

Quarterly Reports - Message to Our Shareholders

Fiscal Year 2004 4th Quarter - *Quarter Ended May 31, 2004*

Biomet is pleased to report record sales and earnings results for the fourth quarter and fiscal year ending May 31, 2004. The Company is also pleased to announce the declaration of a cash dividend of \$0.20 per share, payable July 23, 2004, to shareholders of record at the close of business on July 16, 2004. This dividend is an expression of appreciation for the continued support of Biomet's shareholders and is reinforced by the Company's record financial performance during fiscal year 2004 and our optimism for continued strong results as we enter fiscal year 2005.

Additionally, the Board authorized the repurchase of 2.5 million shares of Biomet's outstanding Common Shares to be automatically purchased in equal increments over the next twelve months, irrespective of market conditions. The Board of Directors also authorized the purchase of up to an additional \$100 million of the company's outstanding Common Shares in open market or privately negotiated transactions. Purchases of the additional \$100 million of Common Shares, if any, will be dependent on market conditions and may be made between July 2, 2004 and July 1, 2005. The Company has purchased 20.8 million Common Shares for a total cost of approximately \$609.4 million in its share repurchase programs since December 2001. The expansion of Biomet's stock repurchase program is a reflection of today's poor investment return environment and the Company's continued positive net cash flow from operations, which amounted to \$386 million during fiscal year 2004.

During the fourth quarter, the Company announced the completion of the acquisition of Merck KGaA's 50% interest in the Biomet Merck joint venture for an aggregate purchase price of \$300 million in cash. Biomet's reported results reflect the acquisition. The joint venture was established in 1998 and currently has annual sales of approximately \$370 million. It is anticipated the acquisition will be neutral to Biomet's earnings during fiscal year 2005 and slightly accretive thereafter.

Biomet also recently announced the completion of the acquisition of Interpore International, Inc. The Company financed the approximately \$280 million purchase price using cash reserves and short-term debt. Interpore's 2003 net sales were approximately \$67.5 million. Excluding acquisition-related charges, it is anticipated the acquisition will be neutral to Biomet's diluted earnings for fiscal year 2005 and accretive thereafter. Biomet's fourth quarter and fiscal year 2004 income statements and balance sheet do not reflect the Interpore acquisition. Servicing spinal surgeons and neurosurgeons with a wide array of complementary products and services, the EBI and Interpore combined domestic distribution network currently numbers over 400 spinal product sales representatives.

Additionally, during the fourth quarter, the Company reviewed its underlying assumptions in calculating reserves for uncollectible insurance receivables at its EBI

subsidiary. During the course of this review, the Company revised its estimates of future collections of these receivables and increased the balance in the reserves for uncollectible insurance receivables by \$25 million. The additional reserve, which is based on historical analysis, as well as management's best estimates of future collections, takes into account insurance underpayments, denial of payments, and difficulties with billing and collecting co-payments from patients. The refinement of our assumptions for calculating this reserve is not anticipated to have a material effect on the Company's future billings or bad debt expense and also would not have had a material effect on the fiscal year 2004 reported results had these assumptions been made during prior periods. Adjusted results exclude acquisition costs, including inventory step-up and write-off of in-process research and development, a gain on disposition of an equity investment and the aforementioned increase in reserves.

Net sales increased 19% during the fourth quarter to \$447,188,000. Gross profit increased 19%, as reported during the fourth quarter, to \$316,086,000 representing 70.7% of sales, with an increase of 20% to \$318,536,000 on an adjusted basis, at 71.2% of sales. On a reported basis, net income increased 3% to \$79,857,000 during the fourth quarter, while increasing 22% to \$95,210,000 as adjusted. Diluted earnings increased 3%, as reported, to \$0.31 per share and increased 23% to \$0.37 per share, on an adjusted basis.

Excluding the impact of foreign currency, which increased sales by approximately \$17 million, net sales increased 14% worldwide during the fourth quarter, with domestic and international sales both reporting an increase of 14%. Importantly, domestic reconstructive device sales increased 20% during the fourth quarter and domestic spinal hardware and orthobiologic spinal products increased 32%.

Worldwide reconstructive device sales increased 23% during the quarter to \$297,139,000. Reconstructive device sales increased 17% worldwide on a constant currency basis.

Knee sales increased 24% worldwide during the fourth quarter and 22% in the United States. Knee products exhibiting strong growth during the quarter include the Vanguard Complete Knee System, the Ascent and Maxim Knee Systems, the Biomet OSS (Orthopaedic Salvage System) and the Vanguard M Unicompartmental Knee System.

Biomet initiated the general launch of the Company's newest and most comprehensive knee system, the Vanguard Complete Knee System, during the quarter. The Vanguard System includes fixed-bearing cruciate-retaining and posterior-stabilized versions, as well as a new patello-femoral replacement option, which is scheduled for introduction during the second quarter of fiscal year 2005. Additional components of the system are in various stages of development, including mobile-bearing and revision options.

During the fourth quarter, Biomet announced the pre-market approval from the Food and Drug Administration for the Oxford Unicompartmental Knee System, the only free-floating meniscal unicompartmental system approved for sale in the United States. Outside the United States, the Oxford System's proven long-term clinical results

demonstrate a 98% success rate at ten years. Training sites have been established and the surgeon-trainers have already received training in the United Kingdom by the developers of the system. More than fifty surgeons are scheduled for training on the Oxford System during the first quarter of fiscal year 2005 and we plan to begin domestic distribution of the system during the second quarter.

The Company's pioneering and market-leading position in minimally invasive unicompartmental knees provides a solid foundation for Biomet's "first mover" advantage with the Microplasty Minimally Invasive Total Knee Instrumentation featuring Slidex technology. Approximately 350 sets of Microplasty Minimally Invasive Total Knee Instruments were introduced during fiscal year 2004, with 100 additional sets scheduled for release during the first quarter of fiscal year 2005. More than 300 surgeons completed training on the Microplasty Total Knee Instrumentation during fiscal year 2004.

Hip sales increased 16% worldwide and 9% in the United States during the fourth quarter. Solid hip sales growth during the quarter was attributable to numerous products, primarily Biomet's metal-on-metal articulation systems and the Company's broad line of complementary cementless stems. Sales of Biomet's metal-on-metal systems increased 35% in the United States during the fourth quarter and represented 34% of the Company's domestic hip articulation units. The M2a-38 hip cup continued to experience excellent market acceptance with a sales increase of 44% compared to last year's fourth quarter. Also contributing to Biomet's metal-on-metal sales growth, a non-flared version of the M2a-38 hip cup was introduced during the quarter.

Additional key hip products contributing to fourth quarter revenue growth include several of Biomet's revision systems, specifically the Mallory/Head Calcar System (one-piece and modular versions), the Freedom Constrained Liner and the PAR 5 Acetabular Cup. The Mallory/Head Calcar System is designed for use in cases with severe bone loss, with the modular design addressing proximal-distal mismatch and offering surgeons multiple distal stem options. The Freedom Constrained Liner, indicated for patients with chronic hip dislocation tendencies, allows for increased range of motion (more than 110 degrees). The PAR 5 Protrusio Cup consists of a unique, all-modular design with numerous flange, blade and hook options to accommodate substantial acetabular bone defects. Revision hip sales increased 21% in the United States during the fourth quarter.

Biomet's Microplasty Minimally Invasive Hip Programs (posterior and anterolateral approaches) continue to experience excellent market acceptance. During fiscal year 2004, more than 400 sets of Microplasty Hip Instrumentation were introduced and more than 400 surgeons received training on Microplasty Minimally Invasive Hip Programs. Development of additional Microplasty surgical approaches with related implants and instrumentation is continuing into fiscal year 2005.

Biomet is preparing to launch several key hip products during fiscal year 2005, including the M2a Magnum Metal-on-Metal System and the ReCap Femoral Resurfacing System. The M2a Magnum System utilizes a larger head design, more closely replicating patients' natural anatomy. A key advantage of the Magnum is the ability to implant a large femoral

head in a patient with a small acetabulum, enabling these systems to be implanted in virtually any patient for excellent joint stability and range of motion. The ReCap Femoral Resurfacing System is a bone-conserving device cleared for use in patients with early stage degenerative joint disease. The ReCap Total Resurfacing Hip System is currently being launched in Europe. The Company also anticipates regulatory clearance during fiscal year 2005 of the Medallion Modular Hip System, a third generation revision system based on our current flagship system, the Mallory/Head Modular Calcar System.

Extremity sales increased 29% worldwide and 25% in the United States during the fourth quarter. Numerous key products are driving growth in the extremity segment including the Bio-Modular Total Shoulder System, the Copeland Humeral (shoulder) Resurfacing Head, the Mosaic Humeral Replacement System, the Discovery Elbow and the Comprehensive Fracture Stem. The Bio-Modular Total Shoulder, one of the most versatile shoulder systems available, is a modular system offering a wide range of sizing and component options. The bone-conserving Copeland Head is a shoulder resurfacing system with excellent long-term clinical results. The Mosaic System, designed for shoulder revision and salvage/oncology procedures, provides an excellent solution for reattachment of soft tissues. The Discovery Elbow offers a superior hinge mechanism utilizing ArCom direct compression molded polyethylene. Used primarily to resolve complex shoulder fractures, the Comprehensive Fracture Stem can be cemented or press-fit and may be implanted with the Bio-Modular articulation components, when needed.

Dental reconstructive implant sales increased 21% worldwide and 19% in the United States during the fourth quarter. The Company's first internal-connection dental reconstructive implant system, the OSSEOTITE Certain Implant System, was launched during fiscal year 2004 and continues to experience excellent market acceptance. The OSSEOTITE Certain System offers clinicians significantly greater surgical latitude with respect to the system's increased adjustment capabilities. In addition to the success of its new product introductions, 3i continues to experience solid market growth in its well-established dental reconstructive implant product portfolio.

Sales of bone cements and accessories increased 40% worldwide and 60% in the United States during the fourth quarter. Principal products include Palacos and Palacos G Bone Cements and the Optivac Vacuum Mixing and Delivery System, which continued to experience excellent growth rates during the fourth quarter. In addition to the excellent clinical performance of Palacos, the distinctive green color of the cement provides surgeons with a visual advantage when the product is used in Microplasty procedures. Palacos G is comprised of standard Palacos Bone Cement with the addition of Gentamicin antibiotic. Palacos bone cement with Gentamicin has been the standard of care in Europe for nearly thirty-five years. Additionally, the proprietary Generation 4 Bone Cement with VacPac System experienced excellent market acceptance this quarter. The Generation 4 mixing and delivery system eliminates fume exposure during the mixing process, offers an improved consistency and quality cement due to its self-contained vacuum packaging and reduces operating room time due to the ease of mixing.

The GPS (Gravitational Platelet Separation) System continues to experience excellent

worldwide market acceptance. The GPS System consistently produces the highest quality concentrate of any platelet system on the market. Broad potential applications for the GPS System in the reconstructive, plastic and spine segments of the musculoskeletal market should continue to provide additional growth opportunities for this technology.

Worldwide fixation sales increased 6% to \$63,932,000 during the fourth quarter of fiscal year 2004, increasing 5% on a constant currency basis. Lorenz Surgical's craniomaxillofacial fixation sales increased 16% worldwide during the quarter and 2% in the United States. Several new products are currently being introduced including the LactoSorb RapidFire Screw Delivery System. The RapidFire technology is the latest advancement in screw delivery systems providing pre-loaded cartridges that save significant time in the operating room.

Sales of electrical stimulation products increased 7% worldwide during the fourth quarter and 6% in the United States. EBI's electrical stimulation technologies demonstrate an increase in the production of a cascade of bone morphogenic proteins and other osteopromotive growth factors to aid in bone healing, which further differentiates the Company's systems from competing systems. Only EBI provides a mechanism of action for three different bone growth technologies, including Pulsed Electromagnetic Field Stimulation employed in the EBI Bone Healing System, Direct Current Electrical Stimulation provided in the OsteoGen Bone Growth Stimulator and Capacitive Coupling Electrical Stimulation offered in the OrthoPak Bone Growth Stimulator.

Internal fixation sales increased 1% worldwide and in the United States during the fourth quarter. External fixation sales decreased 1% worldwide during the quarter and decreased 5% in the United States. Several new external fixation products are currently being introduced, including the MAC (MultiAxial Correction) Fixation System, which is utilized for limb deformity cases.

Worldwide spinal product sales increased 15% to \$43,660,000 during the fourth quarter of fiscal year 2004 and increased 13% in the United States. Domestic sales of spinal implant and orthobiological products for the spine increased 32% during the quarter and sales of spinal stimulation systems increased 7% in the United States. The recently launched SpinalPak-II System is smaller in size than the original SpinalPak unit and eliminates the need for patients to change batteries on a daily basis due to the system's rechargeable batteries, providing for better patient convenience.

The introduction of the Array Top-Loading Rod System, EBI's first top-loading system, provided the Company with a product to address the deformity segment of the spine market. The Array System was rolled out on a limited basis during the third and fourth quarters and is being well received by surgeons. Spinal product revenue growth during the fourth quarter was also driven by sales of the VueLock Anterior Cervical Plate System, assisted by the increased availability of our complementary allograft services, including OsteoStim Cervical Allograft Spacers and OsteoStim Demineralized Bone Matrix. The VueLock System features a pre-contoured, low profile, open design for excellent intraoperative visualization.

The clinical study for the lumbar version of the Regain Artificial Disc, EBI's one-piece pyrocarbon nucleus replacement, is scheduled to begin in Europe during the first quarter of fiscal year 2005 and in the United States during the second quarter. The pyrocarbon material is biocompatible, has a high level of strength and is extremely resistant to wear. The study for the cervical version of Regain should commence during the fourth quarter of fiscal year 2005.

Sales of the Company's "other products" increased 13% worldwide during the fourth quarter to \$42,457,000 and increased 8% in the United States. Arthroscopy sales increased 5% worldwide and 3% in the United States during the quarter. Arthrotek's LactoSorb resorbable products continue to show solid growth and we are seeing an increase in demand for allograft services in arthroscopy procedures. Several new product releases occurred during the fourth quarter, including the MaxBraid PE Suture made from 100% polyethylene. Initial surgeon response has been very favorable as a result of the MaxBraid Suture's excellent strength properties and unique braid design, which improves knot security and surgical ease-of-use.

Softgoods and bracing sales increased 6% worldwide and in the United States during the fourth quarter. Several new products were recently introduced including the custom Alliance Functional Knee Brace (anatomically designed for each patient), the lower priced Alliance OTS (Off-The-Shelf) Knee Brace for restrictive reimbursement accounts, and the Fracture Walker Plus with Air.

We are pleased with Biomet's record sales and earnings results during the fourth quarter and fiscal year 2004. Our fiscal year 2004 revenue growth was led by strong, accelerating sales of the Company's reconstructive products, as well as spinal hardware and orthobiologics products. We believe that Biomet is poised for continued, strong results as we prepare to launch meaningful new products during fiscal year 2005.

Respectfully,



Dane A. Miller, Ph.D.
President and Chief Executive Officer



Niles L. Noblitt
Chairman of the Board

Fiscal Year 2004 4th Quarter - *Quarter Ended May 31, 2004*

for the three month periods ended May 31, 2004 and 2003
(in thousands, except per share amounts)

	Twelve Months		Three Months	
	2004	2003	2004	2003
Net sales	1,615,253	1,390,300	447,188	377,210
Cost of sales	461,502	407,295	131,102	110,917
Gross profit	1,153,751	983,005	316,086	266,293
Selling, general and administrative expenses	595,234	495,391	180,461	130,265
Research and development expense	64,886	55,309	18,436	15,047
Operating income	493,631	432,305	117,189	120,981
Other income, net	15,165	19,438	4,905	3,491
Income before income taxes and minority interest	508,796	451,743	122,094	124,472
Provision for income taxes	176,098	156,961	41,439	43,654
Income before minority interest	332,698	294,782	80,655	80,818
Minority interest	7,071	8,081	798	3,071
Net Income	325,627	286,701	79,857	77,747
Earnings per share:				
Basic	\$1.27	\$1.10	\$0.31	\$0.30
Diluted	\$1.27	\$1.10	\$0.31	\$0.30
Shares used in the computation of earnings per share:				
Basic	255,512	259,493	254,308	258,105
Diluted	257,204	261,394	256,185	259,869
Cash dividends per common share	\$0.00	\$0.00	--	--

Quarterly Reports - Sales Analysis

Fiscal Year 2004 4th Quarter - *Quarter Ended May 31, 2004*

for the three months ended May 31, 2004 and 2003 (in thousands)

Domestic/Foreign Sales	2004	2003
U.S. sales	\$ 1,079,532	\$ 966,638

Foreign sales	535,721	423,662
Segment Sales		
Reconstructive	\$ 1,052,865	\$ 867,602
Fixation	248,821	237,117
Spinal products	159,927	143,607
Other	153,640	141,974

Quarterly Reports - Market Value of Common Shares

Fiscal Year 2004 4th Quarter - *Quarter Ended May 31, 2004*

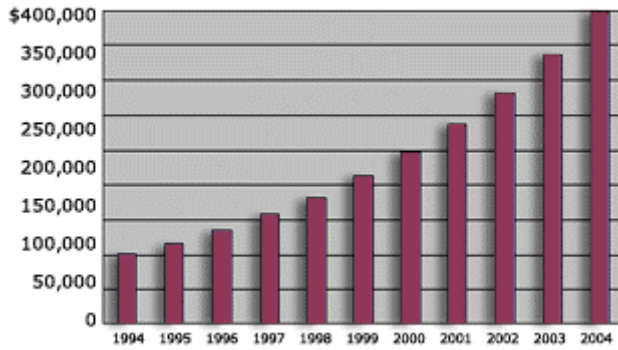
The following table shows the quarterly range of high and low sale prices for the Company's Common Shares as reported by Nasdaq Stock Market (Biomet's fiscal year commences on June 1 and ends on May 31.) Stock Symbol: BMET. The amount reflects inter-dealer prices, without retail mark-up, mark-down or commission. Record holders of outstanding Common Shares - May 31, 2004 - 6319.

	1st Qtr.	2nd Qtr.	3rd Qtr.	4th Qtr.
2004				
High	30.95	36.25	41.25	41.67
Low	27.26	29.56	34.50	37.05
2003				
High	29.28	32.00	30.50	33.50
Low	21.75	25.69	26.42	26.74
2002				
High	34.36	33.74	33.26	32.68
Low	25.06	24.33	26.77	25.18

Quarterly Reports -Quarterly Graphs

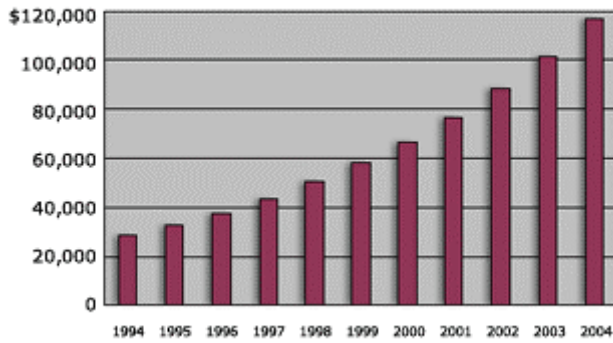
Fiscal Year 2004 4th Quarter - *Quarter Ended May 31, 2004*

Net Sales
(in Thousands)



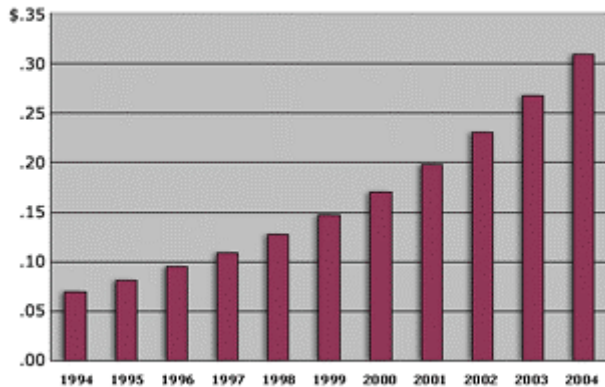
16% Compound Annual Growth Rate (CAGR)

Operating Income
(in Thousands)



15% Compound Annual Growth Rate (CAGR)

Diluted Income Per Share



16% Compound Annual Growth Rate (CAGR)

Quarterly Reports - Consolidated Balance Sheets and Consolidated Statements of Cash Flow

Fiscal Year 2004 4th Quarter – Quarter Ended May 31, 2004

Assets

	05/31/2004	05/31/2003
<i>Current assets:</i>		
Cash and cash investments	\$ 159,243	\$ 225,650
Investments	10,030	37,337
Accounts and notes receivable, less allowance for doubtful receivables (2004 - \$43,384 and 2003 - \$18,742)	465,949	418,095
Inventories	389,391	356,270
Deferred income taxes	69,379	54,262
Prepaid expenses and other	<u>21,877</u>	<u>20,141</u>
Total current assets	1,115,869	1,111,755
Property, plant and equipment:		
Land and improvements	23,173	22,285
Buildings and improvements	132,998	127,030
Machinery and equipment	<u>310,289</u>	<u>319,650</u>
	466,460	468,965
Less, Accumulated depreciation	<u>197,634</u>	<u>215,519</u>
Property, plant and equipment, net	<u>268,826</u>	<u>253,446</u>
Investments	66,339	155,607
Goodwill, net	266,860	126,706
Other intangible assets	53,571	10,874
Other assets	<u>16,232</u>	<u>13,781</u>
Total assets	<u>\$1,787,697</u>	<u>\$1,672,169</u>

Liabilities and Shareholders' Equity

Current liabilities:

Short-term borrowings	109,654	114,120
Accounts payable	55,365	42,106
Accrued income taxes	18,940	12,453
Accrued wages and commissions	51,288	43,715
Other accrued expenses	<u>78,155</u>	<u>54,260</u>
Total current liabilities	313,402	266,654
Long-term liabilities:		
Deferred federal income taxes	26,085	7,031
Other liabilities	--	<u>462</u>
Total liabilities	<u>339,487</u>	<u>274,147</u>

Commitments and contingencies (Note M)

Shareholders' equity

Preferred shares, \$100 par value: Authorized 5 shares;
none issued

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Common shares, without par value: Authorized 500,000 shares; issued and outstanding 2004 – 254,262 shares and 2003 – 257,489 shares	167,304	141,931
Additional paid-in capital	60,344	54,081
Retained earnings	1,218,682	1,100,462
Accumulated other comprehensive income (loss)	<u>1,883</u>	<u>(10,340)</u>
Total shareholders' equity	<u>1,448,210</u>	<u>1,286,134</u>
Total liabilities and shareholders' equity	<u>\$1,787,697</u>	<u>\$1,672,169</u>

Consolidated Statements of Cash Flow

For the months ended May 31, 2004 and 2003

(in thousands)

	2004	2005
Net cash from operating activities	386,089	310,277
<i>Cash flows from (used in) investing activities:</i>		
Proceeds from sales and maturities of investments	236,360	175,655
Purchases of investments	(119,819)	(131,633)
Capital expenditures	(61,342)	(59,770)
Acquisitions, net of cash acquired	(307,475)	--
Other	<u>(1,205)</u>	<u>(3,949)</u>
Net cash from (used in) investing activities	<u>(253,481)</u>	<u>(19,697)</u>
<i>Cash flows from (used in) financing activities:</i>		
Increase (decrease) in short-term borrowings, net	(11,487)	1,443
Issuance of common shares	28,208	21,349
Cash dividends	<u>(38,604)</u>	<u>(26,416)</u>
Purchase of common shares	<u>(172,724)</u>	<u>(219,184)</u>
Net cash used in financing activities	<u>(194,607)</u>	<u>(222,808)</u>
Effect of exchange rate changes on cash	<u>(4,408)</u>	<u>3,581</u>
Decrease in cash and cash equivalents	(66,407)	71,353
Cash and cash equivalents, beginning of year	<u>225,650</u>	<u>154,297</u>
Cash and cash equivalents, end of period	<u>\$ 159,243</u>	<u>\$ 225,650</u>