

Message to Our Shareholders

Fiscal Year 2005 1st Quarter - *Quarter Ended August 31, 2004*

Biomet is pleased to report record sales and earnings results for the first quarter of fiscal year 2005. The first quarter results reflect the acquisition of Merck KGaA's interest in the Biomet Merck joint venture on March 19, 2004, as well as the acquisition of Interpore International, Inc. on June 18, 2004. The integration of Interpore is proceeding as expected, providing the Company with an expanded spinal product portfolio and worldwide distribution network to better service our spinal and neurosurgeon customers.

The following discussion includes the Company's results on an adjusted basis, which exclude acquisition costs including inventory step-up and write off of in-process research and development. During the first quarter, net sales increased 18% to \$438,160,000. Gross profit increased 18%, as reported during the first quarter, to \$312,188,000 representing 71.2% of sales, with an increase of 21% to \$319,190,000 on an adjusted basis, at 72.8% of sales. On a reported basis, net income decreased 21% to \$60,433,000 during the first quarter, while increasing 19%, as adjusted, to \$91,023,000. Diluted earnings per share decreased 20%, as reported, to \$0.24 per share and increased 20% to \$0.36 per share, on an adjusted basis.

Excluding the effect of foreign currency, which increased revenues by approximately \$7 million, net sales increased 16% worldwide during the first quarter, with an 18% increase in domestic sales and a 14% increase in international sales. Additionally, the acquisition of Interpore added five percentage points to the domestic sales growth rate during the quarter and two percentage points to the international sales growth rate.

The Company's worldwide reconstructive device sales increased 21% to \$282,482,000 during the first quarter, while domestic reconstructive device sales increased a very strong 23%. Knee sales increased 27% in the United States and 23% worldwide during the first quarter. Virtually all of Biomet's knee systems reported excellent growth during the quarter, including the Vanguard Complete Knee System, the Ascent, Maxim, and AGC Knee Systems, the Biomet OSS (Orthopaedic Salvage System), as well as the Oxford and Vanguard M Unicompartmental Knee Systems.

The launch of Biomet's most comprehensive knee system, the Vanguard Complete Knee System, which began during the fourth quarter of fiscal year 2004, will continue throughout fiscal year 2005. The introduction of a new patello-femoral replacement option is scheduled to take place during the second quarter. Additionally, mobile-bearing and revision components for the Vanguard System are in development.

During the first quarter of fiscal year 2005, thirteen surgeons from the United States received training in Oxford, England, in order to lead Oxford Unicompartmental Knee training programs in the United States. Biomet is planning to launch 150 sets of Oxford instruments during the second quarter, with 150 surgeons scheduled for Oxford-specific training. The Oxford is the only free-floating meniscal unicompartmental knee system approved for sale in the United States. Additionally, the Oxford System's proven longterm clinical results outside the United States demonstrate a 98% success rate at ten years follow-up and 95% success after 15 years.

Biomet was the first company to introduce minimally invasive total knee instrumentation to the market, specifically the Microplasty System, which features Slidex technology. Approximately 500 sets of Microplasty Total Knee Instruments

have been launched during the past five quarters, with 200 additional sets scheduled for release during the second quarter. During the past five quarters, more than 425 surgeons were trained on Microplasty Total Knee Instruments at Biomet and AAOS Learning Centers, with training scheduled during the second quarter for an additional 100 surgeons.

During the first quarter, hip sales increased 13% worldwide and 11% in the United States. Revision hip sales in the United States increased 17% during the quarter. Solid hip sales growth during the first quarter was attributable primarily to Biomet's metal-on-metal articulation systems and complementary cementless stems, along with the Company's broad line of revision products. Biomet's metal-on-metal systems in the United States represented 36% of the Company's domestic hip articulation units during the first quarter. Hydroxyapatite coated stems also experienced good market acceptance, with 59% sales growth during the quarter. Additionally, during the first quarter, we received regulatory clearance of the Acumen Surgical Navigation System software for the Taperloc Hip Stem and initiated its launch.

Other key hip products contributing to first quarter revenue growth include numerous revision systems, specifically, Biomet's Mallory/Head Calcar System (one-piece and modular versions), the Reach System (standard and modular versions), the Freedom Constrained Liner and the PAR 5 Acetabular Cup. The Mallory/Head Calcar System is indicated in cases with severe bone loss, and the modular version provides multiple mix and match component options for a customized fit of the implant to the patient's anatomy. The standard Reach System offers a fully porous coated stem to provide increased potential for initial fixation in difficult revision cases. The modular version of the Reach System addresses proximal-distal mismatch and offers surgeons numerous distal stem options. The Freedom Constrained Liner provides increased range of motion and greater joint stability to patients with chronic hip dislocation tendencies. The PAR 5 Protrusio Cup offers a unique modular design with numerous options to accommodate substantial acetabular bone defects.

Strong interest in Biomet's Microplasty Minimally Invasive Hip Programs (posterior and anterolateral approaches) has continued into fiscal year 2005. During the past five quarters, more than 500 domestic surgeons received Microplasty Hip training, with 100 surgeons scheduled for training during the second quarter. Development of additional minimally invasive programs with related implants and instrumentation is ongoing.

Several hip product launches are scheduled to take place during fiscal year 2005. The domestic rollout of the ReCap Femoral Resurfacing System will be initiated during the second quarter, while the ReCap Total Resurfacing System is being launched in Europe. The clinical study for the ReCap Total Resurfacing System is scheduled to begin during the second half of fiscal year 2005. The bone-conserving ReCap Systems are indicated for patients with avascular necrosis and early stage degenerative joint disease.

Additional new hip products expected to be introduced during the second or third quarter of fiscal year 2005 include Biomet's M2a Magnum Metal-on-Metal System, the Medallion Modular CT (Collared Taper) Revision System components, and Biomet's highly crosslinked polyethylene, ArCom XL. The M2a Magnum System utilizes a larger head design, which more closely replicates the natural anatomy, providing excellent joint stability and range of motion. The Medallion System is a third generation revision system based on Biomet's Mallory/Head Modular Calcar System. ArCom XL's proprietary process yields a material with significantly lower wear rates without compromising mechanical strength.

Biomet also signed a co-exclusive license agreement during the first quarter of fiscal year 2005 with Massachusetts General Hospital for rights to their patent-pending vitamin E impregnated, highly crosslinked polyethylene. This technology has the potential to further improve the wear characteristics of both direct compression molded and machined polyethylene components. Process and product development will take place during fiscal year 2005, with initial product clearances anticipated during fiscal year 2006.

Extremity sales increased 18% in the United States during the first quarter and 17% worldwide. Products experiencing strong demand in the extremity segment during the quarter include the Copeland Humeral (shoulder) Resurfacing Head, the Discovery Elbow and the Comprehensive Fracture Stem. The Copeland shoulder, with excellent long-term clinical results, is a bone-conserving resurfacing system for patients in the early stage of degenerative joint disease. The Discovery Elbow provides an improved hinge mechanism utilizing ArCom polyethylene. The Comprehensive Fracture Stem can be either cemented or press-fit and is primarily indicated to resolve complex shoulder fractures.

Sales of bone cements and accessories increased 71% in the United States during the first quarter and increased 29% worldwide. The strong demand for Palacos and Palacos G Bone Cements during the quarter continues to drive sales growth in this product category. Palacos G is comprised of standard Palacos Bone Cement with the addition of Gentamicin antibiotic. Biomet holds the second-largest position in the worldwide and domestic bone cement markets.

The GPS (Gravitational Platelet Separation) System, distributed through Biomet's Cell Factor Technologies subsidiary, continues to experience strong demand. The GPS System possesses broad applications in the reconstructive and spine markets and consistently produces the highest quality concentrate of any platelet concentration system on the market, as well as being the easiest system to use.

Dental reconstructive implant sales increased 25% worldwide during the first quarter and increased 24% in the United States. The OSSEOTITE product line continues to experience excellent market penetration. Additionally, the OSSEOTITE Certain Implant System, the Company's first internal-connection dental reconstructive implant system, was launched during fiscal year 2004, adding to 3i's success. Clinicians receive significantly increased surgical latitude due to the system's greater intraoperative adjustment capabilities.

Fixation sales increased 1% worldwide during the first quarter to \$62,713,000. Softness in Biomet's fixation sales during fiscal year 2004 and into the first quarter of fiscal year 2005 has been attributable, in part, to changing market dynamics, such as increased interest in minimally invasive plating options in internal fixation, which has also affected external fixation and electrical stimulation sales. During the second quarter, EBI plans to introduce the OptiLock Distal Radius Plating System, a minimally invasive system for Colles' fractures. This launch is expected to help drive internal fixation sales, as well as reverse the decreasing sales trend in external fixation with our Colles' Fixator. Additionally, due to the increased contact with hand surgeons as a result of the minimally invasive plating system introduction, electrical stimulation sales, particularly for scaphoid fractures, should be positively affected.

The continued softness in fixation sales during the first quarter also resulted from EBI's focus on integrating Interpore's salesforce with EBI's, and accompanying issues such as cross-training of the sales representatives. Now that the Interpore integration is complete, EBI will focus on combining the internal fixation salesforce and product portfolio with the fixation salesforce. The end result will be two separate salesforces addressing the spine and fixation market

segments. Coupled with new product introductions, we would expect to see accelerating growth trends in fixation sales when this process is complete.

Lorenz Surgical's craniomaxillofacial fixation sales increased 8% worldwide and 3% in the United States during the first quarter. Recent product introductions include the LactoSorb RapidFire Screw Delivery System and the Lorenz Power Driver to aid in reducing operating room time. The RapidFire System is available with pre-loaded titanium or resorbable screw cartridges.

Electrical stimulation sales during the first quarter decreased 1% worldwide and 2% in the United States. External fixation sales decreased 2% worldwide and 5% in the United States during the quarter. Expansions to EBI's external fixation product line include the DynaFix Vision Unilateral Fixator, as well as MRI-Safe Clamps.

Internal fixation sales decreased 3% worldwide during the first quarter and decreased 10% in the United States. New EBI products in internal fixation include the Intermediate VHS Hip Screw, the Pediatric Locking Nail System and the SBS Small Bone Screw.

Spinal product sales increased 39% worldwide to \$52,909,000 during the first quarter of fiscal year 2005, with an increase of 37% in the United States. Sales of spinal implants and orthobiological spine products in the United States increased 132% during the quarter, while domestic spinal stimulation system sales decreased 1%. Domestic spinal hardware and orthobiologic sales for EBI, excluding Interpore, increased 26% during the quarter.

The national product launch of EBI's first top-loading system, the Array Top-Loading Rod System, which addresses the degenerative and spine deformity markets, was initiated during the first quarter. The Array System, which was rolled out on a limited basis during the third and fourth quarters of fiscal year 2004, continues to receive strong surgeon acceptance. The national release of the VuePASS Minimally Invasive Fusion System was also initiated during the first quarter. Additionally, OsteoStim Allograft Spacers experienced extremely strong demand during the quarter. Other new product launches during the first quarter include a new distractor for the Ionic Spine Spacer and OsteoStim Skelite Triangles, which are utilized in conjunction with the Ionic.

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

During the first quarter of fiscal year 2005, "other product" sales increased 9% worldwide to \$40,056,000 and increased 6% in the United States. Arthroscopy sales increased 7% in the United States and increased 4% worldwide during the quarter. Products contributing to sales growth for Arthrotek include the resorbable LactoScrew Suture Anchor with 100% polyethylene MaxBraid Suture, allograft services, the Ti Screw Suture Anchor and the Autogenous Bone Coring System.

Sales of softgoods and bracing products increased 1% in the United States during the first quarter and were flat worldwide. New product launches during the quarter include the Vloc Spine Brace and the Game Keepers Thumb Support.

We are pleased with the Company's record sales and earnings results during the first quarter of fiscal year 2005. First quarter revenue growth was led by strong, accelerating sales of Biomet's reconstructive products, as well as growth in spinal hardware and orthobiologics. Of special note, Biomet Orthopedics initiated its direct-to-consumer branding campaign in a few selected regional markets during the quarter, with additional regional areas subsequently added. Website hits have increased substantially since the beginning of the campaign with an increase of more than 23,000 unique visitors during the initial sixty-day period. The website activity will continue to be monitored, but early indications show positive responses to the ad campaign. We are excited about the Company's pipeline of new products and technologies and we look forward to the lineup of introductions that will take place throughout fiscal year 2005.

Respectfully,



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



Niles L. Noblitt
Chairman of the Board

Consolidated Statements of Income

Fiscal Year 2005 1st Quarter - Quarter Ended August 31, 2004
for the three months ended August 31, 2004 and 2003
(Unaudited, in thousands, except per share data)

	2004	2003
	----	----
Net sales	\$438,160	\$370,319
Cost of sales	125,972	105,618
	-----	-----
Gross profit	312,188	264,701
Selling, general and administrative expenses	160,460	132,397
Research and development expense	18,476	14,748
In-process research and development	26,020	--
	-----	-----
Operating income	107,232	117,556
Other income (expense), net	(728)	3,021
	-----	-----
Income before income taxes and minority interest	106,504	120,577
Provision for income taxes	46,071	41,979
	-----	-----
Income before minority interest	60,433	78,598
Minority interest	--	2,120

Net income	----- \$ 60,433 =====	----- \$ 76,478 =====
Earnings per share:		
Basic	\$.24 =====	\$.30 =====
Diluted	\$.24 =====	\$.30 =====
Shares used in the computation of earnings per share:		
Basic	253,856 =====	256,847 =====
Diluted	255,950 =====	258,282 =====
Cash dividends per common share	\$.20 =====	\$.15 =====

Sales Analysis

Fiscal Year 2005 1st Quarter - Quarter Ended August 31, 2004
For the three months ended August 31, 2004 and 2003 (in thousands)

Domestic/Foreign Sales	2004	2003
U.S. sales	\$ 296,304	\$ 252,095
Foreign sales	141,856	118,224
Segment Sales		
Reconstructive sales	\$ 282,482	\$ 233,439
Fixation sales	62,713	62,133
Spinal products	52,909	37,967
Other product sales	40,056	36,780

Market Value of Common Shares

Fiscal Year 2005 1st Quarter - *Quarter Ended August 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 - August 31, 2004 6,293.

2005				
High	49.60			
Low	39.69			

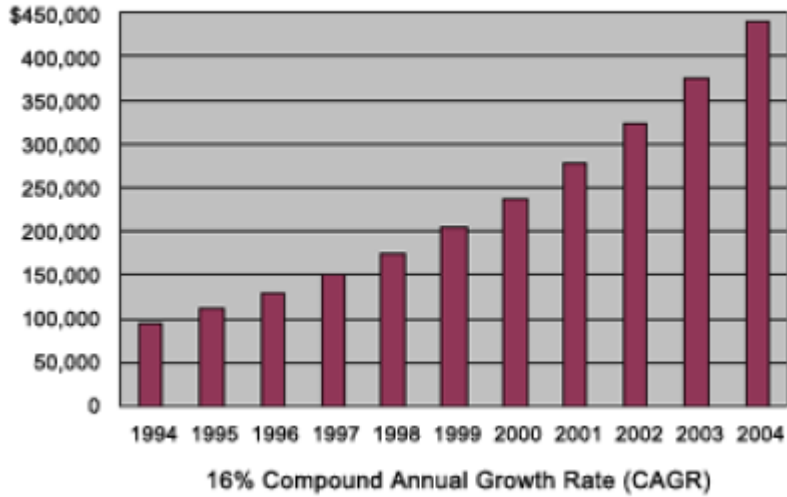
2004				
High	30.95	36.25	41.25	41.67
Low	27.26	29.56	34.50	37.05
2003				
High	29.28	32.00	30.50	33.50
Low	21.75	25.69	26.42	26.74

Quarterly Reports -Quarterly Graphs

Fiscal Year 2005 1st Quarter - *Quarter Ended August 31, 2004*

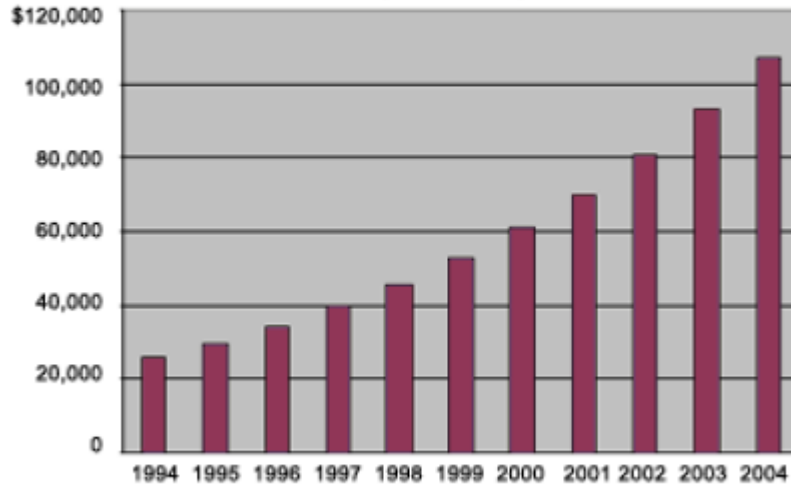
Net Sales

(in Thousands)



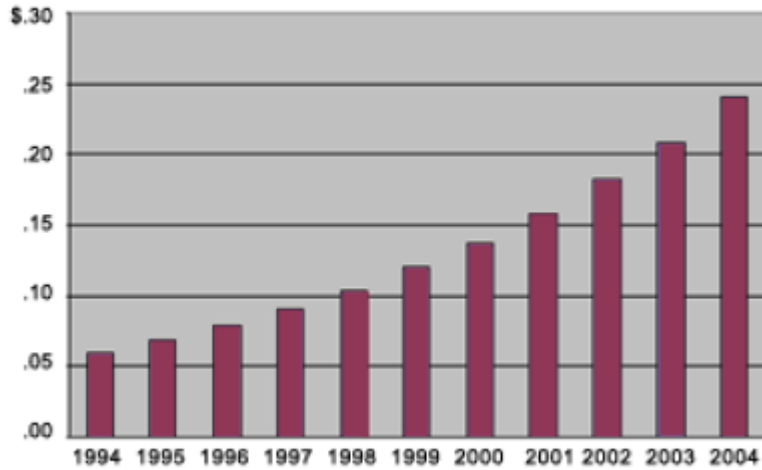
Operating Income

(in Thousands)



15% Compound Annual Growth Rate (CAGR)

Diluted Income Per Share



15% Compound Annual Growth Rate (CAGR)

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

BIOMET, INC. AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS

at August 31, 2004 and May 31, 2004

(in thousands)

ASSETS

August 31,
2004

May 31,
2004

	(Unaudited)	
Current assets:		
Cash and cash equivalents	\$ 81,715	\$ 159,243
Investments	14,449	10,030
Accounts and notes receivable, net	449,436	465,949
Inventories	424,997	389,391
Deferred income taxes	85,748	69,379
Prepaid expenses and other	26,808	21,877
	-----	-----
Total current assets	1,083,153	1,115,869
	-----	-----
Property, plant and equipment, at cost	493,631	466,460
Less, Accumulated depreciation	210,058	197,634
	-----	-----
Property, plant and equipment, net	283,573	268,826
	-----	-----
Investments	62,453	66,339
Goodwill	436,471	266,860
Intangible assets, net	91,301	53,571
Other assets	16,441	16,232
	-----	-----
Total assets	\$1,973,392	\$1,787,697
	=====	=====

LIABILITIES AND SHAREHOLDERS' EQUITY

	August 31, 2004	May 31, 2004
	-----	-----
	(Unaudited)	
Current liabilities:		
Short-term borrowings	\$ 311,920	\$ 109,654
Accounts payable	53,455	55,365
Accrued income taxes	38,730	18,940
Accrued wages and commissions	46,710	51,288
Other accrued expenses	83,380	78,155
	-----	-----
Total current liabilities	534,195	313,402
Long-term liabilities:		
Deferred income taxes	38,188	26,085
	-----	-----
Total liabilities	572,383	339,487
	-----	-----
Contingencies		
Shareholders' equity:		
Common shares	172,681	167,301
Additional paid-in capital	60,388	60,344
Retained earnings	1,164,595	1,218,682
Accumulated other comprehensive income	3,345	1,883
	-----	-----
Total shareholders' equity	1,401,009	1,448,210
	-----	-----

Total liabilities and shareholders' equity	\$1,973,392	\$1,787,697
	=====	=====

Consolidated Statements of Cash Flow

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

	2004	2003
	----	----
	-----	-----
Net cash from operating activities	118,900	95,435
	-----	-----
Cash flows from (used in) investing activities:		
Proceeds from sales and maturities of investments	8,602	59,010
Purchases of investments	(8,616)	(51,183)
Capital expenditures	(18,616)	(9,379)
Acquisitions, net of cash acquired	(266,229)	--
Other	(2,357)	(1,029)
	-----	-----
Net cash used in investing activities	(287,216)	(2,581)
	-----	-----
Cash flows from (used in) financing activities:		
Increase (decrease) in short-term borrowings, net	201,770	(3,525)
Issuance of common shares	6,312	4,001
Cash dividends	(50,872)	(38,604)
Purchase of common shares	(64,985)	(61,720)
	-----	-----
Net cash from (used in) financing activities	92,225	(99,848)
	-----	-----
Effect of exchange rate changes on cash	(1,437)	3,055
	-----	-----
Decrease in cash and cash equivalents	(77,528)	(3,939)
Cash and cash equivalents, beginning of year	159,243	225,650
	-----	-----
Cash and cash equivalents, end of period	\$ 81,715	\$221,711
	=====	=====