, upon a repurchase event or exercise of your put option.

There is no sinking fund with respect to the notes, and the entire outstanding principal amount of the notes will become due and payable at maturity. If we experience a repurchase event, as defined in the indenture, or if you exercise your put option you may require us to repurchase all or a portion of your notes prior to maturity. See Description of the notes Repurchase of Notes at the Option of Holders. While we currently are able to generate positive cash flow from operations, we cannot guarantee we will have sufficient funds or be able to arrange for additional financing to pay the interest or principal on the notes as they come due or to repurchase notes tendered to us following a repurchase event or upon exercise of your put option.

Borrowing arrangements or agreements relating to other indebtedness to which we may become a party may contain restrictions on or prohibitions against our repurchase of the notes. If we cannot obtain the necessary waivers or refinance the applicable borrowings, we would be unable to repurchase the notes. Our failure to repurchase any tendered notes or convertible notes due upon maturity would constitute an event of default of the notes.

We have made only limited covenants in the indenture, which may not protect your investment if we experience significant adverse changes in our financial condition or results of operations.

The indenture governing the notes does not:

require us to maintain any financial ratios or specified levels of net worth, revenues, income, cash flow or liquidity, and therefore, does not protect holders of the notes in the event that we experience significant adverse changes in our financial condition or results of operations;

limit our ability or the ability of any of our subsidiaries to incur additional indebtedness that is senior to or equal in right of payment to the notes;

restrict our ability or that of our subsidiaries to issue securities that would be senior to the common stock of the subsidiary held by us;
or

restrict our ability to pledge our assets or those of our subsidiaries.

Therefore, you should not consider the provisions of these governing instruments as a significant factor in evaluating whether we will be able to comply with our obligations under the notes.

Securities we issue to fund our operations could dilute your ownership.

We may decide to raise additional funds through public or private debt or equity financing to fund our operations. If we raise funds by issuing equity securities, the percentage ownership of our current stockholders will be reduced and the new equity securities may have rights prior to those of the common stock issuable upon conversion of the debentures. We may not obtain sufficient financing on terms that are favorable to you or us. We may delay, limit or eliminate some or all of our proposed operations if adequate funds are not available.

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You may not be able to successfully make or collect on a claim against Arthur Andersen LLP with respect to certain of our financial statements.

Our consolidated financial statements as of December 31, 2001 and for the year then ended, which are incorporated by reference in this prospectus, were audited by Arthur Andersen LLP, which issued a publicly available audit report expressing its unqualified opinion with respect thereto. We dismissed Arthur Andersen LLP in April 2002, and we have not obtained the consent of Arthur Andersen LLP to our naming it in this prospectus as having certified the referenced financial statements. Additionally, we have not requested our current auditors to re-audit these financial statements. Since we have not obtained the consent of Arthur Andersen LLP, you may not be able to recover against Arthur Andersen LLP under United States securities laws for any misstatements of a material fact contained in the financial statements audited by Arthur Andersen LLP, or any omissions to state a material fact contained in the financial statements audited by Arthur Andersen LLP, or any omissions to state a material fact required to be stated therein. To the extent that a purchaser of notes or shares under this prospectus could make a successful claim against Arthur Andersen LLP for any matter related to these financial statements, due to Arthur Andersen LLP's current financial and legal circumstances, the ability of Arthur Andersen LLP to satisfy these claims may be limited as a practical matter.

An active trading market may not develop for the notes.

While the outstanding notes are expected to be eligible for trading in PORTAL, the Private Offering, Resale and Trading through Automated Linkages Market of the National Association of Securities Dealers, Inc., a screen-based automated market for trading securities for qualified institutional buyers, there is no public market for the notes. The initial purchasers have informed us that they intend to make a market in the notes, but they may cease their market-making activities at any time.

We do not intend to apply for a listing of any of the notes on any securities exchange. We do not know if an active public market will develop for the notes or, if developed, will continue. If an active market is not developed or maintained, the market price and the liquidity of the notes may be adversely affected.

In addition, the liquidity and the market price of the notes may be adversely affected by changes in the overall market for convertible securities and by changes in our financial performance or prospects, or in the prospects of companies in our industry. As a result, you cannot be sure that an active trading market will develop for these notes.

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FORWARD-LOOKING STATEMENTS

Any statements in this prospectus about our expectations, beliefs, plans, objectives, assumptions or future events or performance are not historical facts and are forward-looking statements. These statements are often, but not always, made through the use of words or phrases such as believe, anticipate, should, intend, plan, will, expects, estimates, projects, positioned, strategy, outlook and similar expressions. These statements involve estimates, assumptions and uncertainties that could cause actual results to differ materially from the results expressed in the statements. Any forward-looking statements are qualified in their entirety by reference to the factors discussed throughout this prospectus. The following cautionary statements identify important factors that could cause our actual results to differ materially from those projected in the forward-looking statements made in this prospectus. Among the key factors that have a direct impact on our results of operations are:

the risks and other factors described under the caption "Risk Factors" in this prospectus;

general economic and business conditions;

industry trends;

our assumptions about customer acceptance, overall market penetration and competition from providers of alternative products and services;

our actual funding requirements; and

availability, terms and deployment of capital.

Because the risk factors referred to above could cause actual results or outcomes to differ materially from those expressed in any forward-looking statements made by us, you should not place undue reliance on any such forward-looking statements. Further, any forward-looking statement speaks only as of the date on which it is made and we undertake no obligation to update any forward-looking statement or statements to reflect events or circumstances after the date on which such statement is made or to reflect the occurrence of unanticipated events. New factors emerge from time to time, and it is not possible for us to predict which will arise. In addition, we cannot assess the impact of each factor on our business or the extent to which any factor, or combination of factors, may cause actual results to differ materially from those contained in any forward-looking statements.

USE OF PROCEEDS

Invitrogen will not receive any proceeds from the sale by the selling security holders of the notes or the shares of common stock immediately on conversion of the notes.

DIVIDEND POLICY

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We have never declared or paid any cash dividends on our common stock and do not anticipate paying such cash dividends in the foreseeable future. We currently anticipate that we will retain all of our future earnings for use in the development and expansion of our business and for general corporate purposes. Any determination to pay dividends in the future will be at the discretion of our Board of Directors and will depend upon our results of operations, financial condition and other factors as the Board of Directors, in its discretion, deems relevant.

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Our common stock is listed on The Nasdaq Stock Market under the symbol IVGN. The following table sets forth the high and low trading prices by quarter as reported by The Nasdaq Stock Market.

	<u>High</u>	<u>Low</u>
Year ended December 31, 2004		
First quarter	\$ 82.00	\$ 65.30
Second quarter (through May 14, 2004)	\$ 73.74	\$ 64.11
Year ended December 31, 2003		
First quarter	\$ 32.95	\$ 28.35
Second quarter	42.15	28.04
Third quarter	63.05	36.61
Fourth quarter	70.94	55.33
Year ended December 31, 2002		
First quarter	\$ 62.70	\$ 31.13
Second quarter	37.29	29.56
Third quarter	38.00	26.58
Fourth quarter	35.40	25.23

On May 14, 2004, the last reported sale price for our common stock on The Nasdaq National Market was \$65.38 per share. On May 17, 2004 we had 1,378 stockholders of record.

RATIO OF EARNINGS TO FIXED CHARGES

The following table sets forth the ratio of earnings to fixed charges for our company and our subsidiaries for each of the periods indicated. We calculated the ratio of earnings to fixed charges by dividing earnings by total fixed charges. Earnings are defined as income (loss) before provision for income taxes and minority interest plus Fixed Charges less minority interest in pre-tax income of subsidiaries that have not incurred Fixed Charges. Fixed Charges are defined as the sum of interest expensed plus amortized capitalized expenses related to indebtedness plus an estimate of the interest within rental expense.

	<u>Three Months Ended</u> <u>March 31, 2004⁽²⁾</u>	<u>Years Ended December 31,</u>				
		<u>2003</u>	<u>2002</u>	<u>2001</u>	<u>2000</u>	<u>1999</u>
Ratio of earnings to fixed charges ⁽¹⁾	1.50	3.79	3.70			14.5

⁽¹⁾ For the years ended December 31, 2001 and 2000, earnings were insufficient to cover fixed charges by \$138.0 million and \$54.6 million, respectively. Earnings are defined as income (loss) before provision for income taxes and minority interest plus Fixed Charges less minority interest in pre-tax income of subsidiaries that have not incurred Fixed Charges. Fixed Charges are defined as the sum of interest expensed plus amortized capitalized expenses related to indebtedness plus an estimate of the interest within rental expense.

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- (2) Includes \$6.8 million in fixed charges incurred during the three months ended March 31, 2004, on the early retirement of our \$172.5 million in principal amount 5 1/2% convertible notes. The \$6.8 million amount is comprised of \$4.1 million for the call premium and \$2.7 million for the write-off of unamortized deferred financing costs. Excluding the \$6.8 million in the calculation on a pro-forma basis, the ratio of earnings to fixed charges is 2.54.

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DESCRIPTION OF THE NOTES

We issued the notes under an indenture dated February 19, 2004 between us and U.S. Bank National Association as trustee. Initially, the trustee will also act as paying agent, conversion agent, transfer agent and bid solicitation agent for the notes. The following summarizes some, but not all, provisions of the notes and the indenture. We urge you to read the indenture because the indenture, and not this description, defines your rights as a holder of the notes. The form of indenture and the form of certificate evidencing the notes are being filed with the SEC as an exhibit to the registration statement of which this prospectus is a part.

In this section of the prospectus entitled Description of the Notes, when we refer to Invitrogen, we, our, or us, we are referring to Invitrogen Corporation, a Delaware corporation, and not any of its subsidiaries.

GENERAL

The notes offered hereby:

are our 1.5% Convertible Senior Notes due February 15, 2024;

are limited to \$450,000,000 in aggregate principal amount;

bear interest at a per annum rate of 1.5%, payable semi-annually on each August 15 and February 15, beginning August 15, 2004;

accrue contingent interest, which may be payable as set forth below under Contingent Interest;

bear additional interest, which we refer to as special interest, if we fail to comply with certain obligations set forth below under Registration Rights ;

are issued only in denominations of \$1,000 principal amount and multiples thereof;

are senior unsecured obligations of Invitrogen and rank equally in right of payment with our existing and future unsecured and unsubordinated indebtedness, senior to our existing and future subordinated indebtedness; as indebtedness of Invitrogen, the notes are effectively subordinated to all indebtedness and other liabilities of our subsidiaries;

are convertible into our shares of common stock at an initial conversion rate of 9.8015 shares per \$1,000 principal amount of the notes (which represents a conversion price of approximately \$102.03 per share) under the conditions and subject to such adjustments as are described under Conversion Rights ;

are redeemable by us for cash, at our option in whole or in part, beginning on February 15, 2012 at a redemption price equal to 100% of the principal amount of the notes to be redeemed plus any accrued and unpaid interest, including contingent interest, to, but not

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including, the redemption date as described under [Optional Redemption by Us](#) ;

are subject to repurchase by us at the option of the holders on February 15, 2012, February 15, 2017 and February 15, 2022, or upon a repurchase event (as defined below) of Invitrogen as described under [Repurchase of Notes at the Option of Holders](#) repurchase of notes at the option of holders upon a repurchase event ; and

are due on February 15, 2024, unless earlier converted, redeemed by us at our option or repurchased by us at the option of the holders.

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The indenture does not contain any financial covenants and does not restrict us or our subsidiaries from paying dividends, incurring additional indebtedness or issuing or repurchasing our other securities. The indenture also does not protect the holders in the event of a highly leveraged transaction or a change of control of Invitrogen, except to the limited extent described under **Repurchase of Notes at the Option of Holders** repurchase of notes at the option of holders upon a repurchase event below.

The notes are our senior unsecured obligations and rank equally in right of payment with all our existing and future unsecured and unsubordinated indebtedness, senior to our existing and future subordinated indebtedness. As of March 31, 2004, we had no secured indebtedness. The notes are not guaranteed by any of our subsidiaries and, accordingly, the notes are effectively subordinated to the indebtedness and other liabilities of our subsidiaries, including trade creditors. As of March 31, 2004, our subsidiaries had approximately \$56.7 million of outstanding indebtedness and trade payables (excluding intercompany liabilities and liabilities of the type not required to be reflected on a balance sheet in accordance with U.S. generally accepted accounting principles) effectively ranking senior to the notes. The \$56.7 million includes approximately \$19 million in aggregate indebtedness from our acquisition of BioReliance, that we carried as of March 31, 2004.

No sinking fund is provided for the notes, and the notes are not subject to defeasance. The notes are issued only in registered form, without coupons, in denominations of \$1,000 principal amount and multiples thereof.

Holders may present definitive notes for conversion, registration of transfer and exchange at our office or agency in New York City, which shall initially be the office of U.S. Bank Trust National Association, an affiliate of the trustee. For information regarding registration of transfer and exchange of global notes, see **Book-Entry Delivery and Settlement**. No service charge is required for any registration of transfer or exchange of notes, but we may require payment of a sum sufficient to cover any tax or other governmental charge payable in connection with such registration of transfer or exchange.

INTEREST

The notes bear interest at a rate of 1.5% per annum from February 19, 2004. We also will pay contingent interest on the notes in the circumstances described under **Contingent Interest**. We will pay interest semi-annually on February 15 and August 15 of each year beginning August 15, 2004, to the holders of record at the close of business on the preceding February 1 and August 1, respectively. There are two exceptions to the preceding sentence:

In general, we will not pay accrued interest on any notes that are converted into shares of our common stock. See **Conversion Rights**. If a holder of notes converts after a record date for an interest payment but prior to the corresponding interest payment date, the holder on the record date will receive on that interest payment date accrued interest on those notes, notwithstanding the conversion of those notes prior to that interest payment date, because that holder will have been the holder of record on the corresponding record date. However, at the time that the holder surrenders notes for conversion, the holder must pay to us an amount equal to the interest that has accrued and that will be paid on the related interest payment date. The preceding sentence does not apply, however, if (1) we have specified a redemption date that is after a record date for an interest payment but prior to the corresponding interest payment date or (2) any overdue interest exists at the time of conversion with respect to the notes converted, but only to the extent of the amount of such overdue interest. Accordingly, under those circumstances, a holder of notes who chooses to convert those notes on a date that is after a record date but prior to the corresponding interest payment date, will not be required to pay us, at the time that holder surrenders those notes for conversion, the amount of interest it will receive on the interest payment date (but, with respect to preceding clause (2), the holder will be required to pay interest that is not overdue).

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We will pay interest to a person other than the holder of record on the record date if we elect to redeem the notes on a date that is after a record date but on or prior to the corresponding interest payment date.

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In this instance, we will pay accrued interest on the notes being redeemed to, but not including, the redemption date to the same person to whom we will pay the principal of those notes.

Except as provided below, we will pay interest on:

the global note to DTC in immediately available funds;

any definitive notes having an aggregate principal amount of \$5,000,000 or less by check mailed to the holders of those notes; and

any definitive notes having an aggregate principal amount of more than \$5,000,000 by wire transfer in immediately available funds if requested by the holders of those notes.

At maturity, interest on the definitive notes will be payable at the office of the trustee as set forth above. We will make payments of interest at maturity on global notes to DTC, in immediately available funds.

Interest generally will be computed on the basis of a 360-day year comprised of twelve 30-day months.

CONVERSION RIGHTS

General

Holders may convert any outstanding notes into shares of our common stock, subject to the conditions described below, at an initial conversion rate of 9.8015 shares per \$1,000 principal amount (which represents a conversion price of approximately \$102.03 per share). The conversion rate is subject to adjustment as described below. We will not issue fractional shares of common stock upon conversion of the notes. Instead, we will pay the cash value of such fractional shares based upon the sale price of our common stock on the business day immediately preceding the conversion date. Holders may convert notes only in denominations of \$1,000 principal amount and multiples thereof.

Holders may surrender notes for conversion into shares of our common stock prior to the stated maturity in the following circumstances:

during any fiscal quarter (beginning with the quarter ending June 30, 2004) if the sale price of our common stock for at least 20 consecutive trading days in the 30 consecutive trading-day period ending on the last trading day of the immediately preceding fiscal quarter exceeds 120% of the conversion price on that 30th trading day;

during any five consecutive trading day period immediately following any five consecutive trading day period (the Note Measurement Period) in which the average market price for the notes during that Note Measurement Period was less than 97% of the average conversion value for the notes during such period; provided, however, that if, at the time of conversion pursuant to this subsection, the closing sale price of our common stock is greater than 100% of the conversion price but equal to or less than 120% of the conversion

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price, then the holders will receive, in lieu of common stock based on the applicable conversion rate, common stock, at our option, with a value equal to the principal amount of the notes on the conversion date, which we refer to as the "value conversion";

upon the occurrence of specified corporate transactions; or

if we have called the notes for redemption.

The "sale price" of our common stock on any date means the closing per share sale price (or if no closing sale price is reported, the average of the bid and ask prices or, if there is more than one bid or ask price, the

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average of the average bid and the average ask prices) as reported in composite transactions for the principal U.S. securities exchange on which the common stock is traded or, if the common stock is not listed on a U.S. national or regional securities exchange, as reported by the National Association of Securities Dealers Automated Quotation system or by the National Quotation Bureau Incorporated. In the absence of such a quotation, our board of directors will make a good faith determination of the sale price, which shall be conclusive. If a holder exercises its right to require us to repurchase its notes as described under Repurchase of Notes at the Option of Holders, such holder may convert its notes into shares of our common stock only if it withdraws its applicable repurchase notice and converts its notes prior to the close of business on the business day immediately preceding the repurchase date.

The market price of a note on any date of determination means the average of the secondary market bid quotations per \$1,000 principal amount of notes obtained by the bid solicitation agent for \$1,000,000 principal amount of notes at approximately 4:00 p.m., New York City time, on such determination date from three securities dealers unaffiliated with us that we select, provided that, if at least three such bids cannot be reasonably obtained by the bid solicitation agent, but two bids are obtained, then the average of the two bids will be used, and if only one such bid can be reasonably obtained by the bid solicitation agent, this one bid will be used. If:

the bid solicitation agent, through the exercise of reasonable efforts, is unable to obtain at least one bid from a securities dealer; or

in our reasonable judgment, the bid quotations are not indicative of the secondary market value of the notes,

then the market price of the notes will equal (1) the then applicable conversion rate of the notes multiplied by (2) the average sale price of our common stock on the five trading days ending on such determination date. The bid solicitation agent shall not be required to determine the market price of the notes unless requested in writing by us.

The bid solicitation agent will initially be U.S. Bank National Association. We may change the bid solicitation agent, but the bid solicitation agent will not be our affiliate. The bid solicitation agent will solicit bids from securities dealers, which may include the initial purchasers, that are believed by us to be willing to bid for the notes.

Conversion upon satisfaction of common stock market price conditions

A holder may surrender any of its notes for conversion into shares of our common stock during any fiscal quarter (beginning with the quarter ending June 30, 2004) if the sale price of our common stock for at least 20 consecutive trading days in the 30 consecutive trading-day period ending on the last trading day of the immediately preceding fiscal quarter exceeds 120% of the conversion price on that 30th trading day.

Conversion upon satisfaction of note market price conditions

A holder may surrender any of its notes for conversion into shares of our common stock during any five consecutive trading day period immediately following any five consecutive trading day period (the Note Measurement Period) in which the average market price for the notes during that Note Measurement Period was less than 97% of the average conversion value for the notes during such period; provided, however, that if, at the time of conversion pursuant to this subsection, the closing sale price of our common stock is greater than 100% of the conversion price but equal to or less than 120% of the conversion price, then the holders will receive, in lieu of common stock based on the applicable conversion rate, common stock, at our option, with a value equal to the principal amount of the notes on the conversion date, which we refer to

as the value conversion ;

Conversion value is equal to the product of the sale price for our common stock on a given day multiplied by the then current conversion rate.

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Conversion upon specified corporate transactions

Even if the market price contingencies described above under Conversion upon satisfaction of common stock market price conditions and Conversion upon satisfaction of note market price conditions have not occurred, if we elect to

distribute to all holders of common stock certain rights or warrants entitling them to purchase shares of common stock at less than the sale price at the time of the distribution of the rights other than pursuant to a stockholder rights plan; or

distribute to all holders of our common stock our assets, cash, debt securities or certain rights to purchase our securities, which distribution has a per share value exceeding 15% of the closing price of the common stock on the day preceding the declaration date for such distribution,

we must notify the holders of notes at least 20 days prior to the ex-dividend date for such distribution. Once we have given such notice, holders may surrender their notes for conversion at any time until the earlier of the close of business on the business day prior to the ex-dividend date or our announcement that such distribution will not take place.

In addition, if we are party to a consolidation, merger or binding share exchange pursuant to which our common stock would be converted into cash, securities or other property, a holder may surrender notes for conversion at any time from and after the date that is 15 days prior to the anticipated effective date of the transaction until 15 days after the actual date of such transaction. If we are a party to a consolidation, merger or binding share exchange pursuant to which our common stock is converted into cash, securities or other property, then at the effective time of the transaction, the right to convert a note into common stock will be changed into a right to convert it into the kind and amount of cash, securities or other property which the holder would have received if the holder had converted its note immediately prior to the transaction. If the transaction constitutes a repurchase event, as defined below, a holder can require us to purchase all or a portion of its notes as described under

Repurchase of Notes at the Option of Holders Repurchase of Notes at the Option of Holders Upon a Repurchase Event instead of converting such notes pursuant to this provision.

Conversion upon notice of redemption

A holder may surrender for conversion any notes we call for redemption at any time prior to the close of business on the business day prior to the redemption date, even if the notes are not otherwise convertible at that time. If a holder already has delivered a repurchase notice with respect to a note, however, the holder may not surrender that note for conversion until the holder has withdrawn the notice in accordance with the indenture.

CONVERSION PROCEDURES

By delivering to the holder the number of shares issuable upon conversion, together with a cash payment in lieu of any fractional shares, we will satisfy our obligation with respect to the notes. That is, accrued interest will be deemed to be paid in full rather than canceled, extinguished or forfeited. We will not adjust the conversion rate to account for any accrued interest or any contingent interest.

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If the holder converts after a record date for an interest payment but prior to the corresponding interest payment date, such holder will receive on the interest payment date interest accrued on those notes, notwithstanding the conversion of notes prior to the interest payment date, assuming the holder was the holder of record on the corresponding record date. However, each holder agrees, by accepting a note, that if the holder surrenders any notes for conversion during such period, such holder must pay us at the time such holder surrenders its note for conversion an amount equal to the interest that has accrued and that will be paid on the notes being converted on the interest payment date. The preceding sentence does not apply, however, if (1) we have specified a redemption date that is after a record date for an interest payment but prior to the corresponding

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interest payment date or (2) any overdue interest exists at the time of conversion with respect to the notes converted but only to the extent of the amount of such overdue interest. Accordingly, under those circumstances, a holder of notes who chooses to convert those notes on a date that is after a record date but prior to the corresponding interest payment date, will not be required to pay us, at the time that holder surrenders those notes for conversion, the amount of interest it will receive on the interest payment date (but, with respect to preceding clause (2), the holder will be required to pay interest that is not overdue).

Holders of notes are not required to pay any taxes or duties relating to the issuance or delivery of our common stock upon exercise of conversion rights, but they are required to pay any tax or duty which may be payable relating to any transfer involved in the issuance or delivery of the common stock in a name other than the name of the holder of the note. Certificates representing shares of our common stock will be issued or delivered only after all applicable taxes and duties, if any, payable by the holder have been paid. We and each holder of a note also agree that delivery to the holder of the shares of common stock into which the note is convertible, together with any cash payment, will be treated as a payment (in an amount equal to the sum of the then fair market value of such shares and such cash payment if any) on the note for purposes of the regulations governing contingent payment debt instruments. See Certain United States Federal Income Tax Considerations.

To convert interests in a global note, the holder must deliver to DTC the appropriate instruction form for conversion pursuant to DTC's conversion program. To convert a definitive note, the holder must:

complete and manually sign the conversion notice on the back of the note (or a facsimile thereof);

deliver the completed conversion notice and the note to be converted to the specified office of the conversion agent;

pay all funds required, if any, relating to interest, including contingent interest, on the note to be converted to which the holder is not entitled, as described in the second preceding paragraph and below in Contingent Interest; and

pay all taxes or duties, if any, as described in the preceding paragraph.

The conversion date will be the date on which all of the foregoing requirements have been satisfied. The notes will be deemed to have been converted immediately prior to the close of business on the conversion date. Delivery of shares will be accomplished by delivery to the conversion agent of certificates for the relevant number of shares, other than in the case of holders of notes in book-entry form with DTC, which shares shall be delivered in accordance with DTC customary practices. A holder will not be entitled to any rights as a holder of our common stock, including, among other things, the right to vote and receive dividends and notices of stockholder meetings, until the conversion is effective.

If a holder exercises its right to require us to repurchase its notes as described under Repurchase of Notes at the Option of Holders, such holder may convert its notes as provided above only if it withdraws its applicable repurchase notice and converts its notes prior to the close of business on the business day immediately preceding the applicable repurchase date.

If we:

reclassify our common stock into other another class of stock (other than changes resulting from a subdivision or a combination); or

consolidate or combine with or merge into any person or sell or convey to another person all or substantially all of our property and assets,

and the holders of all of our common stock receive cash, securities or other property (including cash or any combination thereof) with respect to or in exchange for all of their common stock), then at the effective time of

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the transaction, the right to convert a note into our common stock will be changed into a right to convert a note into the kind and amount of cash, securities or other property which the holder would have received if the holder had converted such notes immediately prior to the transaction. If the transaction constitutes a repurchase event, as defined below, the holder can require us to repurchase all or a portion of its notes as described under Repurchase of Notes at the Option of Holders Repurchase of Notes at the Option of Holders Upon a Repurchase Event.

CONVERSION RATE ADJUSTMENTS

We will adjust the conversion rate if any of the following events occur:

(1) we issue common stock as a dividend or distribution on our common stock to all holders of our common stock;

(2) we issue to all holders of our common stock rights or warrants to purchase our common stock or securities convertible into or exchangeable or exercisable for our common stock, which rights or warrants are exercisable for not more than 60 days, at less than the sale price of our common stock on the trading day immediately preceding the time of announcement of such issuance (other than pursuant to a stockholders rights plan);

(3) we subdivide or combine our common stock;

(4) we distribute to all holders of our common stock shares of our capital stock, evidences of our indebtedness or non-cash assets, including securities, but excluding:

rights or warrants listed in (2) above;

dividends or distributions listed in (1) above; and

any dividends or distributions paid exclusively in cash;

(5) we make distributions consisting exclusively of cash to all or substantially all holders of our common stock;

(6) we or one of our subsidiaries make a distribution of cash or other consideration in respect of a tender offer or exchange offer for our common stock, where such cash and the value of any such other consideration per share of our common stock exceeds the closing sale price per share of our common stock on the trading day next succeeding the last date on which tenders or exchanges may be made pursuant to such tender or exchange offer; and

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(7) someone other than us or one of our subsidiaries makes a payment of cash or other consideration in respect of a tender offer or exchange offer in which:

as of the closing date of the offer, our board of directors is not recommending rejection of the offer;

the tender offer or exchange offer is for an amount that increases the offeror's ownership of our common stock to more than 10% of the total shares of our common stock outstanding; and

such cash and the value of any such other consideration per share of our common stock exceeds the closing sale price per share of our common stock on the trading day next succeeding the last date on which tenders or exchanges may be made pursuant to such tender or exchange offer.

If we distribute capital stock of, or similar equity interests in, a subsidiary or other business unit of ours, then the conversion rate will be adjusted based on the market value of the securities so distributed relative to the

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market value of our common stock, in each case based on the average closing sales prices of those securities (where such closing prices are available) for the 10 trading days commencing on and including the fifth trading day after the date on which ex-dividend trading commences for such distribution on the principal national or regional exchange, the Nasdaq National Market or other market on which the securities are then listed or quoted.

If an adjustment to the conversion rate is required pursuant to paragraph (5) above, then the conversion rate shall be increased so that it equals the rate determined by multiplying the conversion rate in effect on the record date with respect to the cash distribution by a fraction, (1) the numerator of which shall be the 10-day average closing sale price per share of our common stock on the record date, and (2) the denominator of which shall be the same price per share on the record date less the amount of the distribution.

To the extent that we have a rights plan in effect upon conversion of the notes into common stock, the holder will receive, in addition to the common stock, the rights under the rights plan whether or not the rights have separated from the common stock at the time of conversion, subject to limited exceptions, and no adjustments to the conversion rate will be made, except in limited circumstances.

We will not make any adjustment to the conversion rate if holders of notes may participate in the transactions described above without conversion, or in certain other cases.

To the extent permitted by law, we may, from time to time, increase the conversion rate for a period of at least 20 days if our board of directors has made a determination that this increase would be in our best interests. Any such determination by our board will be conclusive. We would give holders at least 15 days notice of any increase in the conversion rate. In addition, we may increase the conversion rate if our board of directors deems it advisable to avoid or diminish any income tax to holders of common stock resulting from any stock distribution.

We will not be required to make an adjustment in the conversion rate unless the adjustment would require a change of at least 1% in the conversion rate. However, we will carry forward any adjustments that are less than 1% of the conversion rate. Except as described above in this section, we will not adjust the conversion rate.

CONTINGENT INTEREST

Subject to the accrual and record date provisions described below, we will pay contingent interest to the holders of notes during any six-month period from February 15 to August 14 and from August 15 to February 14, commencing with the six-month period beginning on February 15, 2012 if the average market price of a note (as described under Conversion Rights general) for the five trading days ending on the third trading day immediately preceding the first day of the relevant six-month period equals 120% or more of the principal amount of the note.

The amount of contingent interest payable per note with respect to any six-month period will equal 0.35% of the average market price of such note for the five trading day period referred to above.

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We will pay contingent interest, if any, in the same manner as we will pay interest described above under **Interest** and a holder's obligations in respect of the payment of contingent interest in connection with the conversion of any notes will also be the same as described above under **Interest**.

Upon determination that holders of notes will be entitled to receive contingent interest which may become payable during a relevant six-month period, on or prior to the start of such six-month period, we will provide notice to the trustee setting forth the amount of contingent interest per \$1,000 principal amount of notes and disseminate a press release through a public medium that is customary for such press releases.

Under the indenture governing the notes, we and each holder of the notes agree, for United States federal income tax purposes, to treat the notes as indebtedness that is subject to Treasury Regulations governing contingent payment debt instruments.

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PAYMENT AT MATURITY

Each holder of \$1,000 principal amount of the notes shall be entitled to receive \$1,000, and accrued and unpaid interest, including contingent interest, if any, at maturity.

OPTIONAL REDEMPTION BY US

Prior to February 15, 2012, the notes will not be redeemable at our option. Beginning on February 15, 2012, we may redeem the notes for cash at any time as a whole, or from time to time in part, at a redemption price equal to 100% of the principal amount of the notes to be redeemed plus accrued and unpaid interest, including contingent interest, if any, to, but not including, the redemption date.

We will give at least 30 days but not more than 60 days notice of redemption by mail to holders of notes. Notes or portions of notes called for redemption are convertible by the holder until the close of business on the business day prior to the redemption date.

If we do not redeem all of the notes, the trustee will select the notes to be redeemed in principal amounts of \$1,000 or multiples thereof, by lot or on a pro rata basis. If any notes are to be redeemed in part only, we will issue a new note or notes with a principal amount equal to the unredeemed principal portion thereof. If a portion of a holder's notes is selected for partial redemption and the holder converts a portion of its notes, the converted portion will be deemed to be taken from the portion selected for redemption.

If the holder converts after a record date for an interest payment but prior to the corresponding interest payment date, such holder will receive on the interest payment date interest accrued on those notes, notwithstanding the conversion of notes prior to the interest payment date, assuming the holder was the holder of record on the corresponding record date. However, each holder agrees, by accepting a note, that if the holder surrenders any notes for conversion during such period, such holder must pay us at the time such holder surrenders its note for conversion an amount equal to the interest that has accrued and that will be paid on the notes being converted on the interest payment date. The preceding sentence does not apply, however, to a holder that converts notes that are called by us for redemption after a record date for an interest payment but prior to the corresponding interest payment date. Accordingly, if we elect to redeem notes on a date that is after a record date for the payment of interest on notes of any holder, and such holder chooses to convert those notes, the holder will not be required to pay us, at the time that holder surrenders those notes for conversion, the amount of interest it will receive on the interest payment date.

We may, to the extent permitted by applicable law, at any time purchase notes in the open market or by tender at any price or by private agreement. Any note that we so purchase may be surrendered to the trustee for cancellation. Any notes we repurchase may not be reissued or resold. Any notes surrendered to the trustee would promptly be canceled.

REPURCHASE OF NOTES AT THE OPTION OF HOLDERS

Optional put

On each of February 15, 2012, February 15, 2017 and February 15, 2022, a holder may require us to repurchase any outstanding notes for which the holder has properly delivered and not withdrawn a written repurchase notice, subject to certain additional conditions, at a purchase price equal to 100% of the principal amount of those notes plus accrued and unpaid interest, including contingent interest, if any, to, but not including, the repurchase date. Holders may submit their notes for repurchase to the paying agent at any time from the opening of business on the date that is 20 business days prior to the repurchase date until the close of business on the business day immediately preceding the repurchase date. We will pay the repurchase price for any notes submitted for repurchase by us in cash.

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We are required to give notice at least 20 business days prior to each repurchase date to all holders at their addresses shown in the register of the registrar and to beneficial owners as required by applicable law stating, among other things, the procedures that holders must follow to require us to repurchase their notes as described below. The repurchase notice given by each holder electing to require us to repurchase notes shall be given so as to be received by the paying agent no later than the close of business on the business day immediately preceding the repurchase date and must state:

if certificated, the certificate numbers of the holders' notes to be delivered for repurchase;

the portion of the principal amount of notes to be repurchased, which must be \$1,000 or a multiple thereof; and

that the notes are to be repurchased by us pursuant to the applicable provisions of the notes and the indenture.

If notes are not in certificated form, a holder's repurchase notice must comply with appropriate DTC procedures.

A holder may withdraw any repurchase notice by delivering a written notice of withdrawal to the paying agent prior to the close of business on the business day immediately preceding the repurchase date. The notice of withdrawal shall state:

the principal amount of notes being withdrawn;

if certificated, the certificate numbers of the notes being withdrawn; and

the principal amount, if any, of the notes that remain subject to the repurchase notice.

If notes are not in certificated form, a holder's repurchase notice must comply with appropriate DTC procedures.

In connection with any repurchase, we will, to the extent applicable:

comply with the provisions of Rule 13e-4, Rule 14e-1 and any other tender offer rules under the Exchange Act which may then be applicable; and

file Schedule TO or any other required schedule under the Exchange Act.

Our obligation to pay the purchase price for notes for which a repurchase notice has been delivered and not validly withdrawn is conditioned upon the holder delivering the notes, together with necessary endorsements, to the paying agent at any time after delivery of the repurchase notice. We will cause the purchase price for the notes to be paid promptly following the later of the repurchase date or the time of delivery of the notes, together with such endorsements.

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If the paying agent holds money sufficient to pay the purchase price of the notes for which a repurchase notice has been delivered on the business day immediately following the repurchase date in accordance with the terms of the indenture, then, immediately after the repurchase date, the notes will cease to be outstanding and interest, including contingent interest, if any, on the notes will cease to accrue, whether or not the notes are delivered to the paying agent. Thereafter, all other rights of the holder shall terminate, other than the right to receive the purchase price upon delivery of the notes.

Our ability to repurchase notes may be limited by restrictions on the ability of Invitrogen to obtain funds for such repurchase through dividends from our subsidiaries and the terms of our then existing borrowing

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agreements. We cannot assure holders that we would have the financial resources, or would be able to arrange financing, to pay the purchase price for all the notes that might be delivered by holders of notes seeking to exercise the repurchase right. See **Risk Factors** We may be unable to repay or repurchase the notes at maturity, upon a repurchase event or exercise of your put option. Our failure to purchase the notes when required would result in an event of default with respect to the notes. Such an event of default may, in turn, cause a default under our other indebtedness.

Repurchase of notes at the option of holders upon a repurchase event

In the event of a repurchase event (as defined below), each holder will have the right, at its option, subject to the terms and conditions of the indenture, to require us to repurchase for cash all or any portion of the holder's notes in integral multiples of \$1,000 principal amount, at a price for each \$1,000 principal amount of such notes equal to 100% of the principal amount of such notes tendered, plus any accrued and unpaid interest to, but excluding, the repurchase date. We will be required to repurchase the notes no later than 30 days after notice of a repurchase event has been mailed as described below. We refer to this date as the repurchase date.

Within 20 business days after the occurrence of a repurchase event, we must mail to the trustee and to all holders of notes at their addresses shown in the register of the registrar and to beneficial owners as required by applicable law a notice regarding the repurchase event, which notice must state, among other things:

the events causing a repurchase event;

the date of such repurchase event;

the last date on which a holder may exercise the repurchase right;

the repurchase price;

the repurchase date;

the name and address of the paying agent and the conversion agent;

the conversion rate, and any adjustments to the conversion rate that will result from the repurchase event;

that notes with respect to which a repurchase notice is given by the holder may be converted, if otherwise convertible, only if the repurchase notice has been withdrawn in accordance with the terms of the indenture; and

the procedures that holders must follow to exercise these rights.

To exercise this right, the holder must transmit to the paying agent a written notice, and such repurchase notice must be received by the paying agent no later than the close of business on the third business day immediately preceding the repurchase date. The repurchase notice must state:

the certificate numbers of the notes to be delivered by the holder, if applicable;

the portion of the principal amount of notes to be repurchased, which portion must be \$1,000 or an integral multiple of \$1,000; and

that such notes are being tendered for repurchase pursuant to the repurchase event provisions of the indenture.

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A holder may withdraw any repurchase notice by delivering to the paying agent a written notice of withdrawal prior to the close of business on the business day immediately preceding the repurchase date. The notice of withdrawal must state:

the principal amount of notes being withdrawn;

the certificate numbers of the notes being withdrawn, if applicable; and

the principal amount, if any, of the notes that remain subject to a repurchase notice.

Our obligation to pay the repurchase price for a note for which a repurchase notice has been delivered and not validly withdrawn is conditioned upon delivery of the note, together with necessary endorsements, to the paying agent at any time after the delivery of such repurchase notice. We will cause the repurchase price for such note to be paid promptly following the later of the repurchase date or the time of delivery of such note.

If the paying agent holds money sufficient to pay the repurchase price of a note on the repurchase date in accordance with the terms of the indenture, then, immediately after the repurchase date, interest on such note will cease to accrue, whether or not the note is delivered to the paying agent. Thereafter, all other rights of the holder shall terminate, other than the right to receive the repurchase price upon delivery of the note.

A repurchase event shall be deemed to have occurred upon the occurrence of either a change in control or a termination of trading.

A change in control will be deemed to have occurred at such time as:

any person or group (as such terms are used for purposes of Sections 13(d) and 14(d) of the Exchange Act) is or becomes the beneficial owner (as such term is used in Rule 13d-3 under the Exchange Act), directly or indirectly, of 50% or more of the total voting power of all classes of our capital stock entitled to vote generally in the election of directors (voting stock);

we consolidate with, or merge with or into, another person or any person consolidates with, or merges with or into, us, in any such event other than pursuant to a transaction in which the persons that beneficially owned, directly or indirectly, the shares of our voting stock immediately prior to such transaction beneficially own immediately after such transaction, directly or indirectly, shares of voting stock representing not less than a majority of the total voting power of all outstanding classes of voting stock of the continuing or surviving corporation in substantially the same proportion as such ownership prior to the transaction;

at any time the following persons cease for any reason to constitute a majority of our board of directors:

individuals who on the issue date of the notes constituted our board of directors; and

any new directors whose election by our board of directors or whose nomination for election by our stockholders was approved by at least a majority of the directors then still in office who were either directors on the issue date of the notes or whose election or nomination for election was previously so approved;

the sale, lease, transfer or other conveyance or disposition of all or substantially all of our assets or property to any person or group (as such terms are used in Sections 13(d) and 14(d) of the Exchange Act, including Rule 13d-5); or

we are liquidated or dissolved, or our stockholders approve any plan or proposal for our liquidation or dissolution.

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However, a change in control will not be deemed to have occurred if either:

the last sale price of our common stock for any five trading days during the ten trading days immediately preceding the change in control is at least equal to 105% of the conversion price in effect on such trading day; or

in the case of a merger or consolidation, at least 95% of the consideration (excluding cash payments for fractional shares and cash payments pursuant to dissenters' appraisal rights) in the merger or consolidation constituting the change in control consists of common stock traded on a United States national securities exchange or quoted on the Nasdaq National Market (or which will be so traded or quoted when issued or exchanged in connection with such change in control) and as a result of such transaction or transactions the notes become convertible solely into such common stock.

A termination of trading shall occur if our common stock (or other common stock into which the notes are then convertible) is neither listed for trading on a United States national securities exchange nor approved for trading on an established automated over-the-counter trading market in the United States.

In connection with any repurchase offer due to a repurchase event, we will to the extent applicable:

comply with the provisions of Rule 13e-4, Rule 14e-1 and any other tender offer rules under the Exchange Act which may then be applicable; and

file a Schedule TO or any other required schedule under the Exchange Act.

The question of whether all or substantially all of our assets have been disposed of will be interpreted under applicable law and will likely be dependent upon the particular facts and circumstances. As a result, there may be a degree of uncertainty in ascertaining whether a disposition of all or substantially all of our assets (and consequently, a repurchase event) has occurred, in which case a holder's ability to require us to purchase their notes upon such an event may be impaired.

Our ability to pay cash to the holders of the notes upon a repurchase may be limited by financial covenants contained in our other existing or future indebtedness. Our failure to repurchase the notes when required would result in an event of default with respect to the notes. Further, we cannot assure you that we would have the financial resources, or would be able to arrange financing, to pay the repurchase price for all notes delivered by holders seeking to exercise the repurchase right.

We could, in the future, enter into certain transactions, including recapitalizations, that would not constitute a change in control but would increase the amount of debt, including other senior indebtedness, outstanding or otherwise adversely affect a holder. Neither we nor our subsidiaries are prohibited from incurring debt, including other senior indebtedness, under the indenture. The incurrence of significant amounts of additional debt could adversely affect our ability to service our debt, including the notes.

The repurchase feature of the notes would not necessarily afford holders of the notes protection in the event of highly leveraged or other transactions involving us that may adversely affect holders of the notes. In addition, the repurchase feature of the notes may in certain circumstances impede or discourage a takeover of our company. We are not aware, however, of any specific current effort to accumulate shares

of our common stock or to obtain control of us by means of a merger, tender offer, solicitation or otherwise.

EVENTS OF DEFAULT

Each of the following constitutes an event of default with respect to the notes:

default in the payment when due of any principal of any of the notes at maturity, upon redemption or exercise of a repurchase right;

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default in the payment of any interest or special interest damages when due (including contingent interest, if any) under the notes, which default continues for 30 days;

default in our obligation to satisfy our conversion obligation upon exercise of a holder's conversion right;

default in our obligation to repurchase notes at the option of holders upon a repurchase event;

our failure to comply with any of our other agreements in the notes or the indenture upon our receipt of notice to us of such default from the trustee or to us and the trustee from holders of not less than 25% in aggregate principal amount at maturity of the notes, and our failure to cure (or obtain a waiver of) such default within 60 days after we receive such notice;

we fail or any of our significant subsidiaries fails to make any payment at maturity on any indebtedness, including any applicable grace periods, in an amount in excess of \$35.0 million in the aggregate for all such indebtedness and such amount has not been paid or discharged within 30 days after notice is given in accordance with the indenture;

a default by us or any of our significant subsidiaries on any indebtedness that results in the acceleration of indebtedness in an amount in excess of \$35.0 million in the aggregate for all such indebtedness, without this indebtedness being discharged or the acceleration being rescinded or annulled within 30 days after notice is given in accordance with the indenture; or

certain events of bankruptcy, insolvency or reorganization affecting us or any of our significant subsidiaries (as such term is defined in Rule 1-02(w) of Regulation S-X).

If an event of default (other than in the case of certain events of bankruptcy or insolvency, as described below) shall have occurred and be continuing, either the trustee or the holders of not less than 25% in aggregate principal amount at maturity of the notes then outstanding may declare the principal amount of the notes then outstanding plus any interest (including contingent interest) on the notes accrued and unpaid through the date of such declaration to be immediately due and payable. At any time after a declaration of acceleration has been made, but before a judgment or decree for payment of money has been obtained by the trustee, and subject to applicable law and certain other provisions of the indenture, the holders of a majority in aggregate principal amount of the notes then outstanding may, under certain circumstances, rescind and annul such acceleration. In the case of certain events of bankruptcy or insolvency, the principal amount of the notes then outstanding together with any accrued and unpaid cash interest (including contingent interest) through the occurrence of such event shall automatically become and be immediately due and payable.

We are required to provide the trustee, within 90 days after the end of each fiscal year (beginning with the fiscal year ended December 31, 2004), a certificate of one of our executive officers, certifying that to that person's knowledge we have complied with all our covenants and conditions under the indenture and whether such person knows of any events of default.

Subject to the trustee's duties in the case of an event of default, the trustee will not be obligated to exercise any of its rights or powers at the request of the holders, unless the holders have offered to the trustee reasonable indemnity. Subject to the indenture, applicable law and the trustee's indemnification, the holders of a majority in aggregate principal amount of the outstanding notes will have the right to direct the time, method and place of conducting any proceeding for any remedy available to the trustee or exercising any trust or power conferred on the trustee with respect to the notes.

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MERGERS AND SALES OF ASSETS

The note provides that we may not consolidate or merge with or into, or sell, assign, convey, transfer or lease our properties and assets substantially in their entirety (computed on a consolidated basis) to, another corporation, person or entity unless (1) either (a) in the case of a merger or consolidation, we are the surviving person or (b) the successor or transferee is a corporation organized under the laws of the United States, any state thereof or the District of Columbia and expressly assumes, by supplemental indenture, all of our obligations under the notes and the indenture, and (2) immediately after such transaction, no default or event of default shall exist.

This covenant includes a phrase relating to the sale, assignment, conveyance, transfer or lease of the properties and assets of the Company substantially as an entirety. There is no precise, established definition of this phrase under applicable law. Accordingly, there may be uncertainty as to whether a sale, assignment, conveyance, transfer or lease of less than all our properties and assets is subject to this covenant.

MODIFICATION AND WAIVER

We and the trustee may modify or amend the indenture or notes with the consent of the holders of not less than a majority in aggregate principal amount of the outstanding notes; provided, however, that no such modification or amendment may, without the written consent or the affirmative vote of the holder of each note affected thereby:

change the stated maturity of the principal of, or any premium due on, or any installment of interest, including contingent interest, if any, on or with respect to the notes;

reduce the principal amount of, repurchase price or redemption price of or interest or special interest on any note;

adversely affect the right of holders (1) to convert or (2) to require us to repurchase any of the notes;

alter the manner of calculation or rate of accrual of interest (including contingent interest) or special interest, redemption price or repurchase price on any note or extend the time or payment of any such amount;

impair the right to institute suit for the enforcement of any repurchase of, payment on or with respect to, or conversion of any note, including any payment on or after the stated maturity of the notes, in the case of redemption, on or after the redemption date or, in the case of repurchase at the option of any holder, on or after the repurchase date;

modify the optional redemption provisions in a manner that adversely affects the holders;

change the place of payment or the coin or currency in which the principal of or any premium or interest with respect to the notes is payable;

reduce the percentage in principal amount of the outstanding notes, the consent of whose holders is required in order to take specific actions including, but not limited to, the waiver of past defaults or the modification or amendment of the indenture; or

modify any of the above provisions.

We and the trustee may modify or amend the indenture and the notes without the consent of any holder in order to, among other things:

provide for our successor pursuant to a consolidation, merger or sale of assets;

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add to our covenants for the benefit of the holders of all or any of the notes or to surrender any right or power conferred upon us by the indenture;

provide for a successor trustee with respect to the notes;

cure any ambiguity or correct or supplement any provision in the indenture which may be defective or inconsistent with any other provision, or to make any other provisions with respect to matters or questions arising under the indenture which, in each case, will not adversely affect the interests of the holders of the notes;

add any additional events of default with respect to all or any of the notes;

secure the notes;

increase the conversion rate or reduce the conversion price, provided that the increase or reduction, as the case may be, is in accordance with the terms of the indenture and will not adversely affect the interests of the holders of the notes;

supplement any of the provisions of the indenture to such extent as shall be necessary to permit or facilitate the discharge of the notes, provided that such change or modification does not adversely affect the interests of the holders of the notes;

make any changes or modifications necessary in connection with the registration of the notes under the Securities Act as contemplated in the registration rights agreement; provided that such change or modification does not adversely affect the interests of the holder of the notes in any material respect; or

add or modify any other provisions with respect to matters or questions arising under the indenture which we and the trustee may deem necessary or desirable and which will not adversely affect the interests of the holders of notes.

The holders of not less than a majority in aggregate principal amount of the outstanding notes may, on behalf of the holders of all of the notes, waive any past default and its consequences under the indenture, except a default (1) in the payment of the principal of or any premium or interest (including contingent interest) on or with respect to the notes or the payment of the redemption price or repurchase price or (2) in respect of a covenant or provision that cannot be modified without the consent of the holder of each note affected thereby.

CALCULATIONS IN RESPECT OF THE NOTES

We or our agents are responsible for making all calculations called for under the notes. These calculations include, but are not limited to, determination of the market price of the notes and our common stock, and amounts of contingent interest payments, if any, on the notes, and the projected payment schedule. See Certain United States Federal Income Tax Considerations. We or our agents will make all these calculations in good faith and, absent manifest error, our and their calculations will be final and binding on holders of notes. We or our agents will provide a schedule of these calculations to the trustee, and the trustee is entitled to conclusively rely upon the accuracy of these calculations without independent verification.

THE TRUSTEE, PAYING AGENT, TRANSFER AGENT AND BID SOLICITATION AGENT

U.S. Bank National Association is the trustee under the indenture. The trustee and its affiliates also perform and may in the future perform certain banking and other services for us in the ordinary course of their business. The trustee will be the paying agent, conversion agent, transfer agent and bid solicitation agent for the notes.

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REGISTRATION RIGHTS

We and the initial purchasers entered into a registration rights agreement on the closing date. Pursuant to the registration rights agreement, we agreed to file with the SEC within 90 days of the date on which we issued the notes a shelf registration statement on Form S-1 or Form S-3, if the use of such form is then available, to cover resales of registrable securities by the holders thereof who satisfy certain conditions relating to the provision of information in connection with the shelf registration statement. We agreed to use our reasonable best efforts to cause the shelf registration statement to be declared effective by the SEC within 180 days of the date on which we issued the notes.

Notwithstanding the foregoing, we are permitted to prohibit offers and sales of registrable securities pursuant to the shelf registration statement under certain circumstances and subject to certain conditions (any period during which offers and sales are prohibited being referred to as a suspension period). Registrable securities means each note and any underlying share of common stock until the earlier of (x) the date on which such note or underlying share of common stock has been effectively registered under the Securities Act and disposed of in accordance with the shelf registration statement, (y) the date on which such note or underlying share of common stock is sold to the public pursuant to Rule 144 under the Securities Act or is salable pursuant to Rule 144(k) under the Securities Act and (z) the date on which such note or the common stock issuable upon conversion of such note ceases to be outstanding.

Holders of the registrable securities are required to deliver information to be used in connection with, and to be named as selling securityholders in, the shelf registration statement within the periods set forth in the registration rights agreement in order to have their registrable securities included in the shelf registration statement. If a holder fails to do so, the registrable securities held by such holder will not be entitled to be registered and such holder will not be entitled to receive any of the additional interest, or special interest, described in the following paragraph. There can be no assurance that we will be able to maintain an effective and current registration statement as required.

If:

the shelf registration statement is not filed with the SEC within 90 days of the date on which we issue the notes;

the shelf registration statement has not been declared effective by the SEC within 180 days of the date on which we issue the notes; or

the shelf registration statement is filed and declared effective but shall thereafter cease to be effective or usable in connection with resales of registrable securities during the periods specified in the registration rights agreement;

(each such event referred to in the bullets above being referred to as a registration default), we will pay special interest to each holder of registrable securities. The amount of special interest payable during the first 90 consecutive day period during which a registration default shall have occurred and be continuing is an amount equal to an increase in the annual interest on the notes of 0.25%. The amount of special interest payable with respect to each subsequent 90 consecutive day period is an additional amount equal to an increase in the annual interest rate on the notes of 0.25% until all such registration default have been cured, up to a maximum increase in the annual rate of interest on the notes equal to 1.0%.

We will pay special interest in cash on February 15 and August 15 of each year to the holder of the global notes by wire transfer of immediately available funds or by federal funds check and to holders of certificated notes, if any, by wire transfer to the accounts specified by them (to the extent permitted under the indenture) or by mailing checks to their registered addresses if no such accounts have been specified by them.

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Following the cure of all registration defaults, special interest will cease to accrue with respect to such registration default.

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We will use our reasonable best efforts to cause the shelf registration statement to be effective until the earliest of:

the date when all of the registrable securities covered by the shelf registration have been sold pursuant to the shelf registration;

the date on which all registrable securities held by non-affiliates are eligible to be sold in the absence of any registration;

the date on which there cease to be outstanding any registrable securities; or

two years from the date of original issuance of the notes.

The foregoing summary of certain provisions of the registration rights agreement does not purport to be complete and is subject to, and is qualified in its entirety by reference to, the provisions of the registration rights agreement. A copy of the registration rights agreement is filed with the SEC as an exhibit to the registration statement of which this prospectus is a part.

FORM, DENOMINATION AND REGISTRATION OF NOTES

The notes have been issued in registered form, without interest coupons, in denominations of \$1,000 and multiples thereof, in the form of both global securities and, in certain limited circumstances, certificated securities, as further provided below. See Book-Entry Delivery and Settlement for more information.

No service charge will be imposed in connection with any transfer or exchange of any note, but we may in general require payment of a sum sufficient to cover any transfer tax or similar governmental charge payable in connection therewith.

BOOK-ENTRY DELIVERY AND SETTLEMENT

We issued the notes in the form of one or more permanent global notes in definitive, fully registered, book-entry form. The global notes were deposited with or on behalf of DTC and registered in the name of Cede & Co., as nominee of DTC.

DTC has advised us as follows:

DTC is a limited-purpose trust company organized under the New York Banking Law, a banking organization within the meaning of the New York Banking Law, a member of the Federal Reserve System, a clearing corporation within the meaning of the New York Uniform Commercial Code and a clearing agency registered under Section 17A of the Securities Exchange Act of 1934.

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DTC holds securities that its participants deposit with DTC and facilitates the settlement among participants of securities transactions, such as transfers and pledges, in deposited securities, through electronic computerized book-entry changes in participants' accounts, thereby eliminating the need for physical movement of securities certificates.

Direct participants include securities brokers and dealers, trust companies, clearing corporations and other organizations.

DTC is owned by a number of its direct participants and by the New York Stock Exchange, Inc., the American Stock Exchange LLC and the National Association of Securities Dealers, Inc.

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Access to the DTC system is also available to others, such as securities brokers and dealers, banks and trust companies that clear through or maintain a custodial relationship with a direct participant, either directly or indirectly.

The rules applicable to DTC and its participants are on file with the SEC.

We have provided the following descriptions of the operations and procedures of DTC solely as a matter of convenience. These operations and procedures are solely within the control of DTC and are subject to change by them from time to time. None of Invitrogen, the initial purchasers or the trustee takes any responsibility for these operations or procedures, and you are urged to contact DTC or its participants directly to discuss these matters.

We expect that under procedures established by DTC:

Upon deposit of the global notes with DTC or its custodian, DTC credited on its internal system the accounts of direct participants designated by the initial purchasers with portions of the principal amounts of the global notes.

Ownership of the notes will be shown on, and the transfer of ownership thereof will be effected only through, records maintained by DTC or its nominee, with respect to interests of direct participants, and the records of direct and indirect participants, with respect to interests of persons other than participants.

The laws of some jurisdictions require that purchasers of securities take physical delivery of those securities in definitive form. Accordingly, the ability to transfer interests in the notes represented by a global note to those persons may be limited. In addition, because DTC can act only on behalf of its participants, who in turn act on behalf of persons who hold interests through participants, the ability of a person having an interest in notes represented by a global note to pledge or transfer those interests to persons or entities that do not participate in DTC's system, or otherwise to take actions in respect of such interest, may be affected by the lack of a physical definitive security in respect of such interest.

So long as DTC or its nominee is the registered owner of a global note, DTC or that nominee will be considered the sole owner or holder of the notes represented by that global note for all purposes under the indenture and under the notes. Except as provided below, owners of beneficial interests in a global note will not be entitled to have notes represented by that global note registered in their names, will not receive or be entitled to receive physical delivery of certificated notes and will not be considered the owners or holders thereof under the indenture or under the notes for any purpose, including with respect to the giving of any direction, instruction or approval to the trustee. Accordingly, each holder owning a beneficial interest in a global note must rely on the procedures of DTC and, if that holder is not a direct or indirect participant, on the procedures of the participant through which that holder owns its interest, to exercise any rights of a holder of notes under the indenture or the global notes.

Notes represented by a global security will be exchangeable for registered certificated securities with the same terms only if: (1) DTC is unwilling or unable to continue as depository or if DTC ceases to be a clearing agency registered under the Exchange Act and a successor depository is not appointed by us within 90 days; (2) we decide to discontinue use of the system of book-entry transfer through DTC (or any successor depository); or (3) a default under the indenture occurs and is continuing.

Neither Invitrogen nor the trustee will have any responsibility or liability for any aspect of the records relating to or payments made on account of notes by DTC, or for maintaining, supervising or reviewing any records of DTC relating to the notes.

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DTC has advised us that it will take any action permitted to be taken by a holder of notes only at the direction of one or more participants to whose account the DTC interests in the global security is credited and only in respect of such portion of the aggregate principal amount of notes as to which such participant or participants has or have given such direction.

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Payments on the notes represented by the global notes will be made to DTC or its nominee, as the case may be, as the registered owner thereof. We expect that DTC or its nominee, upon receipt of any payment on the notes represented by a global note, will credit participants' accounts with payments in amounts proportionate to their respective beneficial interests in the global note as shown in the records of DTC or its nominee. We also expect that payments by participants to owners of beneficial interests in the global note held through such participants will be governed by standing instructions and customary practice as is now the case with securities held for the accounts of customers registered in the names of nominees for such customers. The participants will be responsible for those payments.

Payments on the notes represented by the global note will be made in immediately available funds. Transfers between participants in DTC will be effected in accordance with DTC rules and will be settled in immediately available funds.

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DESCRIPTION OF CAPITAL STOCK

We are authorized to issue up to 125,000,000 shares of common stock, par value \$0.01 per share, and 6,405,884 shares of preferred stock, par value \$0.01 per share.

In this section of the prospectus entitled Description of the Capital Stock, when we refer to Invitrogen, we, our, or us, we are referring to Invitrogen Corporation and not any of its subsidiaries.

COMMON STOCK

As of May 14, 2004, 52,442,215 shares of Invitrogen common stock were outstanding. In addition, as of April 20, 2004 12,398,736 shares of Invitrogen common stock were reserved and available for issuance pursuant to Invitrogen's employee benefit plans. In addition, on April 29, 2004 our stockholders approved the addition of approximately 6.2 million shares of our common stock to our employee benefit plans.

The holders of Invitrogen common stock are entitled to receive ratably, from funds legally available for the payment thereof, dividends when and as declared by resolution of the Board of Directors, subject to any preferential dividend rights which may be granted to holders of any preferred stock authorized and issued by the Board of Directors. Traditionally, Invitrogen has not declared and paid dividends. In the event of liquidation, each share of Invitrogen common stock is entitled to share pro rata in any distribution of Invitrogen's assets after payment or providing for the payment of liabilities and any liquidation preference of any preferred stock authorized and issued by the Board of Directors. Each holder of Invitrogen common stock is entitled to one vote for each share of Invitrogen common stock held of record on the applicable record date on all matters submitted to a vote of shareholders, including the election of directors. Our Board of Directors is divided into three classes of three directors each. Directors serve in staggered terms of three years and until their successors are duly elected and qualified, with the members of only one class standing for election in any one year.

Holders of Invitrogen common stock have no cumulative voting rights or preemptive rights to purchase or subscribe for any stock or other securities, and there are no conversion rights or redemption rights or sinking fund provisions with respect to Invitrogen common stock. All outstanding shares of Invitrogen common stock are duly authorized, validly issued, fully paid and nonassessable.

PREFERRED STOCK

Our certificate of incorporation authorizes our Board of Directors to issue up to 6,405,884 shares of preferred stock without any vote or action by our stockholders. Our Board of Directors may issue preferred stock in one or more series and determine the dividend rights, conversion rights, voting rights, redemption rights, liquidation preferences, sinking fund terms and the designation of, and the number of shares constituting each series. The preferred stock that can be authorized by our Board of Directors could have preference over our common stock with respect to dividends and other distributions and upon our liquidation. In addition, the voting power of our outstanding common stock may become diluted in the event that the Board of Directors issues preferred stock with voting rights.

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In connection with our Rights Agreement, described below, our Board of Directors has designated and reserved for issuance 1,000,000 shares of preferred stock, par value \$0.01 per share. We may issue these shares of preferred stock under certain circumstances if, as discussed below, the rights distributed to our stockholders pursuant to the Rights Agreement become exercisable. We have no present plans to issue, or reserve for issuance, any other series of preferred stock.

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ANTI-TAKEOVER EFFECTS OF PROVISIONS OF OUR CERTIFICATE OF INCORPORATION, BY-LAWS, RIGHTS AGREEMENT AND DELAWARE LAW

Certificate of incorporation and by-laws

Our certificate of incorporation provides that our Board of Directors may issue, without stockholder action, up to 6,405,884 shares of preferred stock with voting or other rights. As described above, our Board of Directors has designated 1,000,000 shares of preferred stock as Series B Preferred Stock in connection with a Rights Agreement adopted in February 2001. Our certificate of incorporation also provides that our stockholders do not have cumulative voting rights, and stockholders representing a majority of the shares of common stock outstanding are able to elect all of the directors. Our by-laws provide that only our President, our Board of Directors and the Chairman of our Board of Directors may call a special meeting of stockholders.

These and other provisions may have the effect of deterring hostile takeovers or delaying changes in control or of our management. These provisions are intended to enhance the likelihood of continued stability in the composition of the Board of Directors and in the policies furnished by the Board of Directors and to discourage certain types of transactions that may involve an actual or threatened change of control. These provisions are designed to reduce our vulnerability to an unsolicited acquisition proposal. The provisions also are intended to discourage certain tactics that may be used in proxy fights. However, such provisions could have the effect of discouraging others from making tender offers for our shares and, as a consequence, they also may inhibit fluctuations in the market price of our shares that could result from actual or rumored takeover attempts.

Rights agreement

We adopted a Rights Agreement in February 2001. In connection with the Rights Agreement, our Board of Directors declared and paid a dividend of one preferred share purchase right for each share of our common stock outstanding on March 30, 2001. Each right entitles the holder, under certain circumstances, to purchase from us one one-hundredth of a share of our Series B Participating Preferred Stock, par value \$0.01 per share, at a price of \$250 per one one-hundredth of a share of Series B Preferred Stock, subject to adjustment.

Initially, the rights are attached to outstanding certificates representing our common stock, and no separate certificates representing the rights are distributed. The rights will separate from our common stock, be represented by separate certificates and will become exercisable upon the earlier of:

ten days following a public announcement or disclosure that a person or group has acquired beneficial ownership of 15% or more of our outstanding common stock; or

ten business days after someone announces they intend to commence a tender offer or exchange offer for 15% or more of our outstanding common stock.

If the rights become exercisable, each right (other than rights held by an acquiring party) will entitle the holder to purchase, at a price equal to the exercise price of the right, a number of shares of our common stock having a then-current value of twice the exercise price of the right. If, after the rights become exercisable, we agree to merge into another entity or we sell more than 50% of our assets, each right (other than rights

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held by an acquiring party) will entitle the holder to purchase, at a price equal to the exercise price of the right, a number of shares of common stock of such entity having a then-current value of twice the exercise price.

We may exchange the rights at a ratio of one share of common stock for each right (other than rights held by an acquiring party) at any time after a person or group acquires 15% or more of our common stock but before such person acquires 50% or more of our common stock. We may also redeem the rights at our option at a price of \$0.001 per right at any time before a person or group has acquired 15% or more of our common stock. Unless our Board of Directors extends the expiration date, the rights expire on the earliest of March 30, 2011, an exchange or redemption of the rights as described above, or the consummation of a merger as described above.

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The Rights Agreement approved by the Board of Directors is designed to protect and maximize the value of our outstanding equity interests in the event of an unsolicited attempt to acquire us in a manner or on terms not approved by the Board of Directors and that prevent our stockholders from realizing the full value of their shares of our common stock. However, the rights may have the effect of rendering more difficult or discouraging an acquisition of us that is deemed undesirable by our Board of Directors. The rights may cause substantial dilution to a person or group that attempts to acquire us on terms or in a manner not approved by our Board of Directors, except pursuant to an offer conditioned upon the negotiation, purchase or redemption of the rights.

Delaware law

We are subject to Section 203 of the Delaware General Corporation Law, which, subject to certain exceptions, prohibits a Delaware corporation from engaging in any business combination with an interested stockholder for a period of three years following the date that such stockholder became an interested stockholder, unless:

the Board of Directors of the corporation approves either the business combination or the transaction that resulted in the stockholder becoming an interested stockholder, prior to the date the interested stockholder attained that status;

upon consummation of the transaction that resulted in the stockholder becoming an interested stockholder, the interested stockholder owned at least 85% of the voting stock of the corporation outstanding at the time the transaction commenced, excluding for purposes of determining the number of shares outstanding those shares owned (i) by persons who are directors and also officers and (ii) by employee stock plans in which employee participants do not have the right to determine confidentially whether shares held subject to the plan will be tendered in a tender or exchange offer; or

at or subsequent to such time, the business combination is approved by the Board of Directors and authorized at an annual or special meeting of stockholders, and not by written consent, by the affirmative vote of at least two-thirds of the outstanding voting stock that is not owned by the interested stockholder.

In general, Section 203 defines a business combination to include:

any merger or consolidation involving the corporation and the interested stockholder;

any sale, transfer, pledge or other disposition of 10% or more of the assets of the corporation involving the interested stockholder;

subject to certain exceptions, any transaction that results in the issuance or transfer by the corporation of any stock of the corporation to the interested stockholder;

any transaction involving the corporation that has the effect of increasing the proportionate share of the stock or any class or series of the corporation beneficially owned by the interested stockholder; or

the receipt by the interested stockholder of the benefit of any loans, advances, guarantees, pledges or other financial benefits provided by or through the corporation.

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In general, Section 203 defines an interested stockholder as an entity or person beneficially owning 15% or more of the outstanding voting stock of the corporation and any entity or person affiliated with or controlling or controlled by such entity or person.

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CERTAIN UNITED STATES FEDERAL INCOME TAX CONSIDERATIONS

The following is a general discussion of certain United States federal income tax considerations relevant to holders of the notes and common stock into which the notes may be converted. This discussion is based upon the Internal Revenue Code of 1986, as amended (the Code), Treasury Regulations promulgated thereunder, Internal Revenue Service (IRS) rulings and judicial decisions now in effect, all of which are subject to change (possibly with retroactive effect) or different interpretations. There can be no assurance that the IRS will not challenge one or more of the tax consequences described herein, and we have not obtained, nor do we intend to obtain, a ruling from the IRS with respect to the United States federal income tax consequences of acquiring, holding or disposing of the notes or common stock.

This discussion does not purport to deal with all aspects of United States federal income taxation that may be relevant to a particular holder in light of the holder's circumstances (for example, persons subject to the alternative minimum tax provisions of the Code or a holder whose functional currency is not the United States dollar). Also, it is not intended to be wholly applicable to all categories of investors, some of which may be subject to special rules (such as dealers in securities or currencies, traders in securities that elect to use a mark-to-market method of accounting, banks, thrifts, regulated investment companies, insurance companies, tax-exempt organizations, and persons holding the notes or common stock as part of a hedging or conversion transaction or straddle or persons deemed to sell the notes or common stock under the constructive sale provisions of the Code). The discussion also does not discuss any aspect of state, local or foreign law, or United States federal estate and gift tax law as applicable to the holders of the notes and common stock into which the note may be converted. In addition, this discussion is limited to initial purchasers of notes who acquire the notes at their original issue price within the meaning of Section 1273 of the Code, and who will hold the notes and common stock as capital assets within the meaning of Section 1221 of the Code. This summary also assumes that the IRS will respect the classification of the notes as indebtedness for United States federal income tax purposes.

THIS DISCUSSION OF CERTAIN UNITED STATES FEDERAL INCOME TAX CONSEQUENCES IS FOR GENERAL INFORMATION ONLY AND IS NOT TAX ADVICE. ACCORDINGLY, EACH INVESTOR SHOULD CONSULT ITS OWN TAX ADVISER AS TO PARTICULAR TAX CONSEQUENCES TO IT OF PURCHASING, HOLDING AND DISPOSING OF THE NOTES AND THE COMMON STOCK, INCLUDING THE APPLICABILITY AND EFFECT OF ANY STATE, LOCAL OR FOREIGN TAX LAWS, AND OF ANY PROPOSED CHANGES IN APPLICABLE LAWS.

CLASSIFICATION OF THE NOTES

As stated below, we assume that the notes will be treated as indebtedness for United States federal income tax purposes that is subject to the special Treasury Regulations governing contingent payment debt instruments (which we refer to as the CPDI regulations). Under the indenture governing the notes, we agree, and by acceptance of a beneficial interest in a note each holder of a note will be deemed to have agreed, to treat the notes as indebtedness for United States federal income tax purposes that is subject to the CPDI regulations. Pursuant to the terms of the indenture, we and every holder agree (in the absence of an administrative determination or judicial ruling to the contrary) to be bound by our application of the CPDI regulations to the notes, including our determination of the projected payment schedule (as described below) and the rate at which interest will be deemed to accrue on the notes for United States federal income tax purposes. The IRS has issued both Revenue Ruling 2002-31 and Notice 2002-36, addressing the United States federal income tax classification and treatment of instruments similar, although not identical, to the notes, and concluded that the instruments addressed in that published guidance were subject to the CPDI regulations. In addition, the IRS also clarified various aspects of the potential applicability of certain other provisions of the Code to the instruments addressed in that published guidance. However, the applicability of Revenue Ruling 2002-31 to any particular instruments, such as the notes, is uncertain. In addition, as indicated above, no rulings have been sought or are expected to be sought from the IRS with respect to any of the United States federal income tax consequences discussed below, and no assurance can be given that the IRS will not take contrary positions. As a result, no assurance can be given that the IRS will

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agree with the tax characterizations and the tax consequences described below. A different treatment of the notes for United States federal income tax purposes could significantly alter the amount, timing, character and treatment of income, gain or loss recognized in respect of the notes from that which is described below. Accordingly, all prospective purchasers of the notes are advised to consult their own tax advisors regarding the federal, state, local and foreign tax consequences of the purchase, ownership and disposition of the notes and the common stock as to their particular situations.

The remainder of this discussion assumes that the notes will be treated as indebtedness subject to the CPDI regulations as described below.

TAX CONSEQUENCES TO U.S. HOLDERS

As used herein, the term "U.S. Holder" means a beneficial owner of a note or common stock that for United States federal income tax purposes is (i) an individual citizen or resident (as defined in Section 7701(b) of the Code) of the United States (unless such person is not treated as a resident of the United States under an applicable income tax treaty), (ii) a corporation or any other entity treated as a corporation for United States federal income tax purposes or a partnership or other entity treated as a partnership for United States federal income tax purposes, created or organized under the United States or under the laws of the United States or any political subdivision thereof, (iii) an estate the income of which is subject to United States federal income taxation regardless of its source or (iv) a trust that (1) is subject to the primary supervision of a court within the United States and the control of one or more United States persons as described in Section 7701 (a)(30) of the Code or (2) has a valid election in effect under applicable Treasury Regulations to be treated as a United States person. A "Non-U.S. Holder" is any beneficial owner of a note or common stock other than a U.S. Holder.

If a partnership (including for this purpose any entity, domestic or foreign, treated as a partnership for United States tax purposes) is a beneficial owner of the notes or common stock into which the notes may be converted, the United States tax treatment of a partner in the partnership will generally depend on the status of the partner and the activities of the partnership. As a general matter, income earned through a foreign or domestic partnership is attributed to its owners. A holder of the notes or common stock into which the notes may be converted that is a partnership and partners in such partnership should consult their individual tax advisors about the United States federal income tax consequences of holding and disposing of the notes and the common stock into which the notes may be converted.

Accrual of interest on the notes (interest income)

Pursuant to the CPDI regulations, you will be required to accrue interest income on the notes at the comparable yield, as described below, regardless of your usual method of tax accounting. Accordingly, you will be required to include interest in taxable income in each year in excess of the accruals on the notes for non-tax purposes and in excess of any interest payments actually received in each year. Additionally, as discussed below, the CPDI regulations generally result in ordinary rather than capital treatment of any gain, and to some extent loss, on the sale, exchange, conversion, or redemption of the notes.

The CPDI regulations provide that you must accrue an amount of ordinary interest income, as original issue discount for United States federal income tax purposes, for each accrual period before and including the maturity date of the notes that equals:

the product of

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the adjusted issue price (as defined below) of the notes as of the beginning of the accrual period; and

the comparable yield to maturity (as defined below) of the notes, adjusted for the length of the accrual period;

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divided by the number of days in the accrual period; and

multiplied by the number of days during the accrual period that you held the notes.

A note's issue price is the first price at which a substantial amount of the notes is sold to the public, excluding sales to bond houses, brokers or similar persons or organizations acting in the capacity of underwriters, placement agents or wholesalers. The adjusted issue price of a note is its issue price increased by any original issue discount previously accrued (determined without regard to any adjustments to original issue discount accruals described below) with respect to the notes, and decreased by the amount of any noncontingent payments and the projected amount of any contingent payments previously made on the notes.

We intend to treat the term "comparable yield" as the annual yield we would pay, as of the initial issue date, on a fixed-rate, non-convertible debt security with no contingent payments, but with terms and conditions otherwise comparable to those of the notes. We have determined the comparable yield for the notes is 6.375%, compounded semiannually, which is higher than the stated rate of interest on the notes. The precise manner of calculating the comparable yield is not absolutely clear. If the comparable yield were successfully challenged by the IRS, the redetermined yield could be materially greater or less than the comparable yield provided by us. Moreover, the projected payment schedule (as defined below) could differ materially from the projected payment schedule provided by us.

The CPDI regulations require that we provide to you, solely for United States federal income tax purposes, a schedule of the projected amounts of payments, which we refer to as the projected payment schedule, on the notes. This schedule must produce the comparable yield. The projected payment schedule includes an estimate for payments of contingent interest and a payment at maturity taking into account the conversion feature. The comparable yield is set forth in the indenture governing the notes.

For United States federal income tax purposes, you must use the comparable yield and the schedule of projected payments in determining the interest accruals, and the adjustments thereto described below, in respect of the notes, unless you timely disclose and justify the use of other estimates to the IRS. If you determine your own comparable yield or schedule of projected payments, you must also establish that our comparable yield or schedule of projected payments is unreasonable.

The comparable yield and the schedule of projected payments are not determined for any purpose other than for the determination of your original issue discount and adjustments thereof in respect of the notes for United States federal income tax purposes and do not constitute a projection or representation regarding the actual amounts payable on the notes.

Amounts treated as interest under the CPDI regulations are treated as original issue discount for all purposes of the Code.

Adjustments to interest accruals on the notes

If, during any taxable year, you receive actual payments with respect to the notes for that taxable year that in the aggregate exceed the total amount of projected payments for that taxable year, you will incur a "net positive adjustment" under the CPDI regulations equal to the amount of that excess. You will treat a "net positive adjustment" as additional original issue discount for the taxable year. For this purpose, the payments in a taxable year include the fair market value of property received in that year.

If, during any taxable year, you receive actual payments with respect to the notes for that taxable year that in the aggregate were less than the amount of projected payments for that taxable year, you will incur a net negative adjustment under the CPDI regulations equal to the amount of that deficit. This adjustment will be treated as follows:

first, a negative adjustment will reduce the amount of original issue discount required to be accrued on the notes for that taxable year;

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second, any negative adjustments that exceed the amount of original issue discount accrued in that taxable year will be treated as ordinary loss to the extent of your prior original issue discount inclusions with respect to the notes, reduced to the extent such prior original issue discount was offset by prior negative adjustments; and

third, any excess negative adjustments will be treated as a regular negative adjustment in the succeeding taxable year.

Sale, exchange, conversion, repurchase or redemption of the notes

Upon the sale, exchange, conversion, repurchase, or redemption of a note, you will recognize gain or loss equal to the difference between your amount realized and your adjusted tax basis in the note.

Pursuant to the terms of the notes, you agree that under the CPDI regulations, the amount realized will include the fair market value of our common stock that you receive on the conversion as a contingent payment. Such gain on a note generally will be treated as interest income. Loss from the disposition of a note will be treated as ordinary loss to the extent of your prior net original issue discount inclusions with respect to the notes. Any loss in excess of that amount will be treated as a capital loss, which will be long-term if the notes were held for more than one year. The deductibility of capital losses is subject to limitations.

Special rules apply in determining the tax basis of a note. Your adjusted tax basis in a note is generally equal to your original purchase price for the note, increased by original issue discount (determined without regard to any adjustments to interest accruals described above) you previously accrued on the note, and reduced by the amount of any noncontingent payment and the projected amount of any contingent payments previously scheduled to be made on the note.

Your tax basis in our common stock received upon a conversion of a note will equal the then current fair market value of that common stock. Your holding period for the common stock received will commence on the day immediately following the date of conversion.

Constructive dividends on the notes

The conversion rate of the notes is subject to adjustment under certain circumstances. Section 305 of the Code and the Treasury Regulations promulgated thereunder may treat the holders of the notes as having received a constructive distribution, resulting in ordinary income (subject to a possible dividends received deduction in the case of corporate holders) to the extent of our current and/or accumulated earnings and profits, if, and to the extent that certain adjustments in the conversion price, increase the proportionate interest of a holder of notes in the fully diluted common stock, whether or not such holder ever exercises its conversion privilege. If such adjustments are made, you may recognize income in the event of a constructive distribution even though you may not receive any cash or property. In certain circumstances, the failure to provide for such an adjustment may also result in a constructive distribution to you.

Generally, a reasonable increase in the conversion rate in the event of stock dividends or distributions of rights to subscribe for our common stock will not be deemed to result in a constructive dividend.

Special interest

We may be required to pay additional interest, or special interest, to holders of the notes in certain circumstances, as described above under Description of the Notes Registration Rights. We intend to take the position that the likelihood of paying such additional interest is remote and that such additional interest, if paid, would be taxable to you as additional ordinary income at the time it accrues or is received in accordance with your method of accounting for United States federal income tax purposes. Our position that the possibility of a

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payment of such additional interest is a remote contingency is binding on you unless you explicitly disclose that you are taking a different position to the IRS on your tax return for the year during which you acquire the note. The IRS may take a different position, however, which could affect the timing of both your income from the notes and our deduction with respect to the payment of such additional interest.

Dividends

If you convert your note into our common stock, then distributions, if any, paid on our common stock to the extent made from our current and/or accumulated earnings and profits, as determined under United States federal income tax principles, will be included in your income as ordinary income as they are paid (subject to a possible dividends received deduction in the case of corporate holders and a tax rate of 15% for individuals through 2008). Distributions in excess of our current and accumulated earnings and profits will be treated as a return on capital to the extent of your adjusted tax basis in the common stock, and thereafter as capital gain from the sale or exchange of such common stock.

Sale, exchange or redemption of common stock

If you convert your notes into our common stock, then upon the sale, exchange, or redemption of our common stock, you generally will recognize capital gain or loss equal to the difference between the amount realized on such sale or exchange and your adjusted tax basis in such common stock. Such gain or loss will generally be long-term capital gain or loss if the holder has held or is deemed to have held the common stock for more than 12 months. Your adjusted tax basis and holding period in common stock received upon conversion of a note are determined as discussed above under Sale, exchange, conversion or redemption of the notes. The deductibility of capital losses is subject to certain limitations.

Information reporting and backup withholding

You may be subject to backup withholding at a rate currently of 28% with respect to certain reportable payments, including interest payments (including original issue discount), dividend payments, proceeds from the disposition of the notes or common stock to or through a broker and, under certain circumstances, principal payments on the notes. These backup withholding rules apply if you, among other things, (i) fail to furnish a social security number or other taxpayer identification number (TIN) certified under penalties of perjury within a reasonable time after the request therefor, (ii) fail to report properly interest or dividends, (iii) under certain circumstances, fail to provide a certified statement, signed under penalties of perjury, that the TIN furnished is the correct number and that you are not subject to backup withholding or if (iv) the IRS provides notification that you have furnished us with an incorrect TIN. Any amount withheld from a payment to you under the backup withholding rules is creditable against your federal income tax liability, provided that the required information is furnished to the IRS. Backup withholding will not apply, however, with respect to payments made to certain holders, including corporations, tax-exempt organizations and certain foreign persons, provided their exemptions from backup withholding are properly established.

We will report to you and to the IRS the amount of our reportable payments for each calendar year and the amount of tax withheld, if any, with respect to such payments.

TAX CONSEQUENCES TO NON-U.S. HOLDERS

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The following discussion is limited to the United States federal income tax consequences relevant to a Non-U.S. Holder (as defined above).

Interest

You will not be subject to the 30% United States federal withholding tax with respect to (i) any payment to you of contingent interest, (ii) any payment to you on the notes of stated interest and (iii) the amount of any cash

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and the fair market value of shares delivered to you by us upon the conversion, redemption or retirement of a note, provided that:

you do not own, actually or constructively, 10% or more of the total combined voting power of all classes of our stock entitled to vote within the meaning of Section 871(h)(3) of the Code;

you are not a controlled foreign corporation with respect to which we are, directly or indirectly, a related person ;

you are not a bank whose receipt of interest (including original issue discount) on a note is described in Section 881(c)(3)(A) of the Code;

to the extent that the payments reflect contingent interest described in Section 871(h)(4)(A)(i) of the Code, our notes and common stock are actively traded within the meaning of Section 871(h)(4)(C)(v)(I) of the Code and we are not a United States real property holding corporation ; and

you provide your name and address, and certify, under penalties of perjury, that you are not a United States person, as defined under the Code (which certification may be made on an IRS Form W-8BEN (or successor form)), or that you hold your notes through certain intermediaries, and you and the intermediaries satisfy the certification requirements of applicable Treasury Regulations.

Special certification rules apply to Non-U.S. Holders that are pass-through entities rather than corporations or individuals. Prospective investors should consult their tax advisors regarding the certification requirements for Non-U.S. Holders.

If you cannot satisfy the requirements described above, you will be subject to the 30% United States federal withholding tax with respect to payments of interest on the notes, unless you provide us with a properly executed (1) IRS Form W-8BEN (or successor form) claiming an exemption from or reduction in withholding under the benefit of an applicable United States income tax treaty or (2) IRS Form W-8ECI (or successor form) stating that interest paid on the note is not subject to withholding tax because it is effectively connected with the conduct of a United States trade or business.

If you are engaged in a trade or business in the United States and interest on a note is effectively connected with your conduct of that trade or business, you will be subject to United States federal income tax on that interest on a net income basis (although you will be exempt from the 30% withholding tax, provided the certification requirements described above are satisfied) in the same manner as if you were a United States person as defined under the Code. In addition, if you are a foreign corporation, you may be subject to a branch profits tax equal to 30% (or lower rate as may be prescribed under an applicable United States income tax treaty) of your earnings and profits for the taxable year, subject to adjustments, that are effectively connected with your conduct of a trade or business in the United States. For this purpose, interest (including original issue discount) will be included in your earnings and profits.

Sales, exchange or redemption of notes or common stock

Except as described below and subject to the discussion concerning backup withholding, any gain realized by you on the sale, exchange, redemption or other taxable disposition of a note will generally be treated as interest income under the rules described above under Tax Consequences to U.S. Holders and would generally be taxable as described above under Interest, and any gain realized by you on the sale, exchange, redemption or other taxable disposition of our common stock generally will not be subject to United States federal income tax, unless

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(i) such gain is effectively connected with a United States trade or business, (ii) subject to certain exceptions, you are an individual who holds the note or common stock as a capital asset and is present in the United States for 183 days or more in the taxable year of the disposition, (iii) you are subject to tax pursuant to the provisions of United States tax law applicable to certain United States expatriates (including certain former

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citizens or residents of the United States), or (iv) we are or have been a United States real property holding corporation within the meaning of Section 897 of the Code at any time during the shorter of the five-year period ending on the date of disposition or the period that you held our common stock. We do not believe that we are currently a United States real property holding corporation within the meaning of Section 897 of the Code, or that we will become one in the future.

Dividends

In general, dividends, if any, paid to you or deemed paid to you (see Tax Consequences to U.S. Holders constructive dividends on the notes) will be subject to withholding of United States federal income tax at a 30% rate unless such rate is reduced by an applicable income tax treaty. Dividends that are effectively connected to a United States trade or business are generally subject to United States federal income tax at regular income tax rates, but are not generally subject to the 30% withholding tax or treaty-reduced rate if you file the appropriate form with the payor, as discussed above. Any such effectively connected dividends received by a Non-U.S. Holder that is a corporation may also, under certain circumstances, be subject to an additional branch profits tax at a 30% rate or such lower rate as may be applicable under an income tax treaty. If you wish to claim the benefit of an applicable treaty rate you will be required to satisfy applicable certification and other requirements. If you are eligible for a reduced rate of United States withholding tax pursuant to an income treaty, you may obtain a refund of amounts withheld at a higher rate by timely filing an appropriate claim for a refund with the IRS.

Information reporting and backup withholding

Generally, we must report annually to the IRS and to you any interest (including original issue discount) or dividend that is subject to withholding, or that is exempt from United States withholding tax pursuant to a tax treaty. Copies of these information returns may also be made available under the provisions of a specific treaty or agreement to the tax authorities of the country in which you reside. Under certain circumstances, we will have to report to the IRS payments of principal.

Generally, information reporting and backup withholding of United States federal income tax at a current rate of 28% may apply to payments made by us or any agent of ours to you if you fail to make the appropriate certification that you are a non-United States person or if we or our paying agent has actual knowledge that you are a United States person.

The payment of the proceeds from the disposition of the notes or common stock to or through the United States office of any broker, United States or foreign, will be subject to information reporting and possible backup withholding unless you certify as to your Non-U.S. Holder status under penalty of perjury or otherwise establish an exemption, provided that the broker does not have actual knowledge that the holder is a United States person or that the conditions of any other exemption are not, in fact, satisfied. The payment of the proceeds from the disposition of a note or common stock to or through a non-United States office of a non-United States broker that is not a United States related person will generally not be subject to backup withholding. However, if such broker is (i) a United States person, (ii) a controlled foreign corporation for United States tax purposes, (iii) a foreign person 50% or more of whose gross income from all sources for certain periods is effectively connected with a United States trade or business or (iv) a foreign partnership, if at any time during its tax year, one or more of its partners are United States persons (as defined in United States Treasury Regulations) who in the aggregate hold more than 50% of the income or capital interest in the partnership or if, at any time during its tax year, such foreign partnership is engaged in a United States trade or business, such payments will be subject to information reporting, but not backup withholding, unless such broker has documentary evidence in its files of the Non-U.S. Holder's foreign status and certain other conditions are met or you otherwise establish an exemption. Both backup withholding and information reporting will apply to the proceeds of such dispositions if the broker has actual knowledge that the payee is a U.S. Holder.

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Any amounts withheld under the backup withholding rules from a payment to you will be allowed as a refund or a credit against your United States federal income tax liability, provided that the requisite procedures are followed.

Table of Contents**SELLING SECURITYHOLDERS**

The notes offered hereby were issued by us and sold by the initial purchasers in a transaction exempt from the registration requirements of the Securities Act to persons reasonably believed by the initial purchasers to be qualified institutional buyers (as defined in Rule 144A under the Securities Act). The selling security holders (including the initial purchasers transferees, pledgees, donees or their successors) may from time to time offer and sell pursuant to this prospectus any or all of the notes and common stock issued upon conversion of the notes.

The following table sets forth information, as of May 17, 2004, with respect to the selling security holders and the respective principal amounts of notes beneficially owned by each selling security holder that may be offered pursuant to this prospectus. Such information has been obtained from the selling security holders. None of the selling security holders has, or within the past three years has had, any position, office or other material relationship with us or any of our predecessors or affiliates. Because the selling security holders may offer all or some portion of the notes or the common stock issuable upon conversion of the notes pursuant to this prospectus, no estimate can be given as to the amount of the notes or the common stock issuable upon conversion of the notes that will be held by the selling security holders upon termination of any such sales. In addition, the selling security holders identified below may have sold, transferred or otherwise disposed of all or a portion of their notes since the date on which they provided the information regarding their notes in transactions exempt from the registration requirements of the Securities Act.

Selling Security Holder (1)	Principal Amount of Notes	Number of Shares of Common Stock		
	Beneficially Owned and Offered Hereby (1)	Beneficially Owned (1)(2)	Offered Hereby	Owned After the Offering
Allstate Insurance Company	2,750,000	38,568	26,954	11,614
American Skandia Trust	1,500,000	14,702	14,702	0
Arbitex Master Fund L.P.	5,500,000	127,775	53,908	73,867
Argent Classic Convertible Arbitrage Fund (Bermuda) Ltd.	12,150,000	119,088	119,088	0
Argent Classic Convertible Arbitrage Fund L.P.	3,380,000	33,129	33,129	0
Argent Classic Convertible Arbitrage Fund II, L.P.	830,000	8,135	8,135	0
Barnet Partners Ltd.	1,000,000	9,801	9,801	0
Black Diamond Convertible Offshore LDC	1,115,000	10,928	10,928	0
Black Diamond Offshore Ltd.	611,000	5,988	5,988	0
BNP Paribas Equity Strategies, SNC	6,440,000	65,505	63,121	2,384
Canyon Capital Arbitrage Master Fund, Ltd.	4,800,000	47,047	47,047	0
Canyon Value Realization Fund, L.P.	2,400,000	23,523	23,523	0
Canyon Value Realization MAC 18, Ltd. (RMF)	960,000	9,409	9,409	0
CGNU Life Fund	800,000	7,841	7,841	0
Cheyne Fund LP	1,425,000	13,967	13,967	0
Cheyne Leveraged Fund LP	1,075,000	10,536	10,536	0
Clinton Multistrategy Master Fund, Ltd.	3,340,000	32,737	32,737	0
Clinton Riverside Convertible Portfolio Limited	7,460,000	73,119	73,119	0
Commercial Union Life Fund	1,000,000	9,801	9,801	0
Consulting Group Capital Markets Funds	850,000	8,331	8,331	0
CooperNeff Convertible Strategies (Cayman) Master Fund, LP	6,790,000	66,552	66,552	0

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Selling Security Holder (1)	Principal Amount of Notes	Number of Shares of Common Stock		
	Beneficially Owned and Offered Hereby (1)	Beneficially Owned (1)(2)	Offered Hereby	Owned After the Offering
Deutsche Bank Securities Inc.	8,500,000	83,312	83,312	0
DKR SoundShore Strategic Holding Fund Ltd.	2,000,000	19,603	19,603	0
Double Black Diamond Offshore LDC	3,162,000	30,992	30,992	0
Front Point Convertible Arbitrage Fund, L.P.	4,000,000	39,206	39,206	0
Fuji US Income Open	1,500,000	14,702	14,702	0
Geode U.S. Convertible Arbitrage Fund, a series of Geode Investors LLC	5,000,000	49,007	49,007	0
Goldman Sachs & Company	4,520,000	108,808	44,302	64,506
Grace Brothers, Ltd.	2,000,000	19,603	19,603	0
Grace Convertible Arbitrage Fund, Ltd.	7,500,000	73,511	73,511	0
HFR CA Select Fund	1,000,000	9,801	9,801	0
Highbridge International LLC	19,000,000	186,228	186,228	0
JMG Capital Partners, LP	2,000,000	247,740	19,603	228,137
KBC Convertible Mac28 Fund Ltd	3,150,000	30,874	30,874	0
KBC Convertible Opportunities Fund	18,900,000	185,248	185,248	0
KBC Financial Products USA, Inc.	3,250,000	31,854	31,854	0
KBC Multi-Strategy Arbitrage	11,550,000	113,207	113,207	0
Lord Abnett Bond Debenture Fund, Inc.	25,000,000	245,037	245,037	0
Lord Abnett Series Fund Bond Debenture Portfolio	750,000	7,351	7,351	0
Lyxor/Convertible Arbitrage Fund Limited	1,155,000	11,320	11,320	0
Man Convertible Bond Master Fund, Ltd.	20,792,000	203,792	203,792	0
Marathon Global Convertible Master Fund, Ltd.	14,000,000	137,221	137,221	0
Melody AIM Ltd.	1,400,000	13,722	13,722	0
Merrill Lynch Insurance Group Bond Debenture Portfolio	50,000	490	490	0
Met Investor Series Trust Bond Debenture	5,500,000	53,908	53,908	0
MLQA Convertible Securities Arbitrage Ltd.	5,000,000	49,007	49,007	0
National Benefit Life Insurance Company	56,000	548	548	0
Nomura Securities International, Inc.	15,000,000	205,664	147,022	58,642
Norwich Union Life & Pensions	1,400,000	13,722	13,722	0
Oppenheimer Convertible Securities Fund	5,000,000	49,007	49,007	0
Phoenix Lord Abnett Bond Debenture Fund	50,000	490	490	0
Piper Jaffray & Co.	6,000,000	58,809	58,809	0
Primerica Life Insurance Company	515,000	5,047	5,047	0
San Diego County Employee Retirement Association	2,000,000	19,603	19,603	0
Silverback Master, Ltd.	4,000,000	39,206	39,206	0
Singlehedge US Convertible Arbitrage Fund	1,802,000	17,662	17,662	0
St. Albans Partners Ltd.	1,000,000	9,801	9,801	0
St. Thomas Trading, Ltd.	34,208,000	335,289	335,289	0

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<u>Selling Security Holder (1)</u>	<u>Principal Amount of Notes</u>	<u>Number of Shares of Common Stock</u>		
	<u>Beneficially Owned and Offered Hereby (1)</u>	<u>Beneficially Owned (1)(2)</u>	<u>Offered Hereby</u>	<u>Owned After the Offering</u>
Sturgeon Limited	1,313,000	12,869	12,869	0
The Animi Master Fund, Ltd.	2,000,000	19,603	19,603	0
The Canyon Value Realization Fund (Cayman), Ltd.	6,560,000	64,297	64,297	0
The Travelers Insurance Company Life	1,302,000	12,761	12,761	0
The Travelers Insurance Company Separate Account TLAC	44,000	431	431	0
The Travelers Life and Annuity Company	76,000	744	744	0
Travelers Series Trust Convertible Bond Portfolio	600,000	5,880	5,880	0
Tribeca Investments Ltd.	12,500,000	122,518	122,518	0
Victus Capital, LP	6,000,000	58,809	58,809	0
Worldwide Transactions Ltd.	112,000	1,097	1,097	0
Xavex Convertible Arbitrage 10 Fund	1,640,000	16,074	16,074	0
Zazove Convertible Arbitrage Fund L.P.	6,000,000	58,809	58,809	0
Zazove Hedged Convertible Fund L.P.	4,500,000	44,106	44,106	0
Zazove Income Fund, L.P.	2,000,000	19,603	19,603	0
Zurich Institutional Benchmarks Master Fund Ltd.	2,000,000	19,603	19,603	0

(1) Information concerning the selling security holders may change from time to time and any such changed information will be set forth in supplements to this prospectus if and when necessary. In addition, the per share conversion price, and therefore the number of shares issuable upon conversion of the notes, is subject to adjustment under certain circumstances. Accordingly, the aggregate principal amount of notes and the number of shares of common stock issuable upon conversion of the notes offered hereby may increase or decrease.

(2) Assumes a conversion price of \$102.0252 per share, and a cash payment in lieu of any fractional share interest.

Information concerning other selling security holders will be set forth in prospectus supplements from time to time, if required. The above table assumes that any other holders of notes or any future transferee from any such holder does not beneficially own any common stock other than the common stock issuable upon conversion of the notes at the initial conversion rate.

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PLAN OF DISTRIBUTION

The notes and common stock offered hereby may be sold from time to time to purchasers directly by the selling security holders. Alternatively, the selling security holders may from time to time offer the notes and common stock to or through underwriters, broker/dealers or agents, who may receive compensation in the form of underwriting discounts, concessions or commissions from the selling security holders or the purchasers of notes and common stock for whom they may act as agents. The selling security holders and any underwriters, broker/dealers or agents that participate in the distribution of notes and common stock may be deemed to be underwriters within the meaning of the Securities Act and any profit on the sale of notes and common stock by them and any discounts, commissions, concessions or other compensation received by any such underwriter, broker/dealer or agent may be deemed to be underwriting discounts and commissions under the Securities Act.

The notes and common stock offered hereby may be sold from time to time in one or more transactions at fixed prices, at prevailing market prices at the time of sale, any varying prices determined at the time of sale or at negotiated prices. The sale of the notes and the common stock issuable upon conversion of the notes may be effected in transactions (which may involve crosses or block transactions):

on any national securities exchange or quotation service on which the notes or the common stock may be listed or quoted at the time of sale;

in the over-the-counter market;

in transactions otherwise than on such exchanges or in the over-the-counter market; or

through the settlement of short sales.

At the time a particular offering of the notes and the common stock is made, a prospectus supplement, if required, will be distributed that will set forth the aggregate amount and type of notes and common stock being offered and the terms of the offering, including the name or names of any underwriters, broker/dealers or agents, if any, any discounts, commissions and other terms constituting compensation from the selling security holders and any discounts, commissions or concessions allowed or reallocated or paid to broker/dealers.

To comply with the securities laws of certain jurisdictions, if applicable, the notes and common stock will be offered or sold in such jurisdictions only through registered or licensed brokers or dealers. In addition, in certain jurisdictions the notes and common stock may not be offered or sold unless they have been registered or qualified for sale in such jurisdictions or an exemption from registration or qualification is available and is complied with.

The selling security holders will be subject to applicable provisions of the Exchange Act and the rules and regulations thereunder, which provisions may limit the timing of purchases and sales of any of the notes and common stock by the selling security holders. The foregoing may affect the marketability of the notes and the common stock.

The notes are eligible for trading by qualified institutional buyers in The PORTAL Market of the National Association of Securities Dealers, Inc. Prior to the initial sale of the notes to the initial purchasers on February 19, 2004, the notes were a new issue of securities and there was no established trading market for the notes. The initial purchasers have advised us that they intend to make a market in the notes, but they are not

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obligated to do so. The initial purchasers may discontinue any market making in the notes at any time in their sole discretion. In addition, any such market making activity will be subject to the limits imposed by the Securities Act and the Exchange Act and may be limited during the pendency of this or any other shelf registration statement. Accordingly, we cannot assure you that a liquid market exists or will develop for the notes, that you will be able to sell your notes at a particular time or that the prices that you receive when you sell will be favorable. Future

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trading prices of the notes will depend on many factors, including those set forth above, our operating performance and financial condition, our ability to register them under the shelf registration statement, prevailing interest rates and the market for similar securities. Our common stock is quoted on the Nasdaq National Market under the symbol IVGN.

Pursuant to the registration rights agreement, we will pay for all expenses of the registration of the notes and common stock, including, without limitation, SEC filing fees and expenses of compliance with state securities or blue sky laws; however, the selling security holders will pay all underwriting discounts and selling commissions, if any. The selling security holders will be indemnified by us against certain civil liabilities, including certain liabilities under the Securities Act, or will be entitled to contribution in connection therewith.

LEGAL MATTERS

The legality of the notes and the common stock issuable on conversion of the notes is being passed upon by Gray Cary Ware & Freidenrich LLP, San Diego, California and Fulbright & Jaworski, New York, New York.

EXPERTS

The 2003 and 2002 consolidated financial statements of Invitrogen Corporation appearing in its Annual Report (Form 10-K) for the year ended December 31, 2003, have been audited by Ernst & Young LLP, our independent auditors, as set forth in their report thereon included therein and incorporated herein by reference. Such consolidated financial statements are incorporated herein by reference in reliance upon such report given on the authority of such firm as experts in accounting and auditing.

The financial statements of the PanVera Acquired Business for the year ended December 31, 2002 incorporated in this Prospectus by reference to Invitrogen Corporation's Current Report on Form 8-K/A dated June 10, 2003 have been so incorporated in reliance on the report (which contains an explanatory paragraph as the PanVera Acquired Business was historically an integrated business of PanVera LLC as described in Note 1, therefore the financial statements may not necessarily reflect the financial position, results of operations, and cash flows of the PanVera Acquired Business had it been a separate entity) of PricewaterhouseCoopers LLP, independent accountants, given on the authority of said firm as experts in auditing and accounting.

The consolidated financial statements of Molecular Probes, Inc. and subsidiaries for the year ended September 30, 2002 incorporated in this Prospectus by reference to Invitrogen Corporation's Current Report of Form 8-K/A dated October 31, 2003 have been so incorporated in reliance on the report of PricewaterhouseCoopers LLP, independent accountants, given on the authority of said firm as experts in auditing and accounting.

The financial statements of BioReliance Corporation and subsidiaries for the year ended December 31, 2003 incorporated in this Prospectus by reference to Invitrogen Corporation's Current Report of Form 8-K/A filed April 21, 2004 have been so incorporated in reliance on the report of PricewaterhouseCoopers LLP, independent accountants, given on the authority of said firm as experts in auditing and accounting.

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Our consolidated financial statements as of December 31, 2001, and for the year then ended, which are incorporated by reference in this prospectus, were audited by Arthur Andersen LLP, which issued a publicly available audit report expressing its unqualified opinion with respect thereto. We dismissed Arthur Andersen LLP in April 2002, and we have not obtained the consent of Arthur Andersen LLP to our naming it in this prospectus as having certified the referenced financial statements. Additionally, we have not requested our current auditors to re-audit these financial statements. Since we have not obtained the consent of Arthur Andersen LLP, you may not be able to recover against Arthur Andersen LLP under United States securities laws for any mis-statements of a material fact contained in the financial statements audited by Arthur Andersen LLP,

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or any omissions to state a material fact required to be stated therein. To the extent that a purchaser of notes under this prospectus could make a successful claim against Arthur Andersen LLP for any matter related to these financial statements, due to Arthur Andersen LLP's current financial and legal circumstances, the ability of Arthur Andersen LLP to satisfy these claims may be limited as a practical matter.

AVAILABLE INFORMATION

We file annual, quarterly and special reports, proxy statements and other information with the SEC under the Securities Exchange Act of 1934. You may read and copy this information at the SEC's Public Reference Section, 450 Fifth Street, N.W., Room 1024, Washington, D.C. 20549. You may obtain information on the operation of the public reference room by calling the SEC at 1-800-SEC-0330. The SEC maintains a Web site at <http://www.sec.gov> that contains reports, proxy and information statements, and other information regarding issuers, such as Invitrogen Corporation, that file electronically with the SEC.

You can also inspect reports, proxy statements and other information about our company at the offices of The National Association of Securities Dealers, Inc., 1735 K Street, N.W., Washington, DC. 20006.

We have also filed with the SEC a registration statement on Form S-3 (together with all amendments and exhibits thereto, the registration statement) under the Securities Act of 1933, as amended. This prospectus does not contain all the information set forth in the registration statement, certain parts of which are omitted in accordance with the rules and regulations of the SEC. For further information, refer to the registration statement, copies of which you may obtain from the Public Reference Section of the SEC, 450 Fifth Street, N.W., Washington DC 20549, upon payment of the fees prescribed by the SEC.

Table of Contents**INCORPORATION OF CERTAIN DOCUMENTS BY REFERENCE**

We incorporate information into this prospectus by reference, which means that we disclose important information to you by referring you to another document filed separately with the SEC. The information incorporated by reference is deemed to be part of this prospectus, except for any such information superseded by information contained directly in this prospectus. This prospectus incorporates by reference the documents set forth below that we have previously filed with the SEC. These documents contain important information about us and our financial condition.

Invitrogen Corporation SEC Filings

<u>(File No. 000-25317)</u>	<u>Period</u>
Annual Report on Form 10-K (including the portions of our Proxy Statement for our 2004 Annual Meeting of Stockholders incorporated by reference therein)	Fiscal year ended December 31, 2003
Quarterly Report on Form 10-Q	Quarterly period ended March 31, 2004
Current Report on Form 8-K, including the description of our rights agreement and preferred stock and preferred stock purchase rights	Filed on March 30, 2001
The description of our common stock as set forth in our Registration Statement on Form 8-A	Filed on January 29, 1999
Current Report on Form 8-K	Filed on April 11, 2003
Current Report on Form 8-K/A	Filed on June 10, 2003
Current Report on Form 8-K	Filed on September 4, 2003
Current Report on Form 8-K/A	Filed on October 31, 2003
Current Report on Form 8-K	Filed on February 17, 2004
Current Report on Form 8-K	Filed on February 20, 2004
Current Report on Form 8-K/A	Filed on April 21, 2004

In addition, all documents and reports we file with the SEC pursuant to Sections 13(a), 13(c), 14 or 15(d) of the Exchange Act after the date of this prospectus and prior to the termination of this offering shall be deemed to be incorporated by reference into this prospectus and to be a part of it from the date of filing of those documents. Any statement contained in a document incorporated into this prospectus by reference shall be deemed to be modified or superseded for purposes of this prospectus to the extent that a statement contained in this prospectus or in any other subsequently filed document which also is or is deemed to be incorporated by reference in this prospectus modifies or supersedes such earlier statement. Any statement modified or superseded shall not be deemed, except as modified or superseded, to constitute a part of this prospectus.

Upon written or oral request, we will provide without charge to each person to whom this prospectus is delivered, including any beneficial owner, a copy of any or all documents incorporated by reference in this prospectus (other than any exhibits to those documents not specifically incorporated in those documents by reference). Requests for such documents should be submitted to Invitrogen Corporation, Inc., 1600 Faraday Avenue, Carlsbad, California 92008, Attention: Investor Relations, or made by telephone at (760) 603-7200.

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LIMITATIONS OF LIABILITY AND INDEMNIFICATION MATTERS

We have adopted provisions in our certificate of incorporation, which the Delaware General Corporation Law permits, that provide that our directors shall not be personally liable to us or our stockholders for monetary damages resulting from a violation of the directors' duty to act with care and in the best interests of the stockholders, except for liability:

For any breach of a director's duty of loyalty to us or our stockholders;

For acts or omissions that are not in good faith, or involve intentional misconduct or a knowing violation of the law;

Under Section 174 of the Delaware General Corporation Law relating to improper dividends or distributions; and

For any transaction from which the director obtained an improper personal benefit.

This limitation of liability does not affect the availability of equitable remedies, including injunctive relief or rescission.

Our by-laws authorize us to indemnify our officers, directors, employees and agents to the fullest extent permitted by the Delaware General Corporation Law. Section 145 of the Delaware General Corporation Law empowers us to enter into indemnification agreements with our officers, directors, employees and agents.

We have entered into separate indemnification agreements with each of our current directors and executive officers which, in some cases, are broader than the specific indemnification provisions allowed by the Delaware General Corporation Law. The indemnification agreements require us to indemnify the executive officers and directors against liabilities that may arise by reason of status or service as directors or executive officers and to advance expenses they spend as a result of any proceeding against them for which they could be indemnified to the fullest extent permitted by the Delaware General Corporation Law.

At present, there is no pending litigation or proceeding involving any of our directors, officers, employees or agents where indemnification will be required or permitted, and we are not aware of any threatened litigation or proceeding that may result in a claim for indemnification.

Insofar as indemnification for liabilities arising under the Securities Act may be permitted to directors, executive officers or persons controlling us as described above, we have been informed that in the opinion of the SEC, such indemnification is against public policy as expressed in the Securities Act, and is therefore unenforceable.

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PROSPECTUS

\$450,000,000

INVITROGEN CORPORATION

1.5% Convertible Senior Notes due 2024

4,410,675 Shares of Common Stock Issuable on Conversion of the Notes

We have not authorized any dealer, salesperson or other person to give you written information other than this prospectus or to make representation as to matters not stated in the prospectus. You must not rely on unauthorized information. This prospectus is not an offer to sell these securities or our solicitation of your offer to buy the securities in any jurisdiction where that would not be permitted. Neither the delivery of this prospectus nor any sales made hereunder after the date of this prospectus shall create an implication that the information contained herein or our affairs have not changed since the date of this prospectus.

Table of Contents**PART II****INFORMATION NOT REQUIRED IN PROSPECTUS****ITEM 14. OTHER EXPENSES OF ISSUANCE AND DISTRIBUTION.**

The following table sets forth the fees and expenses in connection with the issuance and distribution of the securities being registered hereunder. Except for the SEC registration fee, all amounts are estimates. All of these expenses are being borne by the registrant.

SEC registration fee	\$ 57,015
Accounting fees and expenses	25,000
Legal fees and expenses	35,000
Printing and engraving expenses	10,000
Trustee s fees and expenses	5,000
Transfer agent s and registrar s fees and expenses	5,000
Miscellaneous expenses, including Listing Fees	5,000
Total	<u>\$ 142,015</u>

ITEM 15. INDEMNIFICATION OF DIRECTORS AND OFFICERS.

Section 145 of the Delaware General Corporation Law (DGCL) authorizes a court to award, or a corporation s board of directors to grant, indemnity to directors and officers under certain circumstances for liabilities incurred in connection with their activities in such capacities (including reimbursement for expenses incurred). The registrant s Restated Certificate of Incorporation provides that the registrant will indemnify its directors and officers to the fullest extent permitted by law and that directors shall not be liable for monetary damages to the registrant or its stockholders for breach of fiduciary duty, except to the extent that the DGCL prohibits elimination or limitation of such liability.

The registrant s Restated Certificate of Incorporation provides that no director of the registrant will be personally liable to the registrant or its stockholders for monetary damages for breach of fiduciary duty as a director, except for liability (i) for any breach of the director s duty of loyalty to the registrant or to its stockholders, (ii) for acts or omissions not made in good faith or involving intentional misconduct or a knowing violation of the law, (iii) under Section 174 of the DGCL, or (iv) for any transactions from which the director derives an improper personal benefit. In addition, the registrant s Amended and Restated By-laws provide that any director or officer who was or is a party or is threatened to be made a party to any action or proceeding by reason of his or her services to the registrant will be indemnified to the fullest extent permitted by the DGCL.

The registrant has entered into agreements with each of its executive officers and directors under which the registrant has agreed to indemnify each of them against expenses and losses incurred for claims brought against them by reason of their being an officer or director of the registrant. There is no pending litigation or proceeding involving a director or officer of the registrant as to which indemnification is being sought, nor is the registrant aware of any pending or threatened litigation that may result in claims for indemnification by any director or executive officer.

Table of Contents**ITEM 16. EXHIBITS AND FINANCIAL STATEMENT SCHEDULES.**

Exhibits:

EXHIBIT**NUMBER****DESCRIPTION**

NUMBER	DESCRIPTION
4.1	Indenture dated February 19, 2004 between the Company and U.S. Bank National Association and Table of Contents of Indenture, including Cross-Reference Table to the Trust Indenture Act of 1939(1)
4.2	1.5% Convertible Senior Notes due 2024 Registration Rights Agreement dated as of February 19, 2004 by and among Invitrogen Corporation, and USB Securities LLC and Bear Stearns & Co., Inc., as Initial Purchasers(1)
4.3	1.5% Convertible Senior Notes due 2024 Purchase Agreement dated February 12, 2004
5.1	Opinion of Fulbright & Jaworski L.L.P. as to the legality of the notes
5.2	Opinion of Gray Cary Ware & Freidenrich LLP as to the legality of the shares
12.1	Statements Regarding Computations of Ratios
23.1	Consent of Fulbright & Jaworski L.L.P. (contained in Exhibit 5.1)
23.2	Consent of Gray Cary Ware & Freidenrich LLP (contained in Exhibit 5.2)
23.3	Consent of Ernst & Young LLP, independent auditors
23.4	Consent of Pricewaterhouse Coopers, independent accountants
23.5	Notice Regarding Consent of Arthur Andersen, LLP, independent auditors
23.6	Consent of Pricewaterhouse Coopers, independent accountants*
23.7	Consent of Pricewaterhouse Coopers, independent accountants
24.1	Power of Attorney (see signature page)
25.1	Statement of Eligibility of the Trustee on Form T-1

* To be filed by amendment.

(1) Incorporated by reference to the Company's Quarterly Report on Form 10-Q for the first quarter of 2004, filed May 10, 2004.

ITEM 17. UNDERTAKINGS.

(a) The undersigned registrant hereby undertakes:

(1) To file, during any period in which offers or sales are being made, a post-effective amendment to this registration statement:

(i) To include any prospectus required by Section 10(a)(3) of the Securities Act of 1933.

(ii) To reflect in the prospectus any facts or events arising after the effective date of the registration statement (or the most recent post-effective amendment thereof) which, individually or in the aggregate, represent a fundamental change in the information set forth in the registration statement. Notwithstanding the foregoing, any increase or decrease in volume of securities offered (if the total dollar value of securities offered

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would not exceed that which was registered) and any deviation from the low or high end of the estimated maximum offering range may be reflected in the form of prospectus filed with the Commission pursuant to Rule 424(b) if, in the aggregate, the changes in volume and price represent no more than a 20% change in the maximum aggregate offering price set forth in the Calculation of Registration Fee table in the effective registration statement.

(iii) To include any material information with respect to the plan of distribution not previously disclosed in the registration statement or any material change to such information in the registration statement.

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Notwithstanding the foregoing, paragraphs (a)(1)(i) and (a)(1)(ii) do not apply if the information required to be included in a post-effective amendment by those paragraphs is contained in periodic reports filed by the registrant pursuant to Section 13 or Section 15(d) of the Securities and Exchange Act of 1934 that are incorporated by reference in the registration statement.

(2) That, for the purpose of determining any liability under the Securities Act, each such post-effective amendment shall be deemed to be a new registration statement relating to the securities offered therein, and the offering of such securities at that time shall be deemed to be the initial bona fide offering thereof.

(3) To remove from registration by means of a post-effective amendment any of the securities being registered which remain unsold at the termination of the offering.

(b) The undersigned registrant hereby undertakes that, for purposes of determining any liability under the Securities Act of 1933, each filing of the registrant's annual report pursuant to Section 13(a) or Section 15(d) of the Securities Exchange Act of 1934 (and, where applicable, each filing of an employee benefit plan's annual report pursuant to Section 15(d) of the Securities Exchange Act of 1934) that is incorporated by reference in the registration statement shall be deemed to be a new registration statement relating to the securities offered therein, and the offering of such securities at that time shall be deemed to be the initial bona fide offering thereof.

(c) Insofar as indemnification for liabilities arising under the Securities Act of 1933 may be permitted to directors, officers and controlling persons of the registrant pursuant to the foregoing provisions, or otherwise, the registrant has been advised that in the opinion of the Securities and Exchange Commission such indemnification is against public policy as expressed in the Securities Act and is, therefore, unenforceable. In the event that a claim for indemnification against such liabilities (other than the payment by the registrant of expenses incurred or paid by a director, officer or controlling person of the registrant in the successful defense of any action, suit or proceeding) is asserted by such director, officer or controlling person in connection with the securities being registered, the registrant will, unless in the opinion of its counsel the matter has been settled by controlling precedent, submit to a court of appropriate jurisdiction the question whether such indemnification by it is against public policy as expressed in the Securities Act and will be governed by the final adjudication of such issue.

(d) The undersigned registrant hereby undertakes to file an application for the purpose of determining the eligibility of the trustee to act under subsection (a) of Section 310 of the Trust Indenture Act (TIA) in accordance with the rules and regulations prescribed by the Commission under Section 305(b)(2) of that act.

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SIGNATURES

Pursuant to the requirements of the Securities Act of 1933, the registrant certifies that it has reasonable grounds to believe that it meets all of the requirements for filing on Form S-3 and has duly caused this registration statement to be signed on its behalf by the undersigned, thereunto duly authorized, in the City of San Diego, State of California on May 17, 2004.

INVITROGEN CORPORATION

By: /s/ GREGORY T. LUCIER

Gregory T. Lucier

Chairman of the Board, Chief Executive Officer and
President

(Principal Executive Officer and authorized
signatory)

POWER OF ATTORNEY

Each person whose signature appears below constitutes and appoints C. Eric Winzer and John A Cottingham, and each of them, with full power of substitution and resubstitution and each with full power to act without the other, his or her true and lawful attorney-in-fact and agent, for him or her and in his or her name, place and stead, in any and all capacities, to sign any and all amendments (including post-effective amendments) to this registration statement, and to file the same, with all exhibits thereto, and all other documents in connection therewith, with the Securities and Exchange Commission or any state, granting unto said attorneys-in-fact and agents, and each of them, full power and authority to do and perform each and every act and thing requisite and necessary to be done in and about the premises, as fully to all intents and purposes as he or she might or could do in person, hereby ratifying and confirming all that said attorneys-in-fact and agents, or any of them, or their, his or her substitutes or substitute, may lawfully do or cause to be done by virtue hereof. Pursuant to the requirements of the Securities Act of 1933, this registration statement has been signed by the following persons in the capacities and on the dates indicated.

<u>Name</u>	<u>Title</u>	<u>Date</u>
/s/ GREGORY T. LUCIER _____ Gregory T. Lucier	Chairman of the Board, Chief Executive Officer and President (Principal Executive Officer)	May 17, 2004
/s/ C. ERIC WINZER _____ C. Eric Winzer	Chief Financial Officer (Principal Financial Officer)	May 17, 2004
/s/ JOHN M. RADAK _____ John M. Radak	Vice President, Finance (Principal Accounting Officer)	May 17, 2004

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<u>/s/ RAYMOND V. DITTAMORE</u>	Director	May 17, 2004
Raymond V. Dittamore		
<u>/s/ JAMES R. GLYNN</u>	Director	May 17, 2004
James R. Glynn		
<u>/s/ DONALD W. GRIMM</u>	Director	May 18, 2004
Donald W. Grimm		
<u>/s/ BALAKRISHNAN S. IYER</u>	Director	May 17, 2004
Balakrishnan S. Iyer		

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<u>Name</u>	<u>Title</u>	<u>Date</u>
<u>/s/ BRADLEY G. LORIMIER</u>	Director	May 17, 2004
<u>Bradley G. Lorimier</u>		
	Director	, 2004
<u>Jay M. Short, Ph.D.</u>		
	Director	, 2004
<u>David C. U Prichard, Ph.D.</u>		

Table of Contents**INDEX TO EXHIBITS****EXHIBIT****NUMBER****DESCRIPTION**

4.1	Indenture dated February 19, 2004 between the Company and U.S. Bank National Association and Table of Contents of Indenture, including Cross-Reference Table to the Trust Indenture Act of 1939(1)
4.2	1.5% Convertible Senior Notes due 2024 Registration Rights Agreement dated as of February 19, 2004 by and among Invitrogen Corporation, and USB Securities LLC and Bear Stearns & Co. Inc., as Initial Purchasers(1)
4.3	1.5% Convertible Senior Notes due 2024 Purchase Agreement dated February 12, 2004
5.1	Opinion of Fulbright & Jaworski L.L.P. as to the legality of the notes
5.2	Opinion of Gray Cary Ware & Freidenrich LLP as to the legality of the shares
12.1	Statements Regarding Computations of Ratios
23.1	Consent of Fulbright & Jaworski L.L.P. (contained in Exhibit 5.1)
23.2	Consent of Gray Cary Ware & Freidenrich LLP (contained in Exhibit 5.2)
23.3	Consent of Ernst & Young LLP, independent auditors
23.4	Consent of Pricewaterhouse Coopers, independent accountants
23.5	Notice Regarding Consent of Arthur Andersen, LLP, independent auditors
23.6	Consent of Pricewaterhouse Coopers, independent accountants*
23.7	Consent of Pricewaterhouse Coopers, independent accountants
24.1	Power of Attorney (see signature page)
25.1	Statement of Eligibility of the Trustee on Form T-1

* To be filed by amendment.

(1) Incorporated by reference to the Company's Quarterly Report on Form 10-Q for the first quarter of 2004, filed May 10, 2004. g-top: 12px;text-indent:65px;font-size:10pt;">The Company holds Greek bonds which are designated as available-for-sale securities. The bonds have maturities ranging from 10 to 29 years. As of November 30, 2013, the face value of the bonds was \$11.6 million.

Note 6—Goodwill and Other Intangible Assets.

The balance of goodwill as of November 30, 2013 and May 31, 2013 was \$3,652.8 million and \$3,600.9 million, respectively. The change in goodwill is primarily related to the \$63.4 million of goodwill recorded related to the Lanx 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 Lanx Acquisition.

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.

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Intangible assets consisted of the following at November 30, 2013 and May 31, 2013:

(in millions)	November 30, 2013		
	Gross Carrying Amount	Accumulated Amortization	Net Carrying Amount
Core technology	\$1,735.1	\$(524.3)	) \$1,210.8
Completed technology	610.4	(240.7)	) 369.7
Product trade names	214.2	(72.1)	) 142.1
Customer relationships	2,408.9	(892.9)	) 1,516.0
Non-compete contracts	4.6	(4.1)	) 0.5
Sub-total	4,973.2	(1,734.1)	) 3,239.1
Corporate trade names	308.6	—	) 308.6
Total	\$5,281.8	\$(1,734.1)	) \$3,547.7

(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 November 30, 2013 is as follows:

Core technology	Weighted Average Useful Life	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 \$290.6 million, \$283.6 million, \$273.7 million, \$270.0 million, and \$252.6 million, respectively.

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Note 7—Debt.

The terms and carrying value of each debt instrument at November 30, 2013 and May 31, 2013 are set forth below:

(U.S. dollars and euros in millions)	Maturity Date	Interest Rate	Currency	November 30, 2013	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	\$3.3	\$6.0
Term loan facility B	March 25, 2015	LIBOR + 3.00%	USD	\$103.8	\$104.3
Term loan facility B-1	July 25, 2017	LIBOR + 3.50%	USD	\$2,974.5	\$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	\$155.0	\$—
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				\$35.2	\$37.7
Total debt				\$5,896.8	\$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 76% 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 November 30, 2013 was 0.17%. The 3-month LIBOR rate for the U.S. dollar-denominated term loan was 0.25% as of November 30, 2013. 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 \$16.0 million for the six months ended November 30, 2013. 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 November 30, 2013 was \$633.3 million, which is net of the borrowing base limitations relating to the asset-based revolving credit facility and outstanding

balances of \$155.0 million and \$3.3 million under the asset-based revolving credit facility and the China facility, respectively.

As of November 30, 2013, \$5.5 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, \$75.5 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 10³/₈% / 11¹/₈% 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 11⁵/₈% senior subordinated notes due 2017 (“11⁵/₈% 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 11⁵/₈% 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 11⁵/₈% Senior Subordinated Notes, including related fees and expenses and to redeem 11⁵/₈% 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 11⁵/₈% Senior Subordinated Notes, or approximately 43.91% of the 11⁵/₈% 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 11⁵/₈% 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.

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 November 30, 2013 and May 31, 2013:

(in millions)	Fair Value at November 30, 2013	Fair Value Measurements Using Inputs Considered as		
		Level 1	Level 2	Level 3
Assets:				
Money market funds	\$55.2	\$55.2	\$—	\$—
Time deposits	16.3	—	16.3	—
Greek bonds	6.2	—	6.2	—
Pension plan assets	145.0	—	145.0	—
Foreign currency exchange contracts	0.9	—	0.9	—
Equity securities	2.3	2.1	—	0.2
Total assets	\$225.9	\$57.3	\$168.4	\$0.2
Liabilities:				
Interest rate swaps	\$27.9	\$—	\$27.9	\$—
Total liabilities	\$27.9	\$—	\$27.9	\$—

(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 November 30, 2013 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 November 30, 2013 and May 31, 2013 was \$6,040.7 million and \$6,090.4 million, respectively, compared to carrying values of \$5,896.8 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.

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

During the three and six months ended November 30, 2013 and 2012, 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 November 30, 2013, the Company had a swap liability of \$27.9 million, which consisted of \$12.3 million short-term and \$15.8 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 November 30, 2013 and May 31, 2013:

(U.S. dollars and euros in millions)					Fair Value at	Fair Value at
		Notional			November 30, 2013	May 31, 2013
Structure	Currency	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	(0.5)	(3.8)
5 years	USD	195.0	September 25, 2009	September 25, 2014	(4.3)	(6.7)
2 years	USD	190.0	March 25, 2013	March 25, 2015	(1.6)	(1.7)
3 years	USD	270.0	December 27, 2013	September 25, 2016	(7.0)	(5.2)
5 years	USD	350.0	September 25, 2012	September 25, 2017	(7.4)	(7.5)
5 years	USD	350.0	September 25, 2012	September 25, 2017	(7.3)	(7.4)
Credit valuation adjustment					0.2	0.6
Total interest rate instruments					\$(27.9)	\$(54.1)

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

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 six months ended November 30, 2013 and November 30, 2012:

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(in millions)	Three Months Ended		Six Months Ended	
Derivatives in cash flow hedging relationship	November 30, 2013	November 30, 2012	November 30, 2013	November 30, 2012
Interest rate swaps:				
Amount of gain (loss) recognized in OCI	\$4.5	\$3.0	\$26.2	\$(1.2)
Amount of (gain) loss reclassified from accumulated OCI into interest expense (effective portion)	6.8	17.3	14.3	31.4
Amount (gain) loss recognized in other income (expense) (ineffective portion and amount excluded from effectiveness testing)	21.8	—	21.8	—

As of November 30, 2013, the effective interest rate, including the applicable lending margin, on 45.80% (\$1,410.0 million) of the outstanding principal of the Company's U.S. dollar term loan was fixed at 5.26% through the use of interest rate swaps. The remaining unhedged balances of the U.S. dollar term loans had an effective interest rate of 3.65%. As of November 30, 2013 and May 31, 2013, the Company's effective weighted average interest rate on all outstanding debt, including the interest rate swaps, was 5.46% 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 November 30, 2013, the fair value of the Company's derivatives not designated as hedging instruments on a gross basis were assets of \$0.9 million recorded in prepaid expenses and other.

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, 2013	\$(10.0	)	\$35.5	)	\$(34.2	)	\$2.8	)	\$(5.9)
OCI before reclassifications	—	)	31.7	)	(13.8	)	1.3	)	19.2)
Reclassifications	—	)	—	)	36.1	)	—	)	36.1)
November 30, 2013	\$(10.0	)	\$67.2	)	\$(11.9	)	\$4.1	)	\$49.4)

Reclassifications adjustments from OCI are included in the table below:

(in millions)	Three Months Ended November 30, 2013	Three Months Ended November 30, 2012	Six Months Ended November 30, 2013	Six Months Ended November 30, 2012	Location on Statement of Operations
Interest rate swaps	\$28.6	\$17.3	\$36.1	\$31.4	Interest expense

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

(in millions)	Three Months Ended November 30, 2013			Three Months Ended November 30, 2012		
	Before Tax	Tax	Net of Tax	Before Tax	Tax	Net of Tax
Unrecognized actuarial gains (losses)	\$(0.2)	) \$—	\$(0.2)	) \$(0.1)	) \$(0.2)	) \$(0.3)
Foreign currency translation adjustments	26.0	1.2	27.2	(16.4)	) 0.9	(15.5)
Unrealized gain (loss) on interest rate swaps	(18.1)	) 9.1	(9.0)	) (14.9)	) 6.1	(8.8)
Reclassifications on interest rate swaps	28.6	(10.8)	) 17.8	17.3	(6.6)	) 10.7
Unrealized gain (loss) on available-for-sale securities	2.7	(1.4)	) 1.3	1.3	—	1.3
Accumulated other comprehensive income	\$39.0	\$ (1.9)	) \$37.1	\$(12.8)	) \$0.2	\$(12.6)
(in millions)	Six Months Ended November 30, 2013			Six Months Ended November 30, 2012		
	Before Tax	Tax	Net of Tax	Before Tax	Tax	Net of Tax
Unrecognized actuarial gains (losses)	\$—	\$—	\$—	\$(0.1)	) \$(0.2)	) \$(0.3)
Foreign currency translation adjustments	18.2	13.5	31.7	11.4	(3.7)	) 7.7
Unrealized gain (loss) on interest rate swaps	(9.4)	) 9.3	(0.1)	) (32.2)	) 12.0	(20.2)
Reclassifications on interest rate swaps	36.1	(13.7)	) 22.4	31.4	(11.9)	) 19.5
Unrealized gain (loss) on available-for-sale securities	2.7	(1.4)	) 1.3	2.2	(0.1)	) 2.1
Accumulated other comprehensive income	\$47.6	\$7.7	\$55.3	\$12.7	\$(3.9)	) \$8.8

Note 11—Stock-based Compensation and Stock Plans.

The Company expenses all stock-based payments to employees and non-employee distributors, including stock options, leveraged share awards and restricted stock units, based on the grant date fair value over the required award service period using the graded vesting attribution method. For awards with a performance vesting condition, the Company recognizes expense when the performance condition is considered probable to occur. Stock-based compensation expense recognized was \$4.5 million and \$7.4 million for the three months ended November 30, 2013 and 2012, respectively, and \$9.2 million and \$26.5 million for the six months ended November 30, 2013 and 2012, respectively. The decrease in the expense was related to the fiscal year 2013 modification that is described below. On July 2, 2012, LVB launched a tender offer to eligible employees to exchange all of the stock options and restricted stock units held by such employees for new stock options and restricted stock units. Following the expiration of the tender offer on July 30, 2012, LVB accepted for exchange eligible options to purchase an aggregate of 29,821,500 shares of common stock of LVB and eligible restricted stock units underlying an aggregate of 3,665,000 shares of common stock of LVB. In accordance with the terms and conditions of the tender offer, on July 31, 2012, LVB granted 29,821,500 new options and 10,795,000 new restricted stock units in exchange for the cancellation of such tendered options and restricted stock units.

The objective of the tender offer was to provide employees who elected to participate with new options and new restricted stock units, the terms of which preserve the original incentive effect of the Company's equity incentive

programs in light of market and industry-wide economic conditions. The terms of the new stock options differed in respect to the tendered options principally with respect to:

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Exercise Price—The exercise price for the new stock options was lowered to the then current fair value of \$7.88 per share.

Vesting Periods—All prior options that were vested as of the completion date of the tender offer remain vested. All time-vesting options which were unvested as of the completion date of the tender offer will continue to vest on the same schedule on which they were originally granted. All unvested replacement extended time vesting options and modified performance options will vest on a schedule which is generally two years longer than the original vesting schedule, but in no case past 2017.

Performance Vesting Threshold—The new modified performance options will vest over the new vesting period if, as of the end of the Company’s most recent fiscal year ending on or prior to such vesting date, Biomet, Inc. has achieved the EBITDA target for such fiscal year determined by the Compensation Committee of the Board of Directors of the Company on or before the ninetieth (90th) day of such fiscal year and consistent with the Company’s business plan.

The terms of the new restricted stock units are different from the tendered restricted stock units with respect to the vesting schedule, performance conditions and settlement. The new restricted stock units are granted subject to either a time-based vesting or a performance-based vesting requirement. Unlike the exchanged restricted stock units, the new restricted stock units do not vest in full on May 31, 2016 regardless of satisfaction of the vesting conditions. In addition, following the termination of employment with the Company, new restricted stock units, whether vested or unvested, will be forfeited if such employee provides services to any competitor of the Company. In addition, participants holding new restricted stock units received new awards called management dividend awards representing the right to receive a cash payment. Management dividend awards vest on a one-to-one basis with each new time-based restricted stock unit. Vested management dividend awards are paid by cash distributions promptly following each anniversary of the grant date until the earlier of an initial public offering of the Company or the fifth anniversary of the grant date, subject to withholding taxes. Upon termination of employment for any reason, management dividend awards will be forfeited. The new restricted stock units were granted under the Company’s 2012 Restricted Stock Unit Plan, which was adopted by LVB on July 31, 2012. The maximum number of shares of common stock, par value \$0.01 per share, that may be issued under the Company’s 2012 Restricted Stock Unit Plan is 14,000,000, subject to adjustment as described in the Plan. The management dividend awards are accounted for as liabilities.

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 restricted stock units 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 restricted stock units and such vested time-based restricted stock unit 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).

During the second quarter of fiscal year 2013, the distributor options totaling 3,193,167 were modified to lower the exercise price to the then-current fair value of \$7.88 per share.

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, France, Germany, Japan, 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, 2009.

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 November 30, 2013, the Company does not anticipate a significant change in its worldwide gross liabilities for unrecognized tax benefits within the succeeding twelve months.

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The Company's effective income tax rates were (16.7)% and (233.3)% for the three and six months ended November 30, 2013, respectively, compared to 22.9% and 43.0% for the three and six months ended November 30, 2012, respectively. 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. 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, impacted the quarterly income tax provision by \$(0.1) million and \$(26.1) million, or (3.6)% and (242.1)%, in the three and six months ended November 30, 2013, respectively. Discrete items impacted the quarterly income tax provision by \$0.3 million and \$(3.6) million, or (0.4)% and 2.1%, in the three and six months ended November 30, 2012, respectively, primarily as a result of changes in deferred tax balances due to the prospective reduction of the United Kingdom statutory corporate tax rate enacted in July 2012.

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 & microfixation; dental; and cement, biologics & 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, South America, Mexico and the Asia Pacific region.

Net sales by product category for the six months ended November 30, 2013 and 2012 were as follows:

(in millions)	Three Months Ended		Six Months Ended	
	November 30, 2013	November 30, 2012 ⁽¹⁾	November 30, 2013	November 30, 2012 ⁽¹⁾
Net sales by product:				
Knees	\$264.0	\$247.6	\$489.1	\$465.1
Hips	167.7	164.1	317.4	311.0
S.E.T.	160.3	152.2	309.8	279.5
Spine, Bone Healing & Microfixation	104.9	102.6	206.5	211.4
Dental	70.5	67.1	124.4	124.1
Cement, Biologics & Other	58.3	56.5	109.2	106.4
Total	\$825.7	\$790.1	\$1,556.4	\$1,497.5

(1) Certain amounts have been adjusted to conform to the current presentation. The current presentation aligns with how the Company presently manages and markets its products.

Net sales by geography for the six months ended November 30, 2013 and 2012 were as follows:

(in millions)	Three Months Ended		Six Months Ended	
	November 30, 2013	November 30, 2012	November 30, 2013	November 30, 2012
Net sales by geography:				
United States	\$493.1	\$470.8	\$963.0	\$923.0
Europe	211.8	193.9	363.3	336.8
International ⁽¹⁾	120.8	125.4	230.1	237.7
Total	\$825.7	\$790.1	\$1,556.4	\$1,497.5

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

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Long-term assets by geography as of November 30, 2013 and May 31, 2013 were as follows:

(in millions)	November 30, 2013	May 31, 2013
Long-term assets ⁽¹⁾ by geography:		
United States	\$363.2	\$336.8
Europe	255.6	255.7
International	73.9	72.7
Total	\$692.7	\$665.2

(1) Defined as property, plant and equipment.

Note 14—Guarantor and Non-Guarantor Financial Statements.

Each of Biomet's existing wholly-owned domestic subsidiaries fully, unconditionally, jointly, and severally guarantee the senior notes on a senior unsecured basis and the senior subordinated notes on a senior subordinated unsecured basis, in each case to the extent such subsidiaries guarantee Biomet's senior secured cash flow facilities. Certain amounts reported in the prior year elimination column have been corrected to more accurately reflect the allocation of intercompany profit between the guarantor and the non-guarantor subsidiaries and to conform to the current period presentation. The Company believes such amounts are immaterial. LVB is neither an issuer nor guarantor of the notes described in Note 7.

The following financial information presents the composition of the combined guarantor subsidiaries:
CONDENSED CONSOLIDATING BALANCE SHEETS

(in millions)	November 30, 2013				Total
	Biomet, Inc.	Guarantors	Non-Guarantors	Eliminations	
Assets					
Current assets:					
Cash and cash equivalents	\$—	\$110.0	\$66.2	\$—	\$176.2
Accounts receivable, net	—	287.0	305.6	—	592.6
Inventories, net	—	357.0	344.3	—	701.3
Deferred income taxes	—	98.1	23.6	—	121.7
Prepaid expenses and other	—	60.8	68.0	—	128.8
Total current assets	—	912.9	807.7	—	1,720.6
Property, plant and equipment, net	—	377.0	315.7	—	692.7
Investments	—	11.7	13.1	—	24.8
Investment in subsidiaries	8,019.9	—	—	(8,019.9)	—
Intangible assets, net	—	2,827.7	720.0	—	3,547.7
Goodwill	—	3,167.7	485.1	—	3,652.8
Other assets	—	89.9	8.9	—	98.8
Total assets	\$8,019.9	\$7,386.9	\$2,350.5	\$(8,019.9)	\$9,737.4
Liabilities & Shareholder's Equity					
Current liabilities:					
Current portion of long-term debt	\$30.9	\$—	\$3.3	\$—	\$34.2
Accounts payable	—	57.9	44.2	—	102.1
Accrued interest	57.6	—	—	—	57.6
Accrued wages and commissions	—	65.2	59.5	—	124.7
Other accrued expenses	—	170.7	72.0	—	242.7
Total current liabilities	88.5	293.8	179.0	—	561.3
Long-term debt	5,862.6	—	—	—	5,862.6
Deferred income taxes	—	875.8	177.4	—	1,053.2
Other long-term liabilities	—	123.0	68.5	—	191.5
Total liabilities	5,951.1	1,292.6	424.9	—	7,668.6
Shareholder's equity	2,068.8	6,094.3	1,925.6	(8,019.9)	2,068.8
Total liabilities and shareholder's equity	\$8,019.9	\$7,386.9	\$2,350.5	\$(8,019.9)	\$9,737.4

(in millions)	May 31, 2013				Total
	Biomet, Inc.	Guarantors	Non-Guarantors	Eliminations	
Assets					
Current assets:					
Cash and cash equivalents	\$—	\$35.3	\$ 320.3	\$—	\$355.6
Accounts receivable, net	—	254.1	277.7	—	531.8
Inventories	—	286.9	337.1	—	624.0
Deferred income taxes	—	78.3	41.6	—	119.9
Prepaid expenses and other	—	73.7	67.6	—	141.3
Total current assets	—	728.3	1,044.3	—	1,772.6
Property, plant and equipment, net	—	350.1	315.1	—	665.2
Investments	—	10.9	12.1	—	23.0
Investment in subsidiaries	7,982.8	—	—	(7,982.8)	—
Intangible assets, net	—	2,890.4	739.8	—	3,630.2
Goodwill	—	3,104.0	496.9	—	3,600.9
Other assets	—	88.9	13.9	—	102.8
Total assets	\$7,982.8	\$7,172.6	\$ 2,622.1	\$(7,982.8)	\$9,794.7
Liabilities & Shareholder's Equity					
Current liabilities:					
Current portion of long-term debt	\$33.3	\$—	\$ 7.0	\$—	\$40.3
Accounts payable	—	63.8	47.7	—	111.5
Accrued interest	56.1	—	0.1	—	56.2
Accrued wages and commissions	—	82.1	68.0	—	150.1
Other accrued expenses	—	141.7	64.3	—	206.0
Total current liabilities	89.4	287.6	187.1	—	564.1
Long-term debt	5,924.8	—	1.3	—	5,926.1
Deferred income taxes	—	942.0	187.8	—	1,129.8
Other long-term liabilities	—	142.9	63.2	—	206.1
Total liabilities	6,014.2	1,372.5	439.4	—	7,826.1
Shareholder's equity	1,968.6	5,800.1	2,182.7	(7,982.8)	1,968.6
Total liabilities and shareholder's equity	\$7,982.8	\$7,172.6	\$ 2,622.1	\$(7,982.8)	\$9,794.7

CONDENSED CONSOLIDATING STATEMENTS OF OPERATIONS AND COMPREHENSIVE INCOME (LOSS)

(in millions)	Three Months Ended November 30, 2013					
	Biomet, Inc.	Guarantors	Non-Guarantors	Eliminations	Total	
Net sales	\$—	\$510.6	\$315.1	\$—	\$825.7	
Cost of sales	—	232.7	52.3	—	285.0	
Gross profit	—	277.9	262.8	—	540.7	
Selling, general and administrative expense	—	198.4	112.1	—	310.5	
Research and development expense	—	30.3	11.1	—	41.4	
Amortization	—	61.8	13.4	—	75.2	
Operating income	—	(12.6	) 126.2	—	113.6
Other (income) expense, net	110.9	(1.2	) (0.3	) —	109.4
Income (loss) before income taxes	(110.9	) (11.4	) 126.5	—	4.2
Tax expense (benefit)	(42.1) (4.3) 45.7	—	(0.7)
Equity in earnings of subsidiaries	73.7	—	—	(73.7) —	
Net income (loss)	\$4.9	\$(7.1	) \$80.8	\$(73.7	) \$4.9
Other comprehensive income (loss)	\$8.8	\$—	\$28.3	\$—	\$37.1	
Total comprehensive income (loss)	\$13.7	\$(7.1	) \$109.1	\$(73.7	) \$42.0

(in millions)	Three Months Ended November 30, 2012					
	Biomet, Inc.	Guarantors	Non-Guarantors	Eliminations	Total	
Net sales	\$—	\$486.5	\$303.6	\$—	\$790.1	
Cost of sales	—	159.6	76.4	—	236.0	
Gross profit	—	326.9	227.2	—	554.1	
Selling, general and administrative expense	—	187.9	108.9	—	296.8	
Research and development expense	—	27.4	9.0	—	36.4	
Amortization	—	64.9	12.8	—	77.7	
Operating income (loss)	—	46.7	96.5	—	143.2	
Other (income) expense, net	229.0	2.1	(2.2	) —	228.9
Income (loss) before income taxes	(229.0) 44.6	98.7	—	(85.7)
Tax expense (benefit)	(87.1) 17.0	50.6	—	(19.5)
Equity in earnings of subsidiaries	75.7	—	—	(75.7) —	
Net income (loss)	\$(66.2) \$27.6	\$48.1	\$(75.7) \$(66.2)
Other comprehensive income (loss)	\$1.9	\$—	\$(14.5) \$—	\$(12.6)
Total comprehensive income (loss)	\$(64.3) \$27.6	\$33.6	\$(75.7) \$(78.8)

(in millions)	Six Months Ended November 30, 2013					
	Biomet, Inc.	Guarantors	Non-Guarantors	Eliminations	Total	
Net sales	\$—	\$992.0	\$564.4	\$—	\$1,556.4	
Cost of sales	—	425.1	97.1	—	522.2	
Gross profit	—	566.9	467.3	—	1,034.2	
Selling, general and administrative expense	—	380.6	214.0	—	594.6	
Research and development expense	—	58.2	20.7	—	78.9	
Amortization	—	123.1	27.6	—	150.7	
Operating income (loss)	—	5.0	205.0	—	210.0	
Other (income) expense, net	197.9	(3.5	) 4.8	—	199.2
Income (loss) before income taxes	(197.9	) 8.5	200.2	—	10.8
Tax expense (benefit)	(75.2) 3.3	46.7	—	(25.2)
Equity in earnings of subsidiaries	158.7	—	—	(158.7) —	
Net income (loss)	\$36.0	\$5.2	\$153.5	\$(158.7	) \$36.0
Other comprehensive income (loss)	\$22.3	\$—	\$33.0	\$—	\$55.3	
Total comprehensive income (loss)	\$58.3	\$5.2	\$186.5	\$(158.7	) \$91.3

(in millions)	Six Months Ended November 30, 2012					
	Biomet, Inc.	Guarantors	Non-Guarantors	Eliminations	Total	
Net sales	\$—	\$951.3	\$546.2	\$—	\$1,497.5	
Cost of sales	—	343.9	120.2	—	464.1	
Gross profit	—	607.4	426.0	—	1,033.4	
Selling, general and administrative expense	—	379.2	213.7	—	592.9	
Research and development expense	—	54.5	17.7	—	72.2	
Amortization	—	132.6	23.5	—	156.1	
Operating income (loss)	—	41.1	171.1	—	212.2	
Other (income) expense, net	388.3	0.8	(5.6	) —	383.5
Income (loss) before income taxes	(388.3) 40.3	176.7	—	(171.3)
Tax expense (benefit)	(147.6) 15.3	58.7	—	(73.6)
Equity in earnings of subsidiaries	143.0	—	—	(143.0) —	
Net income (loss)	\$(97.7) \$25.0	\$118.0	\$(143.0) \$(97.7)
Other comprehensive income (loss)	\$(0.7) \$—	\$9.5	\$—	\$8.8	
Total comprehensive income (loss)	\$(98.4) \$25.0	\$127.5	\$(143.0) \$(88.9)

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Other	(10.0) (0.1) (0.7) —	(10.8)
Cash flows used in financing activities	(45.2) (0.1) (6.0) —	(51.3)
Effect of exchange rate changes on cash	—	—	7.1	—	7.1	
Decrease in cash and cash equivalents	—	(135.1	) (189.8	) —	(324.9)
Cash and cash equivalents, beginning of period	—	190.1	302.3	—	492.4	
Cash and cash equivalents, end of period	\$—	\$55.0	\$ 112.5	\$—	\$167.5	

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Note 15—Restructuring.

The Company recorded \$5.9 million and \$1.0 million in employee severance costs during the three months ended November 30, 2013 and 2012, respectively, and \$12.2 million and \$2.1 million during the six months ended November 30, 2013 and 2012, respectively. The expense during fiscal 2014 and 2013 resulted primarily from the planned closures of the Swindon, United Kingdom manufacturing facility and the Le Locle, Switzerland manufacturing facility. These restructuring charges were recorded within cost of sales, selling, general and administrative expense, and research and development expense and other accrued expenses. A summary of the severance and benefit costs in the periods presented is as follows:

(in millions)	Employee Severance and Benefit Costs
Restructuring Accrual:	
Balance at May 31, 2013	\$8.9
Costs incurred and charged to expense	6.3
Costs paid or otherwise settled	(5.3)
Non-cash adjustments ⁽¹⁾	0.7
Balance at August 31, 2013	10.6
Costs incurred and charged to expense	5.9
Costs paid or otherwise settled	(3.9)
Non-cash adjustments ⁽¹⁾	0.8
Balance at November 30, 2013	\$13.4

(1) Primarily related to foreign currency fluctuations.

(in millions)	Employee Severance and Benefit Costs
Restructuring Accrual:	
Balance at May 31, 2012	\$9.5
Costs incurred and charged to expense	1.1
Costs paid or otherwise settled	(0.4)
Non-cash adjustments ⁽¹⁾	0.1
Balance at August 31, 2012	10.3
Costs incurred and charged to expense	1.0
Costs paid or otherwise settled	(1.6)
Non-cash adjustments ⁽¹⁾	0.1
Balance at November 30, 2012	\$9.8

(1) Primarily related to foreign currency fluctuations.

Note 16—Contingencies.

The Company is involved in various proceedings, legal actions and claims arising in the normal course of business, including proceedings related to product liability, governmental investigations, intellectual property, commercial litigation and other matters. The outcomes of these matters will generally not be known for an extended period of time. In certain of the legal proceedings, the claimants seek damages, as well as other compensatory relief, which could result in the payment of significant claims and settlements. For legal matters for which management has sufficient information to reasonably estimate the Company's future obligations, a liability representing management's best estimate of the probable cost, or the minimum of the range of probable losses when a best estimate within the range is not known, for the resolution of these legal matters is recorded. The estimates are based on consultation with

legal counsel, previous settlement experience and settlement strategies. The Company's accrual for contingencies, except for claims associated with metal-on-metal hip products was \$29.1 million and \$40.0 million at November 30, 2013 and May 31, 2013, respectively, and primarily relate to certain product liability claims and the Massachusetts U.S. Department of Justice EBI products investigation described below.

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Other than the Massachusetts U.S. Department of Justice EBI products investigation, claims associated with metal-on-metal hips and certain product liability claims, for which the estimated loss is included in the accrual amounts disclosed within this footnote, the relatively early stages of the other governmental investigations and other product liability claims described below, and the complexities involved in these matters, the Company is unable to estimate a possible loss or range of possible loss for such matters until the Company knows, among other factors, (i) what claims, if any will survive dispositive motion practice, (ii) the extent of the claims, including the size of any potential class, particularly when damages are not specified or are indeterminate, (iii) how the discovery process will affect the litigation, (iv) the settlement posture of the other parties to the litigation and (v) any other factors that may have a material effect on the litigation.

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

In June 2013, Biomet received a subpoena from the U.S. Attorney's Office for the District of New Jersey requesting various documents relating to the fitting of custom-fabricated or custom-fitted orthoses, or bracing, to patients in New Jersey, Texas and Washington. The Company has produced responsive documents and is fully cooperating with the request of the U.S. Attorney's Office. The Company can make no assurances as to the time or resources that will be needed to devote to this inquiry or its final outcome.

In February 2010, Biomet received a subpoena from the Office of the Inspector General of the U.S. Department of Health and Human Services requesting various documents relating to agreements or arrangements between physicians and the Company's Interpore Cross subsidiary for the period from 1999 through the present and the marketing and sales activities associated with Interpore Cross' spinal products. Biomet is cooperating with the request of the Office of the Inspector General. The Company can make no assurances as to the time or resources that will be needed to devote to this inquiry or its final outcome.

In April 2009, Biomet received an administrative subpoena from the U.S. Attorney's Office for the District of Massachusetts requesting various documents relating primarily to the Medicare reimbursement of and certain business practices related to the Company's EBI subsidiary's non-invasive bone growth stimulators. It is the Company's understanding that competitors in the non-invasive bone growth stimulation market received similar subpoenas. The Company received subsequent subpoenas in connection with the investigation in September 2009, June 2010, February 2011 and March 2012 along with several informal requests for information. Biomet has produced responsive documents and is fully cooperating in the investigation.

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

U.S. Department of Justice Civil Division Investigation

In September 2010, Biomet received a Civil Investigative Demand ("CID") issued by the U.S. Department of Justice—Civil Division pursuant to the False Claims Act. The CID requests that the Company provide documents and testimony related to allegations that Biomet, OtisMed Corp. and Stryker Corp. have violated the False Claims Act relating to the marketing of, and payment submissions for, OtisMed's OtisKnee[®] (a registered trademark of OtisMed) knee replacement system. The Company has produced responsive documents and is fully cooperating in the investigation.

U.S. Securities and Exchange Commission ("SEC") Informal Investigation

On September 25, 2007, Biomet received a letter from the SEC informing the Company that it was conducting an informal investigation regarding possible violations of the Foreign Corrupt Practices Act in the sale of medical devices in certain foreign countries by companies in the medical devices industry. The Foreign Corrupt Practices Act

prohibits U.S. companies and their officers, directors, employees, or shareholders acting on their behalf and agents from offering, promising, authorizing or making payments to foreign officials for the purpose of obtaining or retaining business abroad or otherwise obtaining favorable treatment and this law requires companies to maintain records which fairly and accurately reflect transactions and to maintain internal accounting controls. In many countries, hospitals and clinics are government-owned and healthcare professionals employed by such hospitals and clinics, with whom the Company regularly interacts, may meet the definition of a foreign official for purposes of the Foreign Corrupt Practices Act. On November 9, 2007, the Company received

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a letter from the Department of Justice requesting any information provided to the SEC also be provided to the Department of Justice on a voluntary basis.

On March 26, 2012, Biomet entered into a Deferred Prosecution Agreement (“DPA”) with the U.S. Department of Justice (“DOJ”) and a Consent to Final Judgment (“Consent Agreement”) with the SEC related to these investigations by the DOJ and the SEC. Pursuant to the DPA, the DOJ has agreed not to prosecute the Company in connection with this matter, provided that the Company satisfies its obligations under the agreement over the next three years. In addition, pursuant to the terms of the DPA, an independent external compliance monitor has been appointed to review the Company’s compliance with the DPA, particularly in relation to the Company’s international sales practices, for at least the first 18 months of the three year term of the DPA. The monitor has divided his review into three phases. The first phase consisted of the monitor familiarizing himself with the Company’s global compliance program and assessed the effectiveness of the program. The second phase provides for a period of time in which the Company is allowed the opportunity to implement the monitor’s various recommendations based upon the monitor’s assessment of the effectiveness of the program. The third phase commenced in June 2013 and consists of the monitor performing transactional testing on the effectiveness of the Company’s global compliance program, including transactional testing of enhanced compliance programs that were implemented in response to the monitor’s recommendations. The Company also agreed to pay a monetary penalty of \$17.3 million to resolve the charges brought by the DOJ, which was paid in the fourth quarter of fiscal year 2012. The terms of the DPA and the associated monetary penalty reflect the Company’s full cooperation throughout the investigation.

The Company contemporaneously reached a Consent Agreement with the SEC to settle civil claims related to this matter. As part of the Consent Agreement, Biomet agreed to the SEC’s entry of a Final Judgment requiring Biomet to disgorge profits and pay prejudgment interest in the aggregate amount of \$5.6 million, which was paid in the fourth quarter of fiscal year 2012.

Product Liability

The Company has received claims for personal injury associated with its metal-on-metal hip products. The Company’s accrual for contingencies for claims associated with metal-on-metal hip products at November 30, 2013 and May 31, 2013 is \$50.0 million and \$29.1 million, respectively. The pre-trial management of certain of these claims has been consolidated in a multi-district proceeding in a federal court in South Bend, Indiana. Certain other claims are pending in various state courts. The Company believes the number of claims continues to increase incrementally due to the negative publicity regarding metal-on-metal hip products generally. The Company believes it has data that supports the efficacy and safety of its metal-on-metal hip products, and the Company intends to vigorously defend itself in these matters. The Company currently accounts for these claims in accordance with its standard product liability accrual methodology on a case by case basis. Given the substantial or indeterminate amounts sought in these matters, and the inherent unpredictability of such matters, an adverse outcome in these matters in excess of the amounts included in the Company’s accrual for contingencies could have a material adverse effect on our financial condition, results of operations and cash flow.

Future revisions in the Company’s estimates of these provisions could materially impact its results of operations and financial position. The Company uses the best information available to determine the level of accrued product liabilities, and the Company believes its accruals are adequate. The Company has maintained product liability insurance coverage for a number of years on a claims-made basis. All such insurers have been placed on notice of these claims. Based upon the Company’s most recent estimates for liabilities associated with its metal-on-metal hip products, the Company believes it may exhaust its self-insured retention under its insurance program. If this should occur, the Company would have an insurance claim for ultimate losses which exceed the Company’s self-insured retention amount, subject to a cap. The Company believes its contracts with the insurance carriers are enforceable for these claims and, therefore, it believes it is probable that it would receive some amount from its insurance carriers if its ultimate losses exceed its self-insured retention amount. As is customary in these situations, certain of the Company’s insurance carriers have reserved all rights under their respective policies and could still ultimately deny coverage for some or all of the Company’s insurance claims.

Intellectual Property Litigation

On May 3, 2013, Bonutti Skeletal Innovations LLC, a company formed to hold certain patents acquired from Dr. Peter M. Bonutti and an affiliate of patent licensing firm Acacia Research Group LLC, filed suit against us in the U.S. District Court for the Eastern District of Texas, alleging a failure to pay royalties due under a license agreement with Dr. Bonutti, misuse of confidential information and infringement of U.S. Patent Nos. 5,921,986; 6,099,531; 6,423,063; 6,638,279; 6,702,821; 7,070,557; 7,087,073; 7,104,996; 7,708,740; 7,806,896; 7,806,897; 7,828,852; 7,931,690; 8,133,229; and 8,147,514. The lawsuit seeks damages in an amount yet to be determined and injunctive relief. Prior to the filing of this lawsuit, on March 8, 2013, the Company filed a complaint for declaratory judgment with the U.S. District Court for the Northern District of Indiana seeking a judgment of non-infringement and invalidity of the patents at issue. On September 17, 2013, the case filed in

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the U.S. District Court for the Eastern District of Texas was dismissed. The Company is vigorously defending this matter and believes that its defenses against infringement are valid and meritorious. The Company can make no assurances as to the time or resources that will be needed to devote to this litigation or its final outcome.

In January 2009, Heraeus Kulzer GmbH initiated legal proceedings in Germany against Biomet, Biomet Europe BV and certain other subsidiaries, alleging that the Company and Biomet Europe BV misappropriated Heraeus Kulzer trade secrets when developing its current lines of European bone cements, which were first marketed in 2005. The lawsuit seeks damages in excess of €30 million and injunctive relief to preclude the Company from producing its current line of European bone cements. On December 20, 2012, the trial court ruled that Biomet did not misappropriate trade secrets and consequently dismissed Biomet, Biomet Europe BV, Biomet Deutschland GmbH and other defendants from the lawsuit. Biomet Orthopaedics Switzerland GmbH (“Biomet Switzerland”) remains as the only defendant in the lawsuit and the trial court has ruled that Heraeus Kulzer will not be permitted to review certification materials of Biomet Switzerland for purposes of determining whether there is any evidence that would support a claim of trade secret misappropriation by that entity. Heraeus has appealed the trial court’s decision and the Company is continuing to vigorously defend this matter.

Other Matters

There are various other claims, lawsuits, disputes with third parties, investigations and pending actions involving various allegations against the Company incident to the operation of its business, principally product liability and intellectual property cases. Each of these matters is subject to various uncertainties, and it is possible that some of these matters may be resolved unfavorably to the Company. The Company accrues for losses that are deemed to be probable and subject to reasonable estimate.

Based on the advice of the Company’s counsel in these matters, it is unlikely that the resolution of any of these matters and any liabilities in excess of amounts provided will be material to the Company’s financial position, results of operations or cash flows.

Note 17—Related Parties.**Transactions with the Sponsor Group**

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

Management Services Agreement

Upon completion of the Transactions, Biomet entered into a management services agreement with certain affiliates of the Sponsors, pursuant to which such affiliates of the Sponsors or their successors assigns, affiliates, officers, employees, and/or representatives and third parties (collectively, the “Managers”) provide management, advisory, and consulting services to the Company. Pursuant to such agreement, the Managers received a transaction fee equal to 1% of total enterprise value of the Transactions for the services rendered by such entities related to the Transactions upon entering into the agreement, and the

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Sponsors receive an annual monitoring fee equal to 1% of the Company's annual Adjusted EBITDA (as defined in the credit agreement) as compensation for the services rendered and reimbursement for out-of-pocket expenses incurred by the Managers in connection with the agreement and the Transactions. The Company is required to pay the Sponsors the monitoring fee on a quarterly basis in arrears. The total amount of Sponsor fees was \$3.0 million and \$2.8 million for the three months ended November 30, 2013 and 2012, respectively, and \$5.4 million and \$5.4 million for the six months ended November 30, 2013 and 2012, respectively. The Company may also pay certain subsequent fees to the Managers for advice rendered in connection with financings or refinancings (equity or debt), acquisitions, dispositions, spin-offs, split-offs, dividends, recapitalizations, an initial underwritten public offering and change of control transactions involving the Company or any of its subsidiaries. The management services agreement includes customary exculpation and indemnification provisions in favor of the Managers and their affiliates.

Amended and Restated Limited Liability Company Operating Agreement of Holding

On September 27, 2007, certain investment funds associated with or designated by the Sponsors (the "Sponsor Funds") entered into an amended and restated limited liability company operating agreement, or the "LLC Agreement," in respect of Holding. The LLC Agreement contains agreements among the parties with respect to the election of the Company's directors and the directors of its parent companies, restrictions on the issuance or transfer of interests in the Company and other corporate governance provisions (including the right to approve various corporate actions). Pursuant to the LLC Agreement, each of the Sponsors has the right to nominate, and has nominated, two directors to Biomet's and LVB's Board of Directors and also is entitled to appoint one non-voting observer to Biomet's and LVB's Board of Directors for so long as such Sponsor remains a member of Holding. In addition to their right to appoint non-voting observers to Biomet's and LVB's Board of Directors, certain of the Sponsor Funds have certain other management rights to the extent that any such Sponsor Fund is required to operate as a "venture capital operating company" as defined in the regulations issued by the U.S. Department of Labor at Section 2510.3-101 of Part 2510 of Chapter XXV, Title 29 of the Code of Federal Regulations, or any successor regulations. Each Sponsor's right to nominate directors is freely assignable to funds affiliated with such Sponsor, and is assignable to non-affiliates of such Sponsor only if the assigning Sponsor transfers its entire interest in Holding not previously transferred and only with the prior written consent of the Sponsors holding at least 70% of the membership interests in Holding, or "requisite Sponsor consent". In addition to their rights under the LLC Agreement, the Sponsors may also appoint one or more persons unaffiliated with any of the Sponsors to the Board of Directors. Following Purchaser's purchase of the Shares tendered in the Offer, the Sponsors jointly appointed Dane A. Miller, Ph.D. to the Board of Directors in addition to the two directors appointed by each of the Sponsors. In addition, as provided under the LLC Agreement, Jeffrey R. Binder, the CEO of Biomet serves on Biomet's and LVB's Board of Directors.

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

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

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

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

Registration Rights Agreement

The Sponsor Funds and the Co-Investors also entered into a registration rights agreement with Holding, LVB and Biomet upon the closing of the Transactions. Pursuant to this agreement, the Sponsor Funds have the power to cause Holding, LVB and Biomet to register their, the Co-Investors' and certain other persons' equity interests under the

Securities Act and to maintain a shelf registration statement effective with respect to such interests. The agreement also entitles the Sponsor Funds and the Co-Investors to participate in any future registration of equity interests under the Securities Act that Holding, LVB or Biomet may undertake.

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On August 8, 2012 and October 2, 2012, Goldman, Sachs & Co. and the other initial purchasers of the new senior notes and new senior subordinated notes entered into registration rights agreements with Biomet. Pursuant to these agreements, Biomet is obligated, for the sole benefit of Goldman, Sachs & Co. in connection with its market-making activities with respect to the new senior notes and new senior subordinated notes, to file a registration statement under the Securities Act in a form approved by Goldman, Sachs & Co. and to keep such registration statement continually effective for so long as Goldman, Sachs & Co. may be required to deliver a prospectus in connection with transactions in senior and senior subordinated notes due 2020 and to supplement or make amendments to such registration statement as when required by the rules and regulations applicable to such registration statement.

Management Stockholders' Agreements

On September 13, 2007 and November 6, 2007, Holding, LVB and the Sponsor Funds entered into stockholders agreements with certain of the Company's senior executives and other management stockholders. Pursuant to the terms of the LVB Acquisition, Inc. Management Equity Incentive Plan, LVB Acquisition, Inc. Restricted Stock Unit Plan and LVB Acquisition, Inc. 2012 Restricted Stock Unit Plan, participants who exercise their vested options or settle their vested restricted stock units are required to become parties to the agreement dated November 6, 2007. The stockholder agreements contain agreements among the parties with respect to restrictions on the transfer and issuance of shares, including preemptive, drag-along, tag-along, and call/put rights.

Consulting Agreements

On January 14, 2010, Biomet entered into a consulting agreement with Dr. Dane A. Miller Ph.D., pursuant to which it will pay Dr. Miller a consulting fee of \$0.25 million per fiscal year for Dr. Miller's consulting services and will reimburse Dr. Miller for out-of-pocket fees and expenses relating to an off-site office and administrative support in an amount of \$0.1 million per year. The term of the agreement extends through the earlier of September 1, 2011, an initial public offering or a change of control. The agreement also contains certain restrictive covenants prohibiting Dr. Miller from competing with the Company and soliciting employees of the Company during the term of the agreement and for a period of one year following such term. On September 6, 2011, the Company entered into an amendment to the consulting agreement with Dr. Miller, pursuant to which it agreed to increase the expenses relating to an off-site office and administrative support from \$0.1 million per year to \$0.15 million per year and extend the term of the agreement through the earlier of September 1, 2013, an initial public offering or a change of control. On August 19, 2013, the Company entered into an amendment to the consulting agreement with Dr. Miller, pursuant to which it agreed to extend the term of the agreement through the earlier of September 1, 2014, an initial public offering or a change of control. Dr. Miller received payments under the consulting agreement of \$0.1 million for the three months ended November 30, 2012 and \$0.1 million and \$0.2 million for the six months ended November 30, 2013 and 2012, respectively, with no payments during the three months ended November 30, 2013.

Indemnification Priority Agreement

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

Equity Healthcare

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

In consideration for Equity Healthcare’s provision of access to these favorable arrangements and its monitoring of the contracted third parties’ delivery of contracted services to the Company, the Company pays Equity Healthcare a fee of \$2

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per participating employee per month (“PEPM Fee”). As of November 30, 2013, the Company had approximately 3,200 employees enrolled in its health benefit plans in the United States.

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

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

There were payments of \$0.1 million and \$0.1 million for the three and six months ended November 30, 2013, respectively, with no payments made during the three or six months ended November 30, 2012.

Core Trust Purchasing Group Participation Agreement

Effective May 1, 2007, Biomet entered into a 5-year participation agreement (“Participation Agreement”) with Core Trust Purchasing Group, a division of HealthTrust Purchasing Corporation (“CPG”), designating CPG as the Company’s exclusive “group purchasing organization” for the purchase of certain products and services from third party vendors. Effective June 1, 2012, Biomet entered into an amendment to extend the term of the Participation Agreement with CPG. CPG secures from vendors pricing terms for goods and services that are believed to be more favorable than participants in the group purchasing organization could obtain for themselves on an individual basis. Under the participation agreement, the Company must purchase 80% of the requirements of its participating locations for core categories of specified products and services, from vendors participating in the group purchasing arrangement with CPG or CPG may terminate the contract. In connection with purchases by its participants (including the Company), CPG receives a commission from the vendors in respect of such purchases. The total amount of fees paid to CPG was \$0.2 million and \$0.1 million for the three months ended November 30, 2013 and 2012, respectively, and \$0.5 million and \$0.1 million for the six months ended November 30, 2013 and 2012, respectively.

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

Refinancing Activities

Goldman Sachs served as a dealer manager and arranger for the refinancing activities explained in Note 7 – Debt and received fees of \$0.4 million and \$0.5 million during the three and six months ended November 30, 2012, respectively, for their services, with no payment during the three or six months ended November 30, 2013. Goldman Sachs also received an underwriting discount of \$2.3 million during the first quarter of fiscal year 2013 as one of the initial purchasers of the \$1.0 billion aggregate principal amount note offering of 6.50% senior notes due 2020, an underwriting discount of \$2.6 million during the second quarter of fiscal year 2013 as of one the initial purchasers of the \$825.0 million aggregate principal amount note add-on offering to the 6.50% senior notes due 2020 and an underwriting discount of \$2.5 million during the second quarter of fiscal year 2013 as one of the initial purchasers of the \$800.0 million aggregate principal amount note offering of the 6.50% senior subordinated notes due 2020.

Other

Biomet currently holds interest rate swaps with Goldman Sachs. As part of this relationship, the Company receives information from Goldman Sachs that allows it to perform effectiveness testing on a monthly basis.

Biomet may from time to time, depending upon market conditions, seek to purchase debt securities issued by Biomet or its subsidiaries in open market or privately negotiated transactions or by other means. Biomet understands that its indirect controlling stockholders may from time to time also seek to purchase debt securities issued by the Company or its subsidiaries in open market or privately negotiated transactions or by other means.

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The Company engaged Capstone Consulting LLC, a consulting company that works exclusively with KKR and its portfolio companies, to provide analysis for certain restructuring initiatives. The Company or its affiliates paid Capstone \$1.7 million and \$2.2 million during the three and six months ended November 30, 2012, respectively, with no payments during the three or six months ended November 30, 2013.

Capital Contributions and Share Repurchases

At the direction of LVB, Biomet may fund the repurchase of common shares of its parent company, from former employees pursuant to the LVB Acquisition, Inc. management Stockholders' Agreement. There were repurchases of \$0.1 million and \$0.1 million during the three and six months ended November 30, 2012. There were no additional contributions for the three and six months ended November 30, 2013.

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

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

Executive Overview

Our net sales increased 4.5% for the three months ended November 30, 2013 to \$825.7 million, compared to \$790.1 million for the three months ended November 30, 2012. The effect of foreign currency fluctuations negatively impacted reported net sales for the three months ended November 30, 2013 by \$6.7 million, or 0.9%, with Europe reported net sales positively impacted by \$6.8 million, or 3.5%, and International reported net sales negatively impacted by \$13.5 million, or 10.8%. The following represents key items for the three months ended November 30, 2013 compared to the three months ended November 30, 2012:

Consolidated net sales increased 4.5% (5.4% constant currency) worldwide to approximately \$826 million

Knee sales grew 6.6% (7.7% constant currency) worldwide, with U.S. growth of 8.4%

S.E.T. sales increased 5.3% (6.5% constant currency) worldwide and grew 6.2% in the U.S.

Acquisition of Lanx, Inc. closed on October 31, 2013, as previously announced

Commercial launch of G7™ Acetabular System began during the second quarter of fiscal year 2014

Opportunities and Challenges

We believe that growth opportunities exist in the global orthopedics market as a result of favorable demographics in major markets and underserved needs for musculoskeletal care in certain emerging markets. As the baby boomer population ages and life expectancy increases, the elderly will represent a higher percentage of the overall population. Many conditions that require orthopedic surgery affect people in middle age or later in life, which is expected to drive growth in procedural volumes. According to U.S. Census Bureau "2008 National Population Projections", the U.S. population aged 55 to 74 is expected to grow at approximately two times the average rate of population growth from 58 million and 19% of the population in 2010 to 79 million and 21% of the population in 2030. According to 2012 Eurostat projections, the European population aged 55 to 74 is expected to grow at approximately five times the average rate of population growth from 107 million and 21% of the population in 2010 to 133 million and 26% of the population in 2030. The U.S., Europe, and Japan account for more than 80% of the global orthopedics marketplace; however less than 20% of the world's population of 7 billion people live in those geographic regions. We believe significant orthopedic opportunities exist outside of these three geographic markets, as most people will need musculoskeletal care throughout their lives, which is expected to result in growth in these emerging markets. Our results of operations could be substantially affected not only by global economic conditions, but also by local operating and economic conditions, which can vary substantially by market. Unfavorable conditions can depress sales in a given market and may result in actions that adversely affect our margins, constrain our operating flexibility or result in charges which are unusual or non-recurring. Certain macroeconomic events, such as the continuing adverse conditions in the global economy, could have a more wide-ranging and prolonged impact on the general business environment, which could also adversely affect us.

In the United States, healthcare providers that purchase our products (e.g., hospitals, physicians, dentists and other health care providers) generally rely on payments from third-party payors (principally federal Medicare, state Medicaid and private health insurance plans) to cover all or a portion of the cost of our musculoskeletal products. In March 2010, comprehensive health care reform legislation was enacted through the passage of the Patient Protection and Affordable Health Care Act (H.R. 3590) and the Health Care and Education Reconciliation Act (H.R. 4872). Among other initiatives, these laws impose a 2.3% excise tax on domestic sales of medical devices following December 31, 2012, which is estimated to contribute approximately \$20 billion to healthcare reform. Various healthcare reform proposals have also emerged at the state level. Outside of the excise tax, which has impacted our results of operations and cash flows following December 31, 2012, we cannot predict with certainty what healthcare initiatives, if any, will be implemented at the state level, or what the ultimate effect of federal health care reform or

any future legislation or regulation will have on us. However, an expansion of government's role in the U.S. healthcare industry may lower reimbursements for our products, reduce medical procedure volumes and adversely affect our business, results of operations and cash flows, possibly materially.

Outside the United States, reimbursement systems vary significantly from country to country. If adequate levels of reimbursement from third-party payors outside the United States are not obtained, international sales of our products may decline. Many foreign markets, including Canada and some European and Asian countries, have decreased reimbursement rates

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in recent years. Our ability to continue to sell certain products profitably in these markets may diminish if the government-managed healthcare systems continue to reduce reimbursement rates, which can decrease pricing and procedural volume.

Seasonality

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

Products

Our product portfolio encompasses knees, hips, S.E.T., spine, bone healing & microfixation, dental and cement, biologics & other products.

Knees and Hips – Orthopedic reconstructive implants are used to replace joints that have deteriorated as a result of disease (principally osteoarthritis) or injury. Reconstructive joint surgery involves the modification of the area surrounding the affected joint and the implantation of one or more manufactured components.

S.E.T. – We manufacture and distribute a number of sports medicine products (used in minimally-invasive orthopedic surgical procedures). Extremity reconstructive implants are used to replace joints other than hips and knees that have deteriorated as a result of disease or injury. Our key reconstructive joint in this product category is the shoulder, but we produce other joints as well. Trauma devices are used for setting and stabilizing bone fractures to support and/or augment the body's natural healing process. Trauma products include plates, screws, nails, pins and wires designed to internally stabilize fractures; devices utilized to externally stabilize fractures when alternative methods of fixation are not suitable; and implantable bone growth stimulation devices for trauma.

Spine, Bone Healing & Microfixation Products – Our spine products include spinal fixation systems for cervical, thoracolumbar, deformity correction and spacer applications; implantable bone growth stimulation devices for spine applications; and osteobiologics, including bone substitute materials, as well as allograft services for spinal applications. Bone healing products include non-invasive bone growth stimulation devices used for spine and trauma indications. Microfixation includes products for patients in the neurosurgical and craniomaxillofacial reconstruction markets, as well as thoracic solutions for fixation and stabilization of the bones of the chest.

Dental Products – Dental reconstructive devices and associated instrumentation are used for oral rehabilitation through the replacement of teeth and repair of hard and soft tissues. We also offer crown and bridge products.

Cement, Biologics & Other Products – We manufacture and distribute bone cements and cement delivery systems, autologous therapies and other products, including operating room supplies, casting materials, general surgical instruments, wound care products and other miscellaneous surgical products.

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Results of Operations

For the Three Months Ended November 30, 2013 Compared to the Three Months Ended November 30, 2012

(in millions, except percentages)	Three Months Ended November 30, 2013	Percentage of Net Sales	Three Months Ended November 30, 2012	Percentage of Net Sales	Percentage Increase/ (Decrease)	
Net sales	\$825.7	100.0	% \$790.1	100.0	% 4.5	%
Cost of sales	285.0	34.5	236.0	29.9	20.8	
Gross profit	540.7	65.5	554.1	70.1	(2.4))
Selling, general and administrative expense	310.5	37.6	296.8	37.6	4.6	
Research and development expense	41.4	5.0	36.4	4.6	13.7	
Amortization	75.2	9.1	77.7	9.8	(3.2))
Operating income	113.6	13.8	143.2	18.1	(20.7))
Interest expense	105.7	12.8	104.9	13.3	0.8	
Other (income) expense	3.7	0.4	124.0	15.7	(97.0))
Other expense, net	109.4	13.2	228.9	29.0	(52.2))
Income (loss) before income taxes	4.2	0.5	(85.7)	(10.8)	(104.9))
Provision (benefit) from income taxes	(0.7)	(0.1)	(19.5)	(2.5)	(96.4))
Net income (loss)	\$4.9	0.6	% \$(66.2)	(8.4)	%)	(107.4) %)
Adjusted net income	\$126.8	15.4	% \$103.7	13.1	% 22.3	%
Adjusted EBITDA	\$293.8	35.6	% \$288.2	36.5	% 1.9	%

Sales

Net sales were \$825.7 million for the three months ended November 30, 2013, and \$790.1 million for the three months ended November 30, 2012.

The following tables provide net sales by geography and product category:

Sales by Geography Summary

(in millions, except percentages)	Three Months Ended November 30, 2013	Percentage of Net Sales	Three Months Ended November 30, 2012	Percentage of Net Sales	Percentage Increase/ (Decrease) ⁽²⁾	
United States	\$493.1	59.7	% \$470.8	59.6	% 4.7	%
Europe	211.8	25.7	193.9	24.5	9.3	
International ⁽¹⁾	120.8	14.6	125.4	15.9	(3.7))
Total	\$825.7	100.0	% \$790.1	100.0	% 4.5	%

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

(2) Amounts may not recalculate due to rounding.

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Product Category Summary

(in millions, except percentages)	Three Months Ended November 30, 2013	Percentage of Net Sales	Three Months Ended November 30, 2012 ⁽¹⁾	Percentage of Net Sales	Percentage Increase/ (Decrease) ⁽²⁾
Knees	\$264.0	32.0 %	\$247.6	31.3 %	6.6 %
Hips	167.7	20.3	164.1	20.8	2.3
Sports, Extremities, Trauma (S.E.T.)	160.3	19.4	152.2	19.3	5.3
Spine, Bone Healing & Microfixation	104.9	12.7	102.6	13.0	2.3
Dental	70.5	8.5	67.1	8.5	4.9
Cement, Biologics & Other	58.3	7.1	56.5	7.1	3.1
Total	\$825.7	100.0 %	\$790.1	100.0 %	4.5 %

(1) Certain amounts have been adjusted to conform to the current presentation. The current presentation aligns with how we presently manage and market our products.

(2) Amounts may not recalculate due to rounding.

Knees

Net sales of knee products for the three months ended November 30, 2013 were \$264.0 million, or 32.0% of net sales, representing a 6.6% increase worldwide compared to net sales of \$247.6 million, or 31.3% of net sales, during the three months ended November 30, 2012, with a 8.4% increase in the U.S. Global pricing declined during the quarter on a year-over-year basis in the low single digit range, which is generally consistent with pricing trends we have experienced over the last few years. Currency fluctuations negatively impacted knees sales by 1.1% during the quarter. Key products that received strong demand during the quarter included our Oxford® Partial Knee, our Vanguard® SSK 360 Revision System, E1® Vitamin E infused bearings and the Vanguard® Complete Knee System. The sales growth for our Oxford® Partial Knees was largely due to our increased communications through our direct-to-consumer campaigns highlighting the benefits of the Oxford® system, as well as our Oxford® knee lifetime implant replacement warranty.

Hips

Net sales of hip products for the three months ended November 30, 2013 were \$167.7 million, or 20.3% of net sales, representing a 2.3% increase worldwide compared to net sales of \$164.1 million, or 20.8% of net sales, during the three months ended November 30, 2012, with a 3.3% sales increase in the U.S. Global pricing declined during the quarter on a year-over-year basis in the low single digit range, which is generally consistent with pricing trends we have experienced over the last few years. Currency fluctuations negatively impacted hip sales by 1.6% during the quarter. Revision sales were a key contributor to our hip sales growth during the quarter, with strong demand for our Arcos® Modular Femoral Revision System. Our Taperloc® Complete Hip System and Echo® Hip System were key contributors to worldwide primary hip sales. Additionally, we launched our G7™ Acetabular System during the quarter in the U.S. and Japan and saw strong market acceptance.

S.E.T.

Worldwide net sales of S.E.T. products for the three months ended November 30, 2013 were \$160.3 million, or 19.4% of net sales, representing a 5.3% increase compared to net sales of \$152.2 million, or 19.3% of net sales, during the three months ended November 30, 2012, with a 6.2% sales increase in the U.S. Currency fluctuations negatively impacted S.E.T. sales by 1.2% during the quarter. The primary drivers of our S.E.T. sales increase were continued growth in our Comprehensive® Shoulder System including our Primary, Reverse, Fracture and S.R.S. (Segmental Revision System) products, wrist fracture systems and our Juggernaut™ products.

Spine, Bone Healing & Microfixation

Worldwide net sales of spine, bone healing & microfixation products for the three months ended November 30, 2013 were \$104.9 million, or 12.7% of net sales, representing a 2.3% increase compared to net sales of \$102.6 million, or

13.0% of net sales, for the three months ended November 30, 2012. The sales increase was primarily driven by distribution optimization efforts in spine and bone healing, increased microfixation sales and the benefit for one month of sales due to the

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Lanx Acquisition. The increase was partially offset by the divestiture of our bracing business, which closed on February 28, 2013, and decreased royalty revenue.

Dental

Worldwide net sales of dental products for the three months ended November 30, 2013 were \$70.5 million, or 8.5% of net sales, representing a 4.9% increase compared to net sales of \$67.1 million, or 8.5% of net sales, during the three months ended November 30, 2012. Dental sales in the U.S. increased 10.2%, which included a favorable reserve adjustment. Increased sales in Europe were partially offset by a slight decline in International dental sales.

Cement, Biologics & Other

Worldwide net sales of cement, biologics & other products for the three months ended November 30, 2013 were \$58.3 million, or 7.1% of net sales, representing a 3.1% increase compared to net sales of \$56.5 million, or 7.1% of net sales, during the three months ended November 30, 2012. Cement product sales grew partially tied to stronger knee sales during the quarter, driven by strong sales of the Optipac® Pre-Packed Cement Mixing System and the Optivac® Vacuum Mixing System. These increases were partially offset by a decrease in sales of autologous therapies.

Gross Profit

Gross profit for the three months ended November 30, 2013 was \$540.7 million, as compared to gross profit for the three months ended November 30, 2012 of \$554.1 million, or 65.5% and 70.1% of net sales, respectively. Gross profit as a percentage of net sales decreased 0.9% due primarily to lower average selling prices, slightly higher instrument depreciation expense related to new product launches and unfavorable foreign currency translation due to the effect of the weakening Yen on sales. Gross profit as a percentage of net sales decreased 3.7% attributable to product liability charges, costs of operational improvement initiatives in the plant network and the medical device tax.

Selling, General and Administrative Expense

Selling, general and administrative expense during the three months ended November 30, 2013 was \$310.5 million compared to \$296.8 million for the three months ended November 30, 2012 or 37.6% of net sales for both periods. Expense as a percentage of net sales decreased by 0.2% due to the leveraging of sales force expenses compared to the prior year which were higher due to the Trauma Acquisition and lower bad debt expense in the current year partially offset by increased marketing expenses due to our current year direct-to-consumer campaign. Expense as a percentage of net sales increased by 0.2% related to the Lanx Acquisition costs partially offset by lower stock-based compensation expense.

Research and Development Expense

Research and development expense increased during the three months ended November 30, 2013 to \$41.4 million from \$36.4 million for the three months ended November 30, 2012, or 5.0% and 4.6% of net sales, respectively. An increase of 0.5% is primarily due to investments in new product development, regulatory affairs and clinical investments in both our core businesses as well as emerging technology areas. We increased our investment in our Biologics division in innovative autologous therapies including the re-introduction of rejuvesol®, a red blood cell processing solution. These increases were partially offset by a decrease of 0.1% due to lower stock-based compensation expense.

Amortization

Amortization expense for the three months ended November 30, 2013 was \$75.2 million, or 9.1% of net sales, compared to \$77.7 million for the three months ended November 30, 2012, or 9.8% of net sales. This decrease is primarily due to the intangible asset impairment charge taken in the third quarter of fiscal year 2013 related to our Dental Reconstructive reporting unit, partially offset by additional amortization expense related to the Lanx Acquisition.

Interest Expense

Interest expense was \$105.7 million for the three months ended November 30, 2013, compared to interest expense of \$104.9 million for the three months ended November 30, 2012. Interest expense was impacted by a charge of \$21.8 million related to the termination of our euro-denominated interest rate swaps in connection with the refinancing of our euro-denominated debt described in “Note 7—Debt” to the condensed consolidated financial statements contained in

Part I, Item I of this report. This expense was largely offset by lower average interest rates on our term loans and lower bond interest as a result of refinancing activities in fiscal year 2013 and 2014.

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Other (Income) Expense

Other (income) expense was expense of \$3.7 million for the three months ended November 30, 2013, compared to expense of \$124.0 million for the three months ended November 30, 2012. The decrease in the amount of the expense primarily due to our recording fees related to our refinancing activities of \$125.3 million in the three months ended November 30, 2012.

Provision (Benefit) from Income Taxes

The effective income tax rate was (16.7%) for the three months ended November 30, 2013, compared to 22.9% for the three months ended November 30, 2012. Primary factors in determining the effective tax rate 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 our 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. Discrete items impacted the quarterly income tax provision by \$(0.1) million, or (3.6%), in the three months ended November 30, 2013. Discrete items impacted the quarterly income tax provision by \$0.3 million, or (0.4%), in the three months ended November 30, 2012.

Non-GAAP Financial Measures⁽¹⁾

Adjusted Net Income

Adjusted net income increased to \$126.8 million for the three months ended November 30, 2013 compared to \$103.7 million for the three months ended November 30, 2012, or 15.4% and 13.1% of net sales, respectively.

Operating income increased adjusted net income by \$1.3 million, but decreased 1.2% as a percentage of net sales, driven by:

Gross profit as a percentage of net sales decreased 0.9% due primarily to lower average selling prices, slightly higher instrument depreciation expense related to new product launches and the Trauma Acquisition and unfavorable foreign currency translation due to the effect of the weakening Yen on sales.

Selling, general and administrative expense as a percentage of net sales decreased by 0.2% due to the leveraging of sales force expenses compared to the prior year which were higher due to the Trauma Acquisition and lower bad debt expense in the current year partially offset by increased marketing expenses due to our current year direct-to-consumer campaign.

Research and development expense increased as a percentage of net sales by 0.5% as a result of investments in new product development, regulatory affairs and clinical investments in both our core businesses as well as emerging technology areas.

Interest expense increased adjusted net income \$21.0 million, or 3.2% as a percentage of net sales, reflecting the favorable impact of our refinancing activities.

Other (income) expense increased adjusted net income by \$1.2 million, or 0.2% as a percentage of net sales.

The effective tax rate for the fiscal second quarter attributable to adjusted net income decreased to 20.7% compared to 24.0% in the prior year period. As a result, income tax expense decreased adjusted net income by \$0.4 million, but decreased as a percentage of net sales by 0.1%.

Adjusted EBITDA

Adjusted EBITDA increased to \$293.8 million for the three months ended November 30, 2013 compared to \$288.2 million for the three months ended November 30, 2012, or 35.6% and 36.5% of net sales, respectively.

Operating income increased adjusted net income by \$1.3 million, but decreased 1.2% as a percentage of net sales. Depreciation and amortization increased adjusted EBITDA by \$4.3 million, or 0.3% as a percentage of net sales, primarily as a result of higher levels of instrument depreciation expense included in cost of sales related to new product launches and the Trauma Acquisition.

(1) See “Non-GAAP Financial Information” at the end of this item for a reconciliation of non-GAAP financial measures.

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Results of Operations

For the Six Months Ended November 30, 2013 Compared to the Six Months Ended November 30, 2012

(in millions, except percentages)	Six Months Ended November 30, 2013	Percentage of Net Sales		Six Months Ended November 30, 2012	Percentage of Net Sales	Percentage Increase/ (Decrease)	
Net sales	\$1,556.4	100.0	%	\$1,497.5	100.0	%	3.9 %
Cost of sales	522.2	33.6		464.1	31.0		12.5
Gross profit	1,034.2	66.4		1,033.4	69.0		0.1
Selling, general and administrative expense	594.6	38.2		592.9	39.6		0.3
Research and development expense	78.9	5.1		72.2	4.8		9.3
Amortization	150.7	9.7		156.1	10.4		(3.5)
Operating income	210.0	13.5		212.2	14.2		(1.0)
Interest expense	193.3	12.4		222.0	14.8		(12.9)
Other (income) expense	5.9	0.4		161.5	10.8		(96.3)
Other expense, net	199.2	12.8		383.5	25.6		(48.1)
Income (loss) before income taxes	10.8	0.7		(171.3	(11.4	)	(106.3)
Provision (benefit) from income taxes	(25.2)	(1.6 )	)	(73.6)	(4.9 )	)	(65.8)
Net income (loss)	\$36.0	2.3	%	\$(97.7	(6.5	)%	(136.8)%
Adjusted net income	\$207.6	13.3	%	\$164.1	11.0	%	26.5 %
Adjusted EBITDA	\$540.1	34.7	%	\$526.0	35.1	%	2.7 %

Sales

Net sales were \$1,556.4 million for the six months ended November 30, 2013, and \$1,497.5 million for the six months ended November 30, 2012.

The following tables provide net sales by geography and product category:

Sales by Geography Summary

(in millions, except percentages)	Six Months Ended November 30, 2013	Percentage of Net Sales		Six Months Ended November 30, 2012	Percentage of Net Sales	Percentage Increase/ (Decrease) ⁽²⁾	
United States	\$963.0	61.9	%	\$923.0	61.6	%	4.3 %
Europe	363.3	23.3		336.8	22.5		7.9
International ⁽¹⁾	230.1	14.8		237.7	15.9		(3.2)
Total	\$1,556.4	100.0	%	\$1,497.5	100.0	%	3.9 %

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

(2) Amounts may not recalculate due to rounding.

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Product Category Summary

(in millions, except percentages)	Six Months Ended November 30, 2013	Percentage of Net Sales	Six Months Ended November 30, 2012 ⁽¹⁾	Percentage of Net Sales	Percentage Increase/ (Decrease) ⁽²⁾
Knees	\$489.1	31.4 %	\$465.1	31.1 %	5.1 %
Hips	317.4	20.4	311.0	20.8	2.1
Sports, Extremities, Trauma (S.E.T.)	309.8	19.9	279.5	18.7	10.8
Spine, Bone Healing & Microfixation	206.5	13.3	211.4	14.1	(2.3)
Dental	124.4	8.0	124.1	8.3	0.2
Cement, Biologics & Other	109.2	7.0	106.4	7.0	2.8
Total	\$1,556.4	100.0 %	\$1,497.5	100.0 %	3.9 %

(1) Certain amounts have been adjusted to conform to the current presentation. The current presentation aligns with how we presently manage and market our products.

(2) Amounts may not recalculate due to rounding.

Knees

Net sales of knee products for the six months ended November 30, 2013 were \$489.1 million, or 31.4% of net sales, representing a 5.1% increase worldwide compared to net sales of \$465.1 million, or 31.1% of net sales, during the six months ended November 30, 2012, with a 6.7% increase in the U.S. Global pricing declined during the first and second quarters on a year-over-year basis in the low single digit range, which is generally consistent with pricing trends we have experienced over the last few years. Currency fluctuations negatively impacted knees sales by 1.2% during the first and second quarters. Key products that received strong demand during the quarter included our Oxford® Partial Knee, our Vanguard® SSK 360 Revision System, E1® Vitamin E infused bearings, the Vanguard® Complete Knee System and the Signature™ Personalized Patient Care System. The Signature™ System was developed through a partnership with Materialise NV. The sales growth for our Oxford® Partial Knees was largely due to our increased communications highlighting the benefits of the Oxford® system, as well as our Oxford® knee lifetime implant replacement warranty, through our direct-to-consumer campaigns.

Hips

Net sales of hip products for the six months ended November 30, 2013 were \$317.4 million, or 20.4% of net sales, representing a 2.1% increase worldwide compared to net sales of \$311.0 million, or 20.8% of net sales, during the six months ended November 30, 2012, with a 3.1% sales increase in the U.S. Global pricing declined during the first and second quarters on a year-over-year basis in the low single digit range, which is generally consistent with pricing trends we have experienced over the last few years. Currency fluctuations negatively impacted hip sales by 1.7% during the first and second quarters. Revision sales were a key contributor to our hip sales growth during the quarter, with strong demand for our Arcos® Modular Femoral Revision System, Regenerex® Porous Titanium Construct and our Freedom® Constrained Liners. Our Taperloc® Complete Hip System and Echo® Hip System were key contributors to worldwide primary hip sales. Additionally, we launched our G7™ Acetabular System during the second quarter of fiscal year 2014 in the U.S. and Japan and saw strong market acceptance.

S.E.T.

Worldwide net sales of S.E.T. products for the six months ended November 30, 2013 were \$309.8 million, or 19.9% of net sales, representing a 10.8% increase compared to net sales of \$279.5 million, or 18.7% of net sales, during the six months ended November 30, 2012, with an 11.8% increase in the U.S. Currency fluctuations negatively impacted S.E.T. sales by 1.3% during the first and second quarters. The primary drivers of our S.E.T. sales increase were continued growth in our Comprehensive® Shoulder System including our Primary, Reverse, Fracture and S.R.S. (Segmental Revision System) products, wrist fracture systems and our JuggerKnot™ products, as well as two additional weeks of trauma sales related to the Trauma Acquisition when comparing period over period, partially offset by

unfavorable foreign currency fluctuations.

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Table of Contents**Spine, Bone Healing & Microfixation**

Worldwide net sales of spine, bone healing & microfixation products for the six months ended November 30, 2013 were \$206.5 million, or 13.3% of net sales, representing a 2.3% decrease compared to net sales of \$211.4 million, or 14.1% of net sales, for the six months ended November 30, 2012. The decrease in net sales was primarily driven by the divestiture of our bracing business, which closed on February 28, 2013, and decreased royalty revenue. These decreases were partially offset by increases due to distribution optimization efforts in spine and bone healing, increased microfixation sales and the benefit for one month of sales due to the Lanx Acquisition.

Dental

Worldwide net sales of dental products for the six months ended November 30, 2013 were \$124.4 million, or 8.0% of net sales, representing a 0.2% increase compared to net sales of \$124.1 million, or 8.3% of net sales, during the six months ended November 30, 2012. Dental sales in the U.S. increased 6.7%. Our sales were negatively impacted by back orders that we experienced late in the first quarter due to a packaging issue that led to a recall. We have taken corrective action and the supply issue has been eliminated going forward.

Cement, Biologics & Other

Worldwide net sales of cement, biologics & other products for the six months ended November 30, 2013 were \$109.2 million, or 7.0% of net sales, representing a 2.8% increase compared to net sales of \$106.4 million, or 7.0% of net sales, during the six months ended November 30, 2012. Cement product sales grew primarily due to increased sales outside the U.S., driven by strong sales of the Optipac® Pre-Packed Cement Mixing System, the Optivac® Vacuum Mixing System and StageOne™ Knee and Modular Hip Cement Spacer Molds. These increases were partially offset by a decrease in sales of autologous therapies.

Gross Profit

Gross profit for the six months ended November 30, 2013 increased to \$1,034.2 million, as compared to gross profit for the six months ended November 30, 2012 of \$1,033.4 million, or 66.4% and 69.0% of net sales, respectively. Gross profit as a percentage of net sales decreased 0.7% due primarily to lower average selling prices, higher depreciation on instruments and unfavorable foreign currency translation. Gross profit as a percentage of net sales decreased 1.9% attributable to product liability charges, costs of operational improvement initiatives in the plant network and the medical device tax offset by product rationalization charges in the prior year which reflected product redundancies related to the Trauma Acquisition.

Selling, General and Administrative Expense

Selling, general and administrative expense during the six months ended November 30, 2013 and 2012 was \$594.6 million and \$592.9 million, respectively, or 38.2% and 39.6% of net sales, respectively. Expense as a percentage of net sales decreased by 0.4% due to the leveraging of sales and marketing expenses partially offset by increased spending on direct-to-consumer advertising. Expense as a percentage of net sales decreased by 1.0% related to stock-based compensation expense and costs related to the Trauma Acquisition, partially offset by Lanx Acquisition costs.

Research and Development Expense

Research and development expense increased during the six months ended November 30, 2013 to \$78.9 million, or 5.1% of net sales, from \$72.2 million, or 4.8% of net sales for the six months ended November 30, 2012. An increase of 0.5% due to investments in new product development, regulatory affairs and clinical investments in both our core businesses as well as emerging technology areas was offset by a decrease of 0.2% due to lower stock-based compensation expense.

Amortization

Amortization expense for the six months ended November 30, 2013 was \$150.7 million, or 9.7% of net sales, compared to \$156.1 million for the six months ended November 30, 2012, or 10.4% of net sales. This decrease is primarily due to the intangible asset impairment charge taken in the third quarter of fiscal year 2013 related to our Dental Reconstructive reporting unit, partially offset by additional amortization expense related to the Lanx Acquisition.

Interest Expense

Interest expense was \$193.3 million for the six months ended November 30, 2013, compared to interest expense of \$222.0 million for the six months ended November 30, 2012. Interest expense was impacted by a charge of \$21.8 million related to the termination of our euro-denominated interest rate swaps in connection with the refinancing of our euro-denominated debt described in “Note 7—Debt” to the condensed consolidated financial statements contained in Part I, Item I of

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this report. This expense was largely offset by lower average interest rates on our term loans and lower bond interest as a result of refinancing activities in fiscal year 2013 and 2014.

Other (Income) Expense

Other (income) expense was an expense of \$5.9 million for the six months ended November 30, 2013, compared to an expense of \$161.5 million for the six months ended November 30, 2012. The decrease in the amount of the expense was primarily due to our recording fees related to our refinancing activities of \$167.7 million in the six months ended November 30, 2012.

Provision (Benefit) from Income Taxes

The effective income tax rate was (233.3%) for the six months ended November 30, 2013, compared to 43.0% for the six months ended November 30, 2012. Primary factors in determining the effective tax rate 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 our 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. 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, impacted the quarterly income tax provision by \$(26.1) million, or (242.1%), in the six months ended November 30, 2013. Discrete items impacted the quarterly income tax provision by \$(3.6) million, or 2.1%, in the six months ended November 30, 2012, primarily as a result of changes in deferred tax balances due to the prospective reduction of the United Kingdom statutory corporate tax rate enacted in July 2012.

Non-GAAP Financial Measures⁽¹⁾

Adjusted Net Income

Adjusted net income increased to \$207.6 million for the six months ended November 30, 2013 compared to \$164.1 million for the six months ended November 30, 2012, or 13.3% and 11.0% of net sales, respectively.

Operating income increased adjusted net income by \$5.7 million, but decreased 0.7% as a percentage of net sales, driven by:

- Gross profit as a percentage of net sales decreased 0.7% due primarily to lower average selling prices, higher depreciation on instruments and unfavorable foreign currency translation.

- Selling, general and administrative expense as a percentage of net sales decreased by 0.4% due to the leveraging of sales and marketing expenses partially offset by increased spending on direct-to-consumer advertising.

- Research and development expense increased as a percentage of net sales by 0.5% as a result of investments in new product development, regulatory affairs and clinical investments in both our core businesses as well as emerging technology areas.

- Amortization decreased as a percentage of net sales decreased by 0.1%.

Interest expense increased adjusted net income \$50.5 million, or 3.8% as a percentage of net sales, reflecting the favorable impact of lower average interest rates on our term loans and bonds as a result of our 2013 refinancing activities.

Other (income) expense decreased adjusted net income by \$5.9 million, or 0.4% as a percentage of net sales. Other (income) expense represents primarily net currency gains and losses on intercompany amounts owed between separate legal entities within the Company and such net gains were higher in the prior year.

The effective tax rate for the six months ended November 30, 2013 attributable to adjusted net income decreased to 22.0% compared to 24.0% in the prior year period reflecting an increased mix of global pre-tax income generated in lower tax jurisdictions. Income tax expense decreased adjusted net income by \$6.8 million and increased as a percentage of net sales by 0.4% due to increased income before tax.

Adjusted EBITDA

Adjusted EBITDA increased to \$540.1 million for the six months ended November 30, 2013 compared to \$526.0 million for the six months ended November 30, 2012, or 34.7% and 35.1% of net sales, respectively.

Operating income increased adjusted net income by \$5.7 million, but decreased 0.7% as a percentage of net sales.

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Depreciation and amortization increased adjusted EBITDA by \$8.4 million, or 0.3% as a percentage of net sales, primarily as a result of higher depreciation on instruments included in cost of sales.

(1) See “Non-GAAP Financial Information” at the end of this item for a reconciliation of non-GAAP financial measures.

Liquidity and Capital Resources

Cash Flows

The following is a summary of the cash flows by activity for the six months ended November 30, 2013 and 2012:

(in millions)	Six Months Ended November 30, 2013	Six Months Ended November 30, 2012
Net cash from (used in):		
Operating activities	\$ 170.9	\$ 128.6
Investing activities	(248.6	) (409.3
Financing activities	(101.2	) (51.3
Effect of exchange rate changes on cash	(0.5	) 7.1
Change in cash and cash equivalents	\$(179.4	) \$(324.9

For the Six Months Ended November 30, 2013 Compared to the Six Months Ended November 30, 2012

Our cash and cash equivalents were \$176.2 million as of November 30, 2013, compared to \$167.5 million as of November 30, 2012. We generally maintain our cash and cash equivalents and investments in money market funds, corporate bonds and debt instruments. Cash and cash equivalents held outside of the United States were \$66.1 million as of November 30, 2013. If we were to repatriate this cash back to the United States, additional tax of up to 35%, the maximum federal tax rate, could be incurred. In addition, we require a certain amount of cash to support on-going operations outside the United States.

Operating Cash Flows

Net cash provided by operating activities was \$170.9 million for the six months ended November 30, 2013, compared to cash flows provided of \$128.6 million for the six months ended November 30, 2012. The increase in cash from operating activities was primarily related to the \$31.4 million decrease in cash paid for interest as a result of our refinancing activities in fiscal year 2013. Cash generated by operating activities continued to be a source of funds for deleveraging and investing in our growth.

Investing Cash Flows

Net cash used in investing activities was \$248.6 million for the six months ended November 30, 2013, compared to cash used of \$409.3 million for the six months ended November 30, 2012. The investing cash flow decrease was primarily due to the Trauma Acquisition purchase price of \$280.0 million included in the six months ended November 30, 2012, partially offset by the Lanx Acquisition purchase price of \$148.8 million included in the six months ended November 20, 2013.

Financing Cash Flows

Net cash used in financing activities was \$101.2 million for the six months ended November 30, 2013, compared to cash used in financing activities of \$51.3 million for the six months ended November 30, 2012. The difference was primarily related to the refinancing activities during the fiscal year 2014 and 2013. Additional cash was used for discretionary debt paydown in the six months ended November 30, 2013, partially offset by increased proceeds under revolving lines in fiscal year 2014 and higher refinancing fees of \$67.8 million during the six months ended November 30, 2012.

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Balance Sheet Metrics

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

	November 30, 2013	May 31, 2013	November 30, 2012
Days Sales Outstanding ⁽¹⁾	61.7	62.7	60.3
Inventory Turns ⁽²⁾	1.53	1.71	1.47

(1) DSO is calculated by dividing the quarter-over-quarter average accounts receivable balance by the last quarter net sales multiplied by 91.25 days.

(2) Inventory turns are calculated by dividing the last twelve months cost of sales by the year-over-year average net inventory balance.

We use DSO as a measure that places emphasis on how quickly we collect our accounts receivable balances from customers. The decrease in DSOs compared to May 31, 2013 is primarily due to seasonality factors, partially offset by the Lanx Acquisition impact. The increase in DSOs compared to November 30, 2012 was primarily due to the impact of the Lanx Acquisition and slightly slower collections & increased aging of accounts receivable in Europe.

We use inventory turns as a measure that places emphasis on how quickly we turn over our inventory. Inventory turns slowed compared to May 31, 2013 due largely to inventory builds to support new product launches and the Lanx Acquisition. Inventory turns were slightly higher than November 30, 2012.

Non-GAAP Disclosures

We use certain non-GAAP financial measures to evaluate our performance using information that differs from what is required under GAAP. These non-GAAP financial measures may not be comparable to similar measures reported by other companies and should be considered in addition to, and not as a substitute for, or superior to, other measures prepared in accordance with GAAP.

Special Items

For the Three and Six Months Ended November 30, 2013 and 2012

(in millions)	Three Months Ended November 30, 2013						Total
	Cost of Sales	Selling, general and administrative expense	Research and development expense	Amortization	Interest expense	Other (income) expense	
Purchase accounting ⁽¹⁾	\$1.6	\$—	\$—	\$72.0	\$—	\$—	\$73.6
Stock-based compensation ⁽²⁾	0.2	3.7	0.6	—	—	—	4.5
Certain litigation ⁽³⁾	18.2	5.3	—	—	—	—	23.5
Acquisition ⁽⁴⁾	—	4.1	—	—	—	—	4.1
Operational restructuring ⁽⁵⁾	10.0	2.6	—	—	—	—	12.6
Medical device tax ⁽⁸⁾	6.4	—	—	—	—	—	6.4
Sponsor fee ⁽⁷⁾	—	3.0	—	—	—	—	3.0
Special items, from operations, pre-tax	\$36.4	\$18.7	\$0.6	\$72.0	\$—	\$—	\$127.7
Loss on extinguishment of debt ⁽⁹⁾	—	—	—	—	—	6.6	6.6
Loss on swap liability ⁽¹⁰⁾	—	—	—	—	21.8	—	21.8

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Other	—	—	—	—	—	(0.4) (0.4)
Special items, pre-tax	\$36.4	\$18.7	\$0.6	\$72.0	\$21.8	\$6.2	\$155.7	
Tax effect	—	—	—	—	—	—	33.8	
Special items, after tax	\$36.4	\$18.7	\$0.6	\$72.0	\$21.8	\$6.2	\$121.9	

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(in millions)	Three Months Ended November 30, 2012					
	Cost of Sales	Selling, general and administrative expense	Research and development expense	Amortization	Other (income) expense	Total
Purchase accounting ⁽¹⁾	\$(0.1)	\$—	\$—	\$74.2	\$—	\$74.1
Stock-based compensation ⁽²⁾	0.2	6.0	1.2	—	—	7.4
Certain litigation ⁽³⁾	1.5	3.3	—	—	—	4.8
Acquisition ⁽⁴⁾	0.2	2.1	—	—	—	2.3
Operational restructuring ⁽⁵⁾	3.3	1.9	0.2	—	—	5.4
Sponsor fee ⁽⁷⁾	—	2.8	—	—	—	2.8
Special items, from operations	\$5.1	\$ 16.1	\$1.4	\$74.2	\$—	\$96.8
Loss on extinguishment of debt ⁽⁹⁾	—	—	—	—	125.3	125.3
Special items, pre-tax	\$5.1	\$ 16.1	\$1.4	\$74.2	\$125.3	\$222.1
Tax effect	—	—	—	—	—	52.2
Special items, after tax	\$5.1	\$ 16.1	\$1.4	\$74.2	\$125.3	\$169.9

For the Six Months Ended November 30, 2013 and 2012

(in millions)	Six Months Ended November 30, 2013						
	Cost of Sales	Selling, general and administrative expense	Research and development expense	Amortization	Interest expense	Other (income) expense	Total
Purchase accounting ⁽¹⁾	\$0.1	\$—	\$—	\$144.3	\$—	\$—	\$144.4
Stock-based compensation ⁽²⁾	0.4	7.6	1.2	—	—	—	9.2
Certain litigation ⁽³⁾	19.9	9.6	—	—	—	—	29.5
Acquisition ⁽⁴⁾	—	4.1	—	—	—	—	4.1
Operational restructuring ⁽⁵⁾	19.7	3.6	0.1	—	—	—	23.4
Medical device tax ⁽⁸⁾	11.4	—	—	—	—	—	11.4
Sponsor fee ⁽⁷⁾	—	5.4	—	—	—	—	5.4
Special items, from operations, pre-tax	\$51.5	\$30.3	\$1.3	\$144.3	\$—	\$—	\$227.4
Loss on extinguishment of debt ⁽⁹⁾	—	—	—	—	—	6.6	6.6
Loss on swap liability ⁽¹⁰⁾	—	—	—	—	21.8	—	21.8
Other	—	—	—	—	—	(0.4)	(0.4)
Special items, pre-tax	\$51.5	\$30.3	\$1.3	\$144.3	\$21.8	\$6.2	\$255.4
Tax effect	—	—	—	—	—	—	83.8
Special items, after tax	\$51.5	\$30.3	\$1.3	\$144.3	\$21.8	\$6.2	\$171.6

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(in millions)	Six Months Ended November 30, 2012					
	Cost of Sales	Selling, general and administrative expense	Research and development expense	Amortization	Other (income) expense	Total
Purchase accounting ⁽¹⁾	\$(0.2)	\$—	\$—	\$148.9	\$—	\$148.7
Stock-based compensation ⁽²⁾	1.7	20.7	4.1	—	—	26.5
Certain litigation ⁽³⁾	4.9	4.5	—	—	—	9.4
Acquisition ⁽⁴⁾	1.6	7.6	—	—	—	9.2
Operational restructuring ⁽⁵⁾	6.9	5.1	0.2	—	—	12.2
Product rationalization ⁽⁶⁾	8.1	—	—	—	—	8.1
Sponsor fee ⁽⁷⁾	—	5.4	—	—	—	5.4
Special items, from operations	\$23.0	\$43.3	\$4.3	\$148.9	\$—	\$219.5
Loss on extinguishment of debt ⁽⁹⁾	—	—	—	—	167.7	167.7
Special items, pre-tax	\$23.0	\$43.3	\$4.3	\$148.9	\$167.7	\$387.2
Tax effect	—	—	—	—	—	125.4
Special items, after tax	\$23.0	\$43.3	\$4.3	\$148.9	\$167.7	\$261.8

Purchase accounting amortization and depreciation that is related to the Merger, Trauma Acquisition or Lanx Acquisition is excluded from non-GAAP financial measures. We further believe this information is useful to investors in that it provides period-over-period comparability.

Stock-based compensation expense is excluded from non-GAAP financial measures primarily because it is a non-cash expense. We believe that excluding this item is useful to investors in that it facilitates comparisons to competitors' operating results.

Certain litigation, including expenses, settlements and adjustments to reserves during the year, that are not reflective of our ongoing operational performance are excluded from non-GAAP financial measures. We believe this information is useful to investors in that it provides period-over-period comparability.

We exclude acquisition-related expenses for the Trauma and Lanx Acquisitions from non-GAAP financial measures that are not reflective of our ongoing operational performance. We further believe this information is useful to investors in that it provides period-over-period comparability.

Operational restructuring charges relate principally to employee severance, facility consolidation costs and building impairments resulting from the closure of facilities. Operational restructuring charges include abnormal manufacturing variances related to temporary redundant overhead costs within our plant network as we continue to rationalize and move production to our larger operating locations in order to increase manufacturing efficiency.

Operational restructuring also includes consulting expenses related to operational initiatives and other related costs. We exclude these costs from non-GAAP financial measures primarily because they are not reflective of ongoing operating results and they are not used by management to assess ongoing operational performance. We believe the exclusion of this information in the applicable non-GAAP financial measure is useful to investors in that it provides period-over-period comparability.

Product rationalization charges that are not reflective of our ongoing operational performance are excluded from non-GAAP financial measures. We further believe this information is useful to investors in that it provides period-over-period comparability.

Upon completion of the Merger, we entered into a management services agreement with certain affiliates of the Sponsors, pursuant to which such affiliates of the Sponsors or their successors, assigns, affiliates, officers, employees, and/or representatives and third parties (collectively, the "Managers") provide management, advisory, and consulting services to us. Pursuant to such agreement, the Managers received a transaction fee equal to 1% of total enterprise value of the Transactions for the services rendered by such entities related to the Transactions upon entering into the agreement, and the Sponsors receive an annual monitoring fee equal to 1% of our annual adjusted

EBITDA (as defined by our credit agreement) as compensation for the services rendered and reimbursement for out-of-pocket expenses incurred by the Managers in connection with the agreement and the Transactions. We exclude these costs from non-GAAP financial measures primarily because they are not reflective of ongoing operating results and they are not used by management to assess ongoing operational performance.

(8) Medical device tax payments are excluded from non-GAAP financial measures per our credit agreement.

Loss on extinguishment of debt charges include write off of deferred financing fees, dealer manager fees and tender/call premium on retirement of bonds. We exclude these charges from non-GAAP measures because they are

(9) not reflective of our ongoing operational performance or liquidity. We further believe the exclusion of this information in the applicable non-GAAP financial measure is useful to investors in that it provides period-over-period comparability.

Loss on swap liability charges include a one-time charge to interest expense related to the termination of our

(10) euro-denominated term loans. This charge is excluded from non-GAAP financial measures per our credit agreement.

Adjusted Net Income and Adjusted EBITDA

We use adjusted net income and adjusted EBITDA, as defined by our credit agreement, among other measures, to evaluate the performance of our core operations, establish operational goals and forecasts that are used in allocating resources and to evaluate our performance period-over-period, including for incentive program purposes. The term “as adjusted,” a non-GAAP financial measure, refers to financial performance measures that in the case of adjusted net income, is calculated based on reported net income adjusted for certain items as defined by our credit agreement further adjusted by the tax impact of these

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items. Adjusted EBITDA excludes certain income statement line items, such as interest, taxes, depreciation or amortization, other (income) expense and/or exclude certain expenses as defined by our credit agreement. Our credit agreement definition excludes special items such as restructuring charges, non-cash impairment charges, integration and facilities opening costs or other business optimization expenses, new systems design and implementation costs, certain start-up costs and costs related to consolidation of facilities, certain non-cash charges, advisory fees paid to the private equity owners, certain severance charges, purchase accounting costs, stock-based compensation, litigation costs, acquisition costs, loss on extinguishment of debt, divestitures and other related charges.

	Three Months Ended November 30, 2013	Three Months Ended November 30, 2012	Six Months Ended November 30, 2013	Six Months Ended November 30, 2012
Operating income, as reported	\$113.6	\$143.2	\$210.0	\$212.2
Special items, from operations	127.7	96.8	227.4	219.5
Depreciation and amortization from operations	52.5	48.2	102.7	94.3
Adjusted EBITDA	\$293.8	\$288.2	\$540.1	\$526
	Three Months Ended November 30, 2013	Three Months Ended November 30, 2012	Six Months Ended November 30, 2013	Six Months Ended November 30, 2012
Net income (loss), as reported	\$4.9	\$(66.2)	\$36.0	\$(97.7)
Special items, after tax	121.9	169.9	171.6	261.8
Net income, as adjusted	\$126.8	\$103.7	\$207.6	\$164.1

Senior Secured Leverage Ratio

The senior secured leverage ratio provides a measure of our financial ability to meet our debt service obligations. The ratio level determines the interest rate charged on our cash flow revolving credit facilities, and letters of credit fees. In addition to determining the current interest rate on our cash flow revolving credit facilities, the ratio is also used as a benchmark in our credit agreements to determine maximum levels of additional indebtedness we may incur. We believe the directional trend of this ratio provides valuable insight to understanding our operational performance and financial position with respect to our debt obligations.

(in millions, except ratios)	November 30, 2013	May 31, 2013
USD term loan	\$3,078.3	\$2,221.1
EUR term loan	—	1,074.3
Asset based revolver	155.0	—
Consolidated senior secured debt	3,233.3	3,295.4
Cash and cash equivalents ⁽¹⁾	176.2	355.6
Consolidated senior secured debt net of cash and cash equivalents	\$3,057.1	\$2,939.8
LTM adjusted EBITDA	\$1,091.4	\$1,077.3
Senior secured leverage ratio ⁽¹⁾	2.80	2.73

Our senior secured leverage ratio is defined by our credit agreement as total consolidated senior secured debt net of (1) cash and cash equivalents, as defined by our credit agreement, divided by the total of the last twelve months, or “LTM,” adjusted EBITDA.

The senior secured leverage ratio increased slightly when comparing November 30, 2013 to May 31, 2013 due to a decrease in cash related to discretionary debt paydown and a draw on the asset based revolver to fund the Lanx Acquisition.

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Adjusted EBITDA for the six months ended May 31, 2013, the six months ended November 30, 2013 and LTM adjusted EBITDA November 30, 2013 are calculated as follows:

(in millions)	Six Months Ended May 31, 2013 ⁽¹⁾	Six Months Ended November 30, 2013	LTM adjusted EBITDA November 30, 2013
Operating income (loss)	\$(376.7	) \$210.0	\$(166.7
Depreciation and amortization	258.7	247.1	505.8
Stock-based compensation ⁽³⁾	13.1	9.2	22.3
Certain litigation ⁽³⁾	48.5	29.5	78.0
Acquisition ⁽³⁾	3.0	4.1	7.1
Operational restructuring ⁽³⁾	12.8	23.4	36.2
Product rationalization ⁽³⁾	14.6	—	14.6
Medical device tax ⁽³⁾	4.3	11.4	15.7
Sponsor fee ⁽³⁾	5.6	5.4	11.0
Asset impairment ⁽²⁾	567.4	—	567.4
Adjusted EBITDA	\$551.3	\$540.1	\$1,091.4

(1) The six months ended May 31, 2013 shows the activity from December 1, 2012 to May 31, 2013.

Asset impairment non-cash charges are excluded from non-GAAP financial measures because it is not reflective of our ongoing operational performance or liquidity. During fiscal 2013, we recorded a \$567.4 million goodwill and

(2) definite and indefinite-lived intangible asset impairment charge associated with our dental reconstructive and Europe reporting units. We believe the exclusion of this information in the applicable non-GAAP financial measure is useful to investors in that it provides period-over-period comparability.

(3) Refer to the corresponding explanations in the table above.

Other Liquidity Information

We have issued notes, entered into senior secured credit facilities, including term loan facilities, cash flow revolving credit facilities and an asset-based revolving credit facility, all in connection with the Merger and the refinancing activities detailed in Note 7, Debt, to the condensed consolidated financial statements contained in Item 1 of this report, all of which are primarily classified as long-term obligations. As of November 30, 2013, we had an outstanding loan in China which we refer to as the “China Facility.” As of November 30, 2013, we had \$3.3 million in outstanding borrowings under our China Facility, which has an available line of \$20.0 million. There were no borrowings under our cash flow revolving credit facilities and \$155.0 million outstanding under our asset-based revolving credit facility as of November 30, 2013. Our 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 that occurred on or after August 2, 2012 pursuant to the 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. As of November 30, 2013, required principal payments of \$30.9 million are due within the next twelve months related to our senior secured term loan facilities.

Our revolving borrowing base available under all debt facilities at November 30, 2013 was \$633.3 million, which is net of the borrowing base limitations relating to the asset-based revolving credit facility and outstanding balances of \$155.0 million and \$3.3 million under the asset-based revolving credit facility and the China facility, respectively. We believe that our cash, other liquid assets and operating cash flow, together with available borrowings and potential access to credit and capital markets, will be sufficient to meet our operating expenses, research and development costs, capital expenditures and to service our debt requirements as they become due. However, our ongoing ability to meet

our substantial debt service and other obligations will be dependent upon our future performance, which will be subject to business, financial, economic, regulatory and other factors. We will not be able to control many of these factors, such as economic conditions and regulatory changes in the markets where we operate and pressure from competitors. We cannot be certain that our cash flow will be sufficient to allow us to pay principal and interest on our debt, support our operations and meet our other obligations. If we do not have sufficient liquidity, we may be required to refinance all or part of our existing debt, sell assets or borrow more money. We cannot guarantee that we will be able to do so on terms acceptable to us, if at all. In addition, the terms of existing or future debt agreements may restrict us from pursuing any of these alternatives. See “Risk Factors—Risks Related to Our Indebtedness and the Notes” included in our Annual Report on Form 10-K.

Table of Contents**Contractual Obligations**

Summarized in the table below are our long-term obligations and commitments as of November 30, 2013. We have issued notes, entered into senior secured credit facilities, including term loan facilities and cash flow revolving credit facilities, and an asset-based revolving facility, all of which are primarily classified as long-term obligations. There were borrowings of \$155.0 million outstanding under our asset-based revolving facility as of November 30, 2013. As of November 30, 2013, required principal payments of \$30.9 million were due within the next twelve months. Our 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, in each case in equal calendar quarterly installments until maturity of the loan and after giving effect to the application of any prepayments.

Our revolving borrowing base available under all debt facilities at November 30, 2013 was \$633.3 million, which is net of the borrowing base limitations relating to the asset-based revolving credit facility and outstanding balances of \$155.0 million and \$3.3 million under the asset-based revolving credit facility and the China facility, respectively.

(in millions)	Total	2014	2015 and 2016	2017 and 2018	2019 and Thereafter
Contractual obligations ⁽¹⁾					
Projected future pension benefit payments	\$51.6	\$3.9	\$8.9	\$9.2	\$29.6
Long-term debt (including current maturities)	5,896.8	18.8	162.8	3,055.0	2,660.2
Interest payments ⁽²⁾	1,914.4	348.0	612.2	513.3	440.9
Material purchase commitments	109.4	47.1	32.8	12.0	17.5
Total contractual obligations	\$7,972.2	\$417.8	\$816.7	\$3,589.5	\$3,148.2

(1) The total amounts of capital lease obligations and operating lease obligations are not significant.

(2) Our floating interest rates are held constant for future periods using current floating rates as of November 30, 2013.

(2) Amounts include the effect of interest rate swaps currently in place.

In addition, due to the uncertainty with respect to the timing of future cash flows associated with our unrecognized tax benefits at November 30, 2013, we are unable to make reasonably reliable estimates of the period of cash settlement with the respective taxing authorities. Therefore, \$78.1 million of unrecognized tax benefits have been excluded from the contractual obligations table above.

See Note 7 to our audited financial statements included in our Annual Report on Form 10-K for more information on our debt agreements and credit facilities.

Off-Balance Sheet Arrangements

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

Critical Accounting Policies and Estimates

Management's Discussion and Analysis of Financial Condition and Results of Operations are based upon our consolidated financial statements, which have been prepared in accordance with accounting principles generally accepted in the United States. The preparation of these financial statements requires management to make estimates and judgments that affect the reported amounts of assets, liabilities, revenues and expenses, and related disclosure of contingent assets and liabilities. In management's opinion, our critical accounting policies include revenue recognition, excess and obsolete inventory, goodwill and intangible assets, legal proceedings and other loss contingencies, and income taxes. For further information, including our significant accounting policies, refer to the audited consolidated financial statements and notes thereto included in the Company's 2013 Form 10-K. There have been no significant

modifications to the policies related to our critical accounting estimates since May 31, 2013.

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Forward-Looking Statements

Management's Discussion and Analysis of Financial Condition and Results of Operations should be read in conjunction with our unaudited condensed consolidated financial statements and the corresponding notes contained in this report and with the financial statements, related notes, and Management's Discussion and Analysis of Financial Condition and Results of Operation in the Company's 2013 Form 10-K. The accompanying unaudited condensed consolidated financial statements are prepared in conformity with accounting principles generally accepted in the United States of America for condensed financial information and such principles are applied on a basis consistent with the information reflected in the Company's 2013 Form 10-K. Certain information and footnote disclosures normally included in financial statements prepared in accordance with accounting principles generally accepted in the United States of America have been condensed or omitted pursuant to the rules and regulations promulgated by the SEC. In the opinion of management, the interim financial information includes all adjustments and accruals, consisting only of normal recurring adjustments, which are necessary for a fair presentation of results for the respective interim periods.

The results of operations for the six months ended November 30, 2013 are not necessarily indicative of the results to be expected for the full fiscal year ending May 31, 2014 or any future interim period. Certain statements contained in this Quarterly Report on Form 10-Q and other written and oral statements made from time to time by us do not relate strictly to historical or current facts. As such, they are considered "forward-looking statements" which provide current expectations or forecasts of future events. Our forward-looking statements generally relate to our growth strategies, financial results, product development, regulatory approvals, competitive strengths, the scope of our intellectual property rights, litigation, mergers and acquisitions, integration of our acquisitions, divestitures, market acceptance or continued acceptance of our products, accounting estimates, financing activities, ongoing contractual obligations, and sales efforts. Such statements can be identified by the use of terminology such as "anticipate," "believe," "could," "estimate," "expect," "forecast," "intend," "may," "plan," "predict," "possibly," "potential," "project," "should," "will" or similar words or phrases. One must carefully consider forward-looking statements that may be affected by inaccurate assumptions, and understand that such statements involve a variety of risks and uncertainties, known and unknown, including, among others, risks related to competition in the medical device industry, reduction or interruption in our supply, quality problems and price decreases for our products and services, and international operations, as well as those discussed in the section entitled "Risk Factors" in the Company's 2013 Form 10-K and in this Quarterly Report on Form 10-Q. Consequently, no forward-looking statement can be guaranteed and actual results may vary materially. We intend to take advantage of the Safe Harbor provisions of the Private Securities Litigation Reform Act of 1995 regarding our forward-looking statements, and are including this sentence for the express purpose of enabling us to use the protections of the safe harbor with respect to all forward-looking statements.

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

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Item 3. Quantitative and Qualitative Disclosures About Market Risk.

There have been no other material changes from the information about market risk provided in the Company's 2013 Form 10-K.

Item 4. Controls and Procedures.

Management's evaluation of disclosure controls and procedures

The Company maintains disclosure controls and procedures (as defined in Rule 13a-15(e) of the Securities Exchange Act of 1934, as amended (the "Act")) and internal controls over financial reporting that are designed to provide reasonable assurance that material information required to be disclosed by the Company, including its consolidated entities, in the reports that the Company files or submits under the Act, are recorded, processed, summarized and reported, within the time periods specified in the SEC's rules and forms and that such information is accumulated and communicated to management, including the President and Chief Executive Officer (the "Principal Executive Officer") and the Chief Financial Officer (the "Principal Financial Officer"), as appropriate, to allow timely decisions regarding required disclosure. Prior to the filing of this report, the Company completed an evaluation under the supervision and with the participation of senior management, including the Company's Principal Executive Officer and its Principal Financial Officer, of the effectiveness of the design and operation of the Company's disclosure controls and procedures as of November 30, 2013. Based on this evaluation, the Company's Principal Executive Officer and its Principal Financial Officer concluded that Biomet and LVB's disclosure controls and procedures were effective as of November 30, 2013.

Changes in internal control over financial reporting

There were no changes in Biomet or LVB's internal control over financial reporting (as defined in Rule 13a-15(f) of the Act) during the three months ended November 30, 2013 that have materially affected, or are reasonably likely to materially affect, Biomet's internal control over financial reporting.

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PART II. OTHER INFORMATION

Item 1. Legal Proceedings

Information with respect to legal proceedings can be found in Note 16, Contingencies, to the unaudited condensed consolidated financial statements contained in Part I, Item 1 of this report and is hereby incorporated by reference herein. Except as discussed in these notes, there were no material developments in the legal proceedings disclosed by the Company in Part I, Item 8, Note 16 of the Company's 2013 Form 10-K.

Item 1A. Risk Factors

As of November 30, 2013, there were no material changes in our risk factors from those disclosed in Part I, Item 1A in the Company's 2013 Form 10-K and Part II, Item 1A. in the Company's Form 10-Q filed on October 11, 2013.

Item 6. Exhibits.

(a) Exhibits. See Index to Exhibits.

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Signatures

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, LVB Acquisition, Inc. and Biomet, Inc. have duly caused this report to be signed on their behalf by the undersigned, thereunto duly authorized.

LVB ACQUISITION, INC.

BIOMET, INC.

Date: January 14, 2014

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

Date: January 14, 2014

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

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EXHIBIT INDEX

Exhibit No.	Exhibit
31.1	Certification of Chief Executive Officer Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002
31.2	Certification of Chief Financial Officer Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002
32.1	Certification to 18 U.S.C Section 1350, as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002
101.INS	XBRL Instance Document
101.SCH	XBRL Taxonomy Extension Schema Document
101.CAL	XBRL Taxonomy Extension Calculation Linkbase Document
101.DEF	XBRL Taxonomy Extension Definition Linkbase Document
101.LAB	XBRL Taxonomy Extension Label Linkbase Document
101.PRE	XBRL Taxonomy Extension Presentation Linkbase Document

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Exhibit 31.1

CERTIFICATION PURSUANT TO SECTION 302
OF THE SARBANES-OXLEY ACT OF 2002

I, Jeffrey R. Binder, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q for the quarterly period ended November 30, 2013 (the “report”) of LVB Acquisition, Inc. and Biomet, Inc. (collectively, the “Company”);
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the Company as of, and for, the periods presented in this report;
4. The Company’s other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rule 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rule 13a-15(f) and 15d-15(f)) for the Company and have:
 - a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the Company, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - c) Evaluated the effectiveness of the Company’s disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report, based on such evaluation; and
 - d) Disclosed in this report any change in the Company’s internal control over financial reporting that occurred during the Company’s most recent fiscal quarter (the Company’s fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the Company’s internal control over financial reporting; and
5. The Company’s other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the Company’s auditors and the audit committee of the Company’s board of directors (or persons performing the equivalent functions):
 - a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant’s ability to record, process, summarize and report financial information; and
 - b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the Company’s internal control over financial reporting.

January 14, 2014

/S/ JEFFREY R. BINDER

Jeffrey R. Binder

President and Chief Executive Officer

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Exhibit 31.2

CERTIFICATION PURSUANT TO SECTION 302
OF THE SARBANES-OXLEY ACT OF 2002

I, Daniel P. Florin, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q for the quarterly period ended November 30, 2013 (the “report”) of LVB Acquisition, Inc. and Biomet, Inc. (collectively, the “Company”);
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the Company as of, and for, the periods presented in this report;
4. The Company’s other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rule 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rule 13a-15(f) and 15d-15(f)) for the Company and have:
 - a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the Company, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - c) Evaluated the effectiveness of the Company’s disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report, based on such evaluation; and
 - d) Disclosed in this report any change in the Company’s internal control over financial reporting that occurred during the Company’s most recent fiscal quarter (the Company’s fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the Company’s internal control over financial reporting; and
5. The Company’s other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the Company’s auditors and the audit committee of the Company’s board of directors (or persons performing the equivalent functions):
 - a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant’s ability to record, process, summarize and report financial information; and
 - b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the Company’s internal control over financial reporting.

January 14, 2014

/S/ DANIEL P. FLORIN

Daniel P. Florin

Senior Vice President and Chief Financial Officer

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Exhibit 32.1

SECTION 1350 CERTIFICATIONS OF CHIEF EXECUTIVE OFFICER
AND CHIEF FINANCIAL OFFICER

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

(a) The Quarterly Report on Form 10-Q of the Company for the Quarter Ended November 30, 2013 filed on the date hereof with the Securities and Exchange Commission (the “Report”) fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

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

January 14, 2014

/S/ JEFFREY R. BINDER
Jeffrey R. Binder
President and Chief Executive Officer

January 14, 2014

/S/ DANIEL P. FLORIN
Daniel P. Florin
Senior Vice President and Chief Financial
Officer

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