

## **BIOMET, INC. AUDIT COMMITTEE CHARTER**

(adopted June 27, 2003)

### **Mission Statement**

The Audit Committee (the "Committee") will assist the Board of Directors in fulfilling its oversight responsibilities. The Audit Committee will review the financial reporting process, the systems of internal controls, the audit process, and the Company's process for monitoring compliance with laws and regulations and with the code of conduct. In performing its duties, the Committee will maintain effective working relationships with the Board of Directors, management, and the internal and external auditors. To effectively perform his or her role, each Committee member will obtain an understanding of the detailed responsibilities of Committee membership as well as the Company's business, operations and risks.

### **Organization**

- Audit Committee members shall meet the requirements established and updated by the NASDAQ Exchange.
- The Audit Committee shall be comprised of three or more directors as determined by the Board, each of whom shall be independent non-executive directors, in accordance with the rules and regulations of the Securities and Exchange Commission and the NASDAQ listing standards, free from any relationship that would interfere with the exercise of his or her independent judgment.
- All members of the Committee shall have a basic understanding of finance and accounting and be able to read and understand fundamental financial statements.
- Audit Committee members shall be appointed by the Board on recommendation of the Nominating Committee.
- If an Audit Committee chair is not designated or present, the members of the Committee may designate a Chair by majority vote of the Committee membership.
- The Committee shall convene at least four times annually, or more frequently as circumstances dictate. The Audit Committee Chair shall prepare and/or approve an agenda in advance of each meeting. The Committee should meet privately in executive session at least annually with management, the director of the internal auditing department, the external auditors, and as a committee to discuss any matters that the Committee or each of these groups believe should be discussed. In addition, the Committee, or at least its Chair,

should communicate with management and the external auditors quarterly to review the Company's financial statements and significant findings based upon the auditors' limited review procedures.

## **Roles and Responsibilities**

### *Internal Control*

- Evaluate whether management is setting the appropriate tone at the top by communicating the importance of internal control and ensuring that all individuals possess an understanding of their roles and responsibilities.
- Focus on the extent to which internal and external auditors review computer systems and applications, the security of such systems and applications, and the contingency plan for processing financial information in the event of a system breakdown;
- Gain an understanding of whether internal control recommendations made by internal and external auditors have been implemented by management; and
- Ensure that the external and internal auditors keep the Audit Committee informed about fraud, illegal acts, deficiencies in internal control, and certain other matters.

## **Financial Reporting**

### *General*

- Review significant accounting and reporting issues, including recent professional and regulatory pronouncements, and understand their impact on the financial statements; and
- Ask management and the internal and external auditors about significant risks and exposures and the plans to minimize such risks.
- Establish and maintain procedures for the confidential and anonymous receipt, retention and treatment of complaints regarding the Company's accounting, internal controls or auditing matters and establish clear hiring policies for employees or former employees of the Company's outside auditor.
- Obtain the advice and assistance, as appropriate, of independent counsel and other advisors as necessary to fulfill the responsibilities of the Audit Committee.

- Report regularly to the Board of Directors as to the Audit Committee's accomplishments of its purposes and responsibilities.
- Conduct an annual performance evaluation of the Audit Committee.

#### *Annual Financial Statements*

- Review the annual financial statements and determine whether they are complete and consistent with the information known to committee members and assess whether the financial statements reflect appropriate accounting principles;
- Pay particular attention to complex and/or unusual transactions such as restructuring charges and derivative disclosures;
- Focus on judgmental areas such as those involving valuation of assets and liabilities, including, for example, the accounting for and disclosure of obsolete or slow-moving inventory; loan losses; warranty, product and environmental liability; litigation reserves; and other commitments and contingencies;
- Meet with management and the external auditors to review the financial statements and the results of the audit;
- Consider management's handling of proposed audit adjustments identified by the external auditors;
- Review the MD&A and other sections of the Annual Report before its release and consider whether the information is adequate and consistent with members' knowledge about the Company and its operations; and
- Ensure that the external auditors communicate certain required matters to the committee.

#### *Interim Financial Statements*

- Review earnings press releases, as well as financial information and earnings guidance provided to analysts and rating agencies and discuss Company policies with respect to risk assessment and risk management.
- Be briefed on how management develops and summarizes quarterly financial information, the extent of internal audit involvement and the extent to which the external auditors review quarterly financial information;
- Meet with management and with the external auditors, either telephonically or in person, to review the interim financial statements and the results of the

review. (This may be done by the Committee chairperson or the entire Committee);

- To gain insight into the fairness of the interim statements and disclosures, including the Company's disclosures under "Management's Discussion and Analysis of Financial Conditions and Results of Operations," obtain explanations from management and from the internal and external auditors on whether:
  - Actual financial results for the quarter or interim period varied significantly from budgeted or projected results;
  - Changes in financial ratios and relationships in the interim financial statements are consistent with changes in the Company's operations and financing practices;
  - Generally accepted accounting principles have been consistently applied;
  - There are any actual or proposed changes in accounting or financial reporting practices;
  - There are any significant or unusual events or transactions;
  - The Company's financial and operating controls are functioning effectively;
  - The Company has complied with the terms of loan agreements or security indentures; and
  - The interim financial statements contain adequate and appropriate disclosures.
- Ensure that the external auditors communicate certain required matters to the committee.

### **Compliance with Laws and Regulations**

- Review the effectiveness of the system for monitoring compliance with laws and regulations and the results of management's investigation and follow-up (including disciplinary action) on any fraudulent acts or accounting irregularities;
- Periodically obtain updates from management, general counsel and tax director regarding compliance;
- Be satisfied that all regulatory compliance matters have been considered in the preparation of the financial statements; and

- Review the findings of any examinations by regulatory agencies such as the Securities and Exchange Commission.

### **Compliance with Code of Conduct**

- Ensure that a code of conduct is formalized in writing and that all employees are aware of it;
- Evaluate whether management is setting the appropriate tone at the top by communicating the importance of the code of conduct and the guidelines for acceptable business practices;
- Review the program for monitoring compliance with the code of conduct; and
- Periodically obtain updates from management and general counsel regarding compliance.

### **Internal Audit**

- Review, at least annually, the then-current and future programs of the Company's Internal Audit Department, including the procedure for assuring implementation of accepted recommendations made by the internal auditors; and review any issues that arise regarding the performance of the Company's internal audit function and the significant matters contained in these Internal Audit Department reports;
- Review the qualifications of the internal audit function and concur in the appointment, replacement, reassignment or dismissal of the director of internal audit; and
- Review the effectiveness of the internal audit function.

### **External Audit**

- Appoint the public accounting firm for the purpose of preparing or issuing an audit report or to perform related work and set their compensation.
- Preapprove all audit and permitted non-audit services to be performed by the public accounting firm; or delegate the authority to preapprove such services to one or more members of the Audit Committee, who shall report any decision to preapprove any services to the full Audit Committee at its regularly scheduled meetings.

- Report the preapproval of any permitted non-audit services to management for disclosure in the Company's periodic reports.
- Review with members of the public accounting firm selected by the Audit Committee as outside auditors for the Company the scope of the prospective audit, the estimated fees therefor and such other matters pertaining to such audit as the Audit Committee may deem appropriate.
- Receive and review:
  - (a) a report by the external auditor describing (i) the external auditor's internal quality control procedures; (ii) any material issues raised by the most recent internal quality control review, or peer review, of the firm, or by any inquiry or investigation by governmental or professional authorities, within the preceding five years, respect one or more independent audits carried out by the firm, and any steps taken to deal with any such issues; and (iii) in an effort to assess the auditors' independence, all relationships between the auditors and the Company; and
  - (b) all other reports from the external auditors, including the annual comments from the external auditors on accounting procedures and systems of control;
- Review and consider whether the provision by the external auditors of any permitted non-audit services is compatible with maintaining their independence; review and approve the non-audit fees of the external auditors; and review with them any questions, comments or suggestions they may have relating to the internal controls, accounting practices or procedures of the Company or its subsidiaries, and any audit problems or difficulties and management's response.
- Receive from the external auditors the report required by Independence Standards Board Standard No. 1 as in effect at that time and discuss it with the external auditors.

### **Other Responsibilities**

- Review, with the Company's counsel, any legal matters that could have a significant impact on the Company's financial statements;
- Review the policies and procedures in effect for considering officers' expenses and perquisites;
- If necessary, institute special investigations and, if appropriate, hire special counsel or experts to assist;

- Perform other oversight functions as requested by the full Board; and
- Review and update the charter; receive approval of changes from the Board.