

Message to our Shareholders

Biomet, Inc. reported record sales and earnings results for its third quarter ended February 28, 2006. The following discussion will focus on the Company's results on an adjusted basis. Adjusted results exclude inventory step-up from the March 2004 acquisition of Merck KGaA's interest in the Biomet Merck joint venture and the June 2004 acquisition of Interpore.

Net sales increased 5% to \$506.3 million during the third quarter of fiscal year 2006. Gross profit increased 3% to \$363.2 million, representing 71.7% of sales. Cost of goods sold was inflated by approximately \$1.5 million during the third quarter due to the previously announced price increase from the supplier of the Company's antibiotic delivery system in Europe. Selling, general and administrative expenses increased 3% to \$185.1 million, representing 36.6% of sales. Biomet's national branding campaign increased selling, general and administrative expenses by approximately 60 basis points during the quarter compared to the third quarter of fiscal year 2005. Research and development expenses increased 3% to \$21.1 million, or 4.2% of sales. Operating income increased 4% to \$157.0 million, with operating margins at 31.0% of sales. Net income increased 4% to \$106.1 million, while diluted earnings per share increased 8% to \$0.43 per share.

Excluding the impact of foreign currency, which decreased third quarter revenues by approximately \$13.1 million, net sales increased 8% worldwide. International sales increased 11%, constant currency, while domestic sales increased 6% during the third quarter.

Reconstructive device sales increased 6% worldwide to \$346.6 million during the third quarter and increased 9% in the United States. On a constant currency basis, reconstructive device sales increased 10% worldwide.

During the third quarter, hip sales increased 11% in the United States and 8% worldwide. Hip sales increased 11% worldwide, constant currency, during the quarter. Excluding instruments, domestic hip sales increased 12%. During the third quarter, sales of metal-on-metal acetabular systems increased 39% in the United States and represented 48% of Biomet's hip articulation units. The M²a-Magnum, Biomet's best-selling metal-on-metal system in the United States, continued to experience phenomenal market demand during the third quarter. Additionally, the Company's domestic clinical study for the ReCap Total Resurfacing System is progressing, with ten sites currently participating.

Biomet received approval during the third quarter from the U.S. Food and Drug Administration for the C²a-Taper Acetabular System, featuring ceramic-on-ceramic articulation and the Company's proven porous plasma spray coating technology. With this most recent addition to the Company's alternative bearing product lineup, Biomet currently offers the broadest range of hip articulation systems in the market.

During the third quarter, Biomet sponsored a live Internet webcast of the ASI ("Anterior Supine Intermuscular") surgical technique. Roger H. Emerson, Jr., M.D. utilized the Company's Microplasty Minimally Invasive Instruments designed specifically for this procedure. The webcast has received in excess of 12,000 hits. Observers witnessed a truly minimally invasive hip technique, with no muscles being cut during exposure of the joint. In addition, a Microplasty ASI cadaver lab training opportunity has been scheduled to take place on May 4th.

ArComXL continued to receive excellent market acceptance during the third quarter, representing 42% of Biomet's metal-on-poly articulation units in the United States and attaining a 46% penetration level for the month of February. A second-generation highly crosslinked polyethylene, ArComXL provides a 47 – 64% decrease in volumetric wear rate over standard

ArCom in lab studies, with no measurable oxidation exhibited under accelerated aging, and a 30% increase in ultimate tensile strength with similar wear-particle shape and size.

During the third quarter, Biomet submitted a 510(k) to the U.S. Food and Drug Administration for E-Poly acetabular cup liners. E-Poly utilizes Vitamin E to quench the free radicals in polyethylene, reducing oxidation, thus improving the long-term viability of the material. Biomet obtained rights to this technology through a licensing agreement with Massachusetts General Hospital. It is believed this technology will further improve the wear characteristics of machined polyethylene bearings, as well as direct compression molded components.

Biomet received regulatory clearance from the U.S. Food and Drug Administration during the third quarter for acetabular augments manufactured from the Company's new Regenerex Porous Titanium Construct. As a result of Biomet's early efforts, titanium has now become a well-established material in orthopedics with a proven history of success, which should support excellent market acceptance of the Regenerex product line. Biomet experienced industry-leading growth in the hip category during the third quarter and the Company's hip product pipeline remains strong.

During the third quarter of fiscal year 2006, knee sales increased 8% in the United States and 6% worldwide against last year's industry-leading third quarter growth rates of 36% in the United States and 31% worldwide. On a constant currency basis, knee sales increased 9% worldwide. Domestic knee sales increased 10%, excluding instruments. Third quarter knee sales growth was driven by the continued strong market demand for the Vanguard Complete Knee System and the Oxford Unicompartmental Knee System. Additionally, Biomet's OSS (Orthopaedic Salvage System) experienced solid sales growth during the third quarter.

The Vanguard Complete Knee System continues to be the most comprehensive total knee system on the market, allowing for up to 145 degrees flexion, while providing for greater bone-conservation than competitive high flex systems. The full interchangeability of the Vanguard System's nine femoral and nine tibial sizes offers precise matching of the implant components to the patient's knee anatomy. Additionally, the launch of the Vanguard System's anterior stabilized components and instruments was initiated during the third quarter. The rollout of 100 sets of Vanguard Revision Instruments is scheduled to take place during the fourth quarter. Biomet introduced the Vanguard Revision SSK (Super Stabilized Knee) System earlier this fiscal year, on a limited basis.

Biomet was the first company in the industry to offer minimally invasive total knee instruments and continues to lead the market in this technology. Prior to the second quarter of fiscal year 2006, the Vanguard System had been offered only with Biomet's Microplasty Minimally Invasive Knee Instruments. Approximately 1,250 sets of Microplasty Total Knee Instruments were released in the United States during the past three fiscal years, with an estimated 1,250 domestic surgeons having completed Microplasty Total Knee Instrumentation training.

The rollout of the Vanguard Premier Instrumentation, designed for implantation of the Vanguard System utilizing a conventional open procedure, was initiated during the second quarter of fiscal year 2006 and is ongoing, with approximately 170 sets already in the field. In addition, during the third quarter, Biomet initiated a limited introduction of Vanguard Anterior Referencing Instrumentation.

The rollout of the Oxford Unicompartmental Knee System continued during the third quarter. The Oxford is the only free-floating meniscal bearing unicompartmental knee approved for sale in the United States. More than 260 surgeons completed Oxford-specific training in the United States during the third quarter, with the total exceeding 860 domestic surgeons during the past

six quarters. An additional 100 surgeons are scheduled to complete Oxford training in the United States during the fourth quarter. Excellent long-term clinical results have been demonstrated for the Oxford Unicompartmental Knee outside the United States with 98% success reported at 10 years, a 95% success rate at 15 years, and 93% success reported at 20 years.

Biomet's OSS (Orthopaedic Salvage System), which provides the most complete product offering for salvage procedures, also contributed to knee sales growth during the third quarter. The OSS is designed for use in complex revision cases, as well as trauma and oncology procedures.

During the third quarter, extremity sales increased 21% in the United States and 16% worldwide. Excluding the impact of foreign currency, extremity sales increased 20% worldwide. Numerous devices contributed to the strong third quarter extremity sales growth, including the Discovery Elbow, Copeland Humeral Resurfacing Head, Comprehensive Fracture Stem, ExploR Radial Head Replacement, and the Mosaic Humeral Replacement System.

The Discovery Elbow is a bone-sparing device, which features an improved hinge design utilizing ArCom direct compression molded polyethylene. The bone-conserving Copeland Shoulder is a resurfacing system used to treat patients in the early stage of degenerative joint disease. The Comprehensive Fracture Stem, utilized to treat complex shoulder fractures, is available in cemented and press-fit versions. The Mosaic System is a modular shoulder designed for revision, oncology and salvage procedures.

Recently introduced extremity products experiencing strong market acceptance include the ExploR Radial Head Replacement and the Maestro Wrist Reconstructive System. The ExploR is a modular device comprised of a tapered stem, with a head designed to articulate with the patient's natural bone. The Maestro Wrist can be used as a hemi-arthroplasty device for carpal replacement or as a total wrist replacement.

Sales of bone cements and accessories decreased 10% in the United States during the third quarter and decreased 13% worldwide. These rates were against tough comps from last year's third quarter growth rates of 78% in the United States and 36% worldwide. Third quarter sales of bone cements and accessories decreased 8% worldwide, constant currency.

During the third quarter, Biomet completed the rollout of Cobalt and Cobalt G bone cements. These cements were developed internally and feature a high optical contrast material, providing a benefit in minimally invasive reconstructive procedures.

Biomet's patented StageOne Cement Spacer Molds, which were introduced during the second quarter of fiscal year 2006, experienced excellent market acceptance during the third quarter. The knee spacer molds are used in stage one of a two-stage revision and offer surgeons an advantage over the conventional hand-made and pre-made bone cement spacers. During the third quarter, Biomet also received regulatory clearance from the U.S. Food and Drug Administration for StageOne Cement Spacer Molds for hip revision procedures and the product rollout will be initiated during the fourth quarter.

Dental reconstructive implant sales increased 13% in the United States and 12% worldwide during the third quarter. On a constant currency basis, sales of dental reconstructive implants increased 16% worldwide.

During the third quarter, 3i launched the Advanced Cutting Technology (ACT) drill, used to create the implant osteotomy. The reusable drill is designed to offer enhanced cutting geometry, as well as modified laser marking and scoring for improved depth visibility.

Regulatory clearance was recently received from the U.S. Food and Drug Administration for the PreFormance Post Provisional Abutment. The PreFormance is a temporary abutment manufactured from PEEK (PolyEtherEtherKetone) material, allowing for easy modification by the clinician, making it particularly appropriate for provisional restoration of an implant. The abutment, available in both straight and pre-angled versions, features a titanium interface for improved strength and quality of fit, and is designed for up to six months of intraoral use. The launch of the PreFormance Post is scheduled to begin during the fourth quarter.

Additional new products being launched during the fourth quarter include the OSSEOCISION Surgical Drill System and the Straight Prevail, a line extension to the new OSSEOTITE Certain Prevail Implant System. The OSSEOCISION Surgical Drill System includes a miniature handpiece head for improved access between teeth and an electronically controlled irrigation system. The Straight Prevail Implant is designed to eliminate the expanded platform feature that can sometimes be challenging when the ridge width is inadequate.

The Company also received regulatory clearance from the U.S. Food and Drug Administration during the third quarter for OSSIX PLUS, a resorbable collagen membrane. OSSIX PLUS provides long-lasting barrier function and excellent tissue response for guided bone regeneration, as well as improved handling characteristics with a more flexible membrane.

Fixation sales were flat worldwide at \$62.3 million and increased 1% in the United States during the third quarter. Excluding the impact of foreign currency, fixation sales increased 2% worldwide.

Lorenz Surgical's craniomaxillofacial fixation sales increased 7% in the United States and 4% worldwide during the third quarter. Craniomaxillofacial fixation sales increased 5% worldwide, on a constant currency basis. Internal fixation sales increased 15% in the United States during the third quarter and 4% worldwide. Internal fixation sales increased 7% worldwide, constant currency. During the third quarter, electrical stimulation device sales increased 1% worldwide and in the United States. External fixation sales decreased 11% worldwide and 12% in the United States during the quarter. External fixation sales decreased 10% worldwide, excluding the effect of foreign currency.

Third quarter internal fixation sales continued to benefit from the successful rollout of EBI's Peritrochanteric Nail. This hip fracture system features a unique single lag screw concept with multiple lag options for various fracture patterns. The introduction of the Peritrochanteric Nail augments EBI's portfolio of internal fixation products designed for use in the growing hip fracture market.

The rollout and clinical evaluation of the OptiLock Periarticular Plating System for lower extremity fractures is ongoing and the Company is receiving excellent surgeon feedback. This unique system is comprised of anatomically pre-contoured plates, designed to allow the use of different diameter bone screws in locked and non-locked options, providing increased flexibility for minimally invasive techniques and surgical approaches. The introduction of this system to the market will enhance EBI's portfolio of trauma products used in the treatment of complex periarticular fractures.

The Company continues to receive excellent feedback regarding its Pediatric Locking Nail for treatment of femoral fractures and reconstructive procedures. EBI has a wide range of internal and external fixation product offerings to treat a variety of femoral fractures in children, uniquely positioning the Company as a leader in this market segment. The Company will continue to expand product availability over the next two quarters to increase penetration in the pediatric fracture fixation market.

Spinal product sales increased 2% worldwide to \$53.9 million during the third quarter and increased 3% in the United States. Spinal product sales increased 3% worldwide, on a constant currency basis. Sales of spinal implants and orthobiological products for the spine increased 9% worldwide and in the United States during the third quarter, while spinal stimulation sales decreased 3% in the United States and 4% worldwide.

The rollout of the Polaris Spine System, which was initiated during the second quarter, is ongoing and should help to drive momentum in spine sales during fiscal year 2007. The Polaris is a 6.35mm diameter top-loading rod system utilizing patented helical flange locking technology.

The PEEK-OPTIMA version of the Ibx Spine System, EBI's first PEEK offering, continued to receive good market acceptance during the third quarter. During the fourth quarter, EBI anticipates regulatory clearance for the PEEK version of the ESL Elliptically Shaped Lumbar Spine System, as well as the stainless steel version of the Array Spine System. The ESL System is the Company's first spine spacer designed for a direct posterior surgical approach. Pending the regulatory clearances, the Company plans to introduce these two systems at the end of fiscal year 2006 or the beginning of fiscal year 2007.

EBI plans to begin enrolling patients in the clinical trial for the Regain Lumbar Nucleus Replacement during the first quarter of fiscal year 2007. The Regain is a one-piece device made of pyrocarbon material.

During the third quarter, "other product" sales increased 6% worldwide to \$43.4 million and increased 4% in the United States. "Other product" sales increased 8% worldwide, constant currency. Sales of softgoods and bracing products increased 4% in the United States and 2% worldwide during the third quarter.

Arthroscopy sales increased 10% worldwide during the third quarter and increased 7% in the United States. Excluding the impact of foreign currency, third quarter arthroscopy sales increased 12% worldwide.

Arthrotek products experiencing excellent growth rates during the third quarter include the EZLoc Femoral Fixation Device and the WasherLoc Tibial Fixation Device, the InnerVue Diagnostic Scope System and the Ti Screw Anchor for shoulder repair procedures. New arthroscopy products scheduled for introduction during the fourth quarter are the ToggleLoc ACL Fixation Device, the Bi-Pass Suture Passer, the BioCore Interference Screw, and Sportmesh Tissue Reinforcement for rotator cuff repair.

The Company reported record sales and earnings results during the third quarter of fiscal year 2006. We continue to be pleased with our market-leading sales growth in the important reconstructive device category, despite extremely difficult year-over-year comparisons in the knee product category. We are also pleased with the sales momentum of certain EBI product categories, particularly internal fixation, in addition to the rebound in electrical stimulation device sales and the acceleration in sales growth of spinal hardware and orthobiological products for the spine. The Company is introducing more than 100 new products and technologies during this calendar year. More importantly, our product pipeline is as strong as it has ever been in Biomet's history, as we remain committed to research and development of innovative products in the worldwide musculoskeletal market for surgeons and their patients.

Respectfully,

A handwritten signature in black ink, appearing to read "Dane A. Miller". The signature is fluid and cursive, with the first name being the most prominent.

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

A handwritten signature in black ink, appearing to read "Niles L. Noblitt". The signature is fluid and cursive, with the last name being the most prominent.

Niles L. Noblitt
Chairman of the Board

Market Value of Common Shares

Fiscal Year 2006 3rd Quarter - Quarter Ended February 28, 2006

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 – February 28, 2006 was 5,947.

2006				
High	39.11	39.09	38.66	
Low	33.64	32.50	34.90	
2005				
High	49.60	49.50	49.64	43.32
Low	39.69	43.13	40.53	34.90
2004				
High	30.95	36.25	41.25	41.67
Low	27.26	29.56	34.50	37.05

Sales Analysis

	2006	2005
U.S. sales	\$332,678	\$313,204
Foreign sales	173,576	168,819
Reconstructive sales	\$346,610	\$326,220
Fixation sales	62,338	62,090
Spinal product sales	53,914	52,615
Other product sales	43,392	41,098

The accompanying notes are a part of the consolidated financial statements.

BIOMET, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF INCOME

for the nine and three month periods ended February 28, 2006 and 2005
(Unaudited, in thousands, except per share data)

	Nine Months Ended		Three Months Ended	
	2006	2005	2006	2005
Net sales	\$1,485,847	\$1,376,857	\$ 506,254	\$ 482,023
Cost of sales	417,167	395,155	143,061	138,068
Gross profit	1,068,680	981,702	363,193	343,955
Selling, general and administrative expenses	544,772	505,989	185,137	179,224
Research and development expense	63,182	58,543	21,063	20,461
In-process research and development	--	26,020	--	--
Operating income	460,726	391,150	156,993	144,270
Other income, net	2,575	2,157	2,262	2,641
Income before income taxes	463,301	393,307	159,255	146,911
Provision for income taxes	155,659	144,891	53,190	50,127
Net income	\$ 307,642	\$ 248,416	\$ 106,065	\$ 96,784
Earnings per share:				
Basic	\$1.24	\$.98	\$.43	\$.38
Diluted	\$1.23	\$.97	\$.43	\$.38
Shares used in the computation of earnings per share:				
Basic	248,270	253,000	246,859	252,182
Diluted	249,202	255,029	247,772	253,994
Cash dividends per common share	\$.25	\$.20	\$ --	\$ --

The accompanying notes are a part of the consolidated financial statements.

BIOMET, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS

Net cash used in investing activities	(68,424)	(337,672)
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Cash flows from (used in) financing activities:		
Increase (decrease) in short-term borrowings, net	(4,680)	183,733
Issuance of common shares	12,598	19,466
Cash dividends	(62,473)	(50,872)
Purchase of common shares	(159,122)	(155,405)
	-----	-----
Net cash used in financing activities	(213,677)	(3,078)
	-----	-----
Effect of exchange rate changes on cash	2,000	(3,342)
	-----	-----
Decrease in cash and cash equivalents	(2,163)	(59,376)
Cash and cash equivalents, beginning of year	104,706	159,243
	-----	-----
Cash and cash equivalents, end of period	\$102,543	\$ 99,867
	=====	=====

BIOMET, INC. AND SUBSIDIARIES**CONSOLIDATED BALANCE SHEETS**
at February 28, 2006 and May 31, 2005
(in thousands)**ASSETS**

	February 28, 2006	May 31, 2005
	-----	-----
	(Unaudited)	
Current assets:		
Cash and cash equivalents	\$ 102,543	\$ 104,706
Investments	8,100	10,962
Accounts and notes receivable, net	498,761	479,745
Inventories	523,323	469,791
Deferred income taxes	76,087	72,732
Prepaid expenses and other	41,315	35,980
	-----	-----
Total current assets	1,250,129	1,173,916
	-----	-----
Property, plant and equipment, at cost	621,566	574,398
Less, Accumulated depreciation	280,694	251,511
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Property, plant and equipment, net	340,872	322,887
	-----	-----
Investments	59,193	61,406
Goodwill	432,966	435,621
Intangible assets, net	80,595	87,835
Other assets	14,212	14,912
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Total assets	\$2,177,967	\$2,096,577
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The accompanying notes are a part of the consolidated financial statements.

BIOMET, INC. AND SUBSIDIARIES

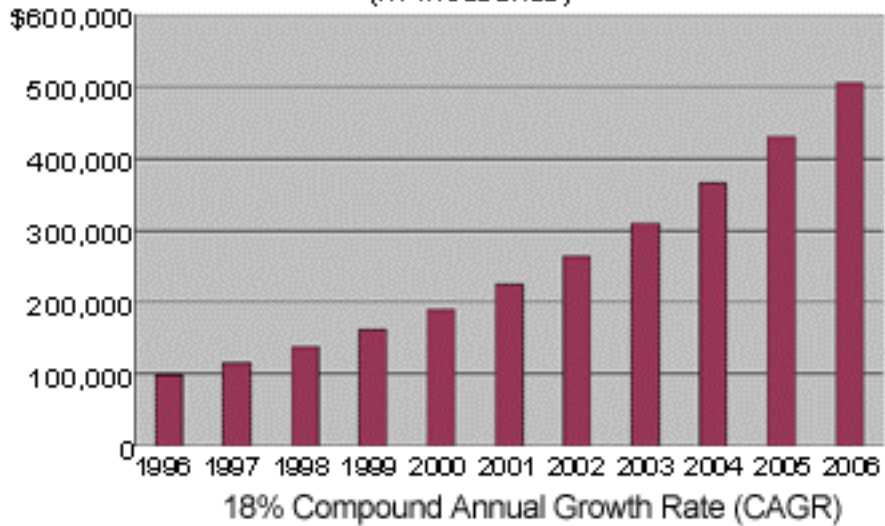
CONSOLIDATED BALANCE SHEETS
at February 28, 2006 and May 31, 2005
(in thousands)

LIABILITIES AND SHAREHOLDERS' EQUITY

	February 28, 2006	May 31, 2005
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	(Unaudited)	
Current liabilities:		
Short-term borrowings	\$ 273,723	\$ 282,193
Accounts payable	60,245	57,021
Accrued income taxes	9,764	9,725
Accrued wages and commissions	65,376	62,171
Other accrued expenses	97,094	90,281
	-----	-----
Total current liabilities	506,202	501,391
Long-term liabilities:		
Deferred income taxes	29,195	31,255
	-----	-----
Total liabilities	535,397	532,646
	-----	-----
Contingencies		
Shareholders' equity:		
Common shares	197,387	188,162
Additional paid-in capital	67,623	67,613
Retained earnings	1,375,532	1,284,905
Accumulated other comprehensive income	2,028	23,251
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Total shareholders' equity	1,642,570	1,563,931
	-----	-----
Total liabilities and shareholders' equity	\$2,177,967	\$2,096,577
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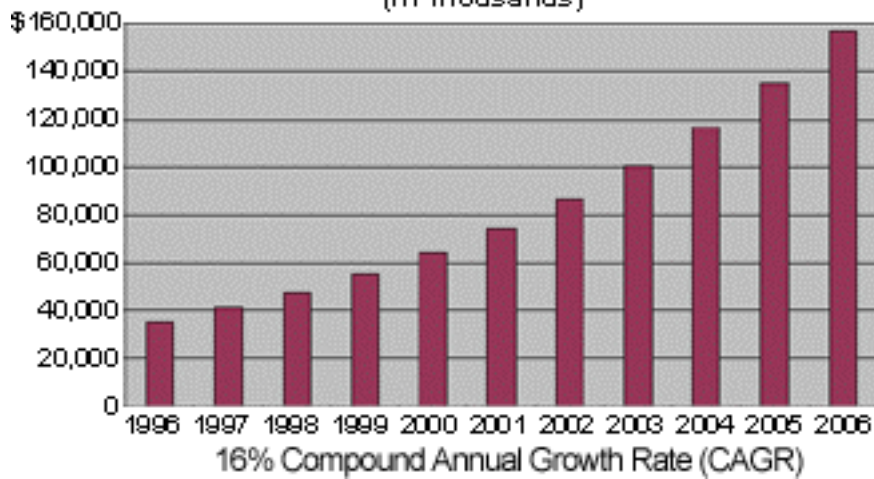
Net Sales

(in Thousands)



Operating Income

(in Thousands)



Diluted Earnings Per Share

