

Message to our Shareholders

Biomet, Inc. reported record sales and earnings results for the Company's first quarter of fiscal year 2007, ended August 31, 2006. Effective June 1, 2006, the Company adopted the new accounting standard SFAS No. 123(R) Share-Based Payment using the modified-prospective method. In accordance with this adoption method, Biomet is not adjusting its historical financial statements to reflect the impact of share-based payments.

Adjusted results for the first quarter exclude a \$0.02 per share impact related to this new accounting standard. In connection with the \$4.2 million expense related to SFAS No. 123(R), \$3.4 million is attributable to the selling, general and administrative expense line and \$822,000 to research and development. The following discussion will focus on the Company's results on an adjusted basis.

During the first quarter of fiscal year 2007, net sales increased 5% to \$508.2 million. Gross profit increased 5% to \$369.4 million, representing 72.7% of sales. This is a 40 basis point improvement over the first quarter of fiscal year 2006. Selling, general and administrative expenses increased 5% to \$186.6 million, representing 36.7% of sales. Research and development expenses increased 13% during the first quarter to \$23.5 million, or 4.6% of sales. Operating income increased 5% to \$159.3 million, with operating margins at 31.4% of sales, representing a 20 basis point improvement compared to the first quarter of fiscal year 2006. Net income increased 6% to \$106.8 million, while diluted earnings per share increased 10% to \$0.44 per share.

International sales increased 9%, while sales in the United States increased 3%. Excluding the impact of foreign currency, which increased first quarter sales by approximately \$3 million, net sales increased 4% worldwide.

Biomet continued to gain marketshare in the domestic and worldwide reconstructive device market during the first quarter, principally as a result of a significant number of new product introductions and technologies that were recently launched. However, the Company's fixation and spinal sales during the first quarter were \$12 million below management's conservative expectations.

The Company has implemented numerous changes at its Biomet Trauma and Biomet Spine operations, formerly known as EBI. During the first quarter of fiscal year 2007, Biomet's former Chief Operating Officer of International Operations, Chuck Niemier, was appointed President of Biomet Trauma and Biomet Spine. Other key senior management changes at Biomet Trauma and Biomet Spine include the appointment of a new Vice President of Finance with significant financial management experience and a new Vice President of Sales with more than 20 years of experience with Johnson & Johnson Orthopedics and Biomet Orthopedics.

Additional changes at the former EBI operation include implementation of a new computer system, as well as installation of sales support software that allows the sales representatives to place orders directly into the system. Furthermore, manufacturing of Biomet Spine's hardware systems is being in-sourced and the Company expects to be manufacturing all of Biomet Spine's hardware systems in-house within the next nine months.

Biomet Trauma and Biomet Spine are aggressively adding research, development and engineering team members in order to accelerate the introduction of new products to its customers. Biomet Trauma will launch approximately 12 new products during fiscal year 2007, while Biomet Spine will introduce approximately 15 new products during this fiscal year. The Company has critically examined the former EBI staffing needs and has eliminated 330 positions, or approximately 15% of EBI's workforce, since May 31, 2005. These reductions should allow Biomet Trauma and Biomet Spine to show positive earnings growth throughout fiscal year 2007.

During the first quarter of fiscal year 2007, worldwide reconstructive device sales increased 9% to \$351.7 million and increased 8% in the United States. Knee sales increased 11% worldwide and in the United States during the first quarter against last year's first quarter growth rates of 17% worldwide and 16% in the United States. Excluding instruments, knee sales increased 11% worldwide and 12% in the United States. With last quarter's knee market growth estimated to be 6.5% worldwide and 8% in the United States, Biomet is pleased with the marketshare gains the Company is achieving in knees.

Knee sales growth during the first quarter was driven by continued strong worldwide market demand for the Vanguard Complete Knee System and the Oxford Unicompartmental Knee System. The Vanguard Complete Knee System, the most comprehensive total knee system on the market, provides full interchangeability of the system's femoral and tibial components to address virtually any anatomical difference, regardless of the patient's race, gender, stature, or any other variables. The Vanguard is engineered to provide precise fit for all patients, while providing greater bone-preservation than competitive high-flex systems.

The Vanguard System can be implanted using Biomet's Microplasty Minimally Invasive Knee Instruments or the Vanguard Premier Instrumentation. Biomet continues to lead the market in minimally invasive total knee instrumentation as a result of its pioneering work in this technology. During the past three fiscal years, approximately 1,300 sets of Biomet's Microplasty Total Knee Instruments have been released in the United States. The Vanguard Premier Instrumentation rollout continued during the first quarter, with approximately 270 sets now in the field. The Premier Instrumentation is designed for implantation of the Vanguard System utilizing a traditional open procedure.

The Oxford Unicompartmental Knee System, the only true mobile bearing unicompartmental knee approved for sale in the United States, has experienced excellent long-term clinical success outside the United States. Clinical results include a 98% success rate at 10 years follow-up and 95% success at 15 years, with 93% success reported at 20 years. During the first quarter of fiscal year 2007, 160 domestic surgeons completed Oxford-specific training, with approximately 1,500 surgeons trained during the past two years. Training for the Oxford System is scheduled for 125 surgeons during the second quarter.

Biomet's new revision knee system, the Vanguard SSK (Super Stabilized Knee), continued to receive excellent market acceptance during the first quarter, as well as the Vanguard PFR (Patellofemoral Replacement), a conservative treatment option for patients with cartilage degeneration isolated in the front mid-section of the knee. The California Hospital Medical Center in Los Angeles is scheduled to broadcast the first live webcast of the implantation of the Vanguard SSK Revision System on October 25th, performed by Dr. Edward McPherson of the Los Angeles Orthopedic Institute. The Vanguard SSK features various modular options, offering surgeons the ability to customize the implant to accommodate the specific needs of an individual patient. Additionally, the modularity of the Vanguard SSK provides surgeons with the ability to address complex bone defects often present in revision cases.

The rollout of the Vanguard Anterior Stabilized Implants and Instruments continued during the first quarter. Additionally, the enrollment for the clinical study relating to the rotating platform version of the Vanguard System was initiated during the quarter.

First quarter hip sales increased 8% worldwide and 3% in the United States against last year's first quarter growth rates of 12% worldwide and 7% in the United States. Excluding instruments, hip sales increased 9% worldwide and 4% in the United States.

Biomet's alternative bearing products continued to receive strong worldwide market acceptance during the first quarter, while the M²a-Magnum further

penetrated the metal-on-metal acetabular market. During the quarter, sales of Biomet's metal-on-metal acetabular systems experienced 11.5% growth in Europe, with 9% growth in the United States. Biomet's C²a-Taper Acetabular System, featuring ceramic-on-ceramic articulation and the Company's proven porous plasma spray coating technology, continued to experience strong market acceptance in the United States since its introduction in fiscal year 2006.

Biomet's ReCap Total Resurfacing System, a bone-sparing treatment option indicated for patients in the early stage of degenerative joint disease, continued to experience strong market acceptance in Europe during the first quarter. In the United States, patients continued to enroll in the clinical study for the ReCap Total Resurfacing System, with eight sites participating and additional sites pending approval.

During the first quarter, Biomet's Taperloc porous coated hip stem continued to receive excellent market demand worldwide. In Europe, the Aura, Aura II and Bi-Metric hip stems also experienced strong demand during the quarter. Additionally, Biomet's BoneMaster hip implant was introduced to the European market during the first quarter and is the first hip device to be offered with nano-crystalline hydroxyapatite coating.

In the United States, clinical trials are ongoing for a new generation of bone-sparing porous primary hip stems. The new Balance and Taperloc Microplasty Hip Systems will offer the industry's first and most advanced design features for modern hip stems, while maintaining the clinically proven Biomet design philosophies. The design rationale for these reduced length components will be suited to those surgeons offering minimally invasive hip procedures, as well as surgeons whose design preference is proximally coated primary hips. Surgeon feedback continued to be positive with more than 225 Microplasty stems implanted during the past five quarters.

Biomet initiated the launch of the Microplasty ASI (Anterior Supine Intermuscular) Hip Program during the fourth quarter and began conducting cadaver lab training sessions for surgeons in the United States and Europe. To date, approximately 100 ASI instrument sets have been rolled out and more than 80 surgeons have received ASI training, with additional labs scheduled throughout fiscal year 2007.

The Company's ArComXL highly crosslinked polyethylene continued to receive excellent market acceptance during the first quarter. ArComXL provides a 47 - 64% decrease in volumetric wear rate over standard ArCom polyethylene in laboratory studies and delivers a 30% increase in ultimate tensile strength, along with similar wear-particle shape and size with no measurable oxidation exhibited under accelerated aging.

Clinical evaluations are underway for the Regenerex Porous Titanium Construct and Biomet is scheduled to initiate the launch of Regenerex hip cups and augments midway through this fiscal year. As a result of the Company's pioneering efforts, titanium has become a clinically proven material in the orthopedic market, delivering optimal biological fixation. The long-term clinical success of Biomet's titanium implants should translate into strong demand for Regenerex as the material of choice for porous metal constructs.

During the first quarter, extremity sales increased 13% worldwide and 8% in the United States. Extremity products experiencing strong worldwide sales growth during the quarter include the Discovery Elbow, Copeland Humeral Resurfacing Head, Comprehensive Fracture Stem, Explor Radial Head Replacement and the Maestro Wrist Reconstructive System, as well as the T.E.S.S. Shoulder System, which is available in Europe.

The Discovery Elbow is a bone-conserving device, featuring an improved hinge design, which utilizes an ArCom direct compression molded polyethylene bearing. The Copeland Shoulder, a bone-sparing resurfacing system, is designed to treat

patients in the early stage of degenerative joint disease. Biomet's Comprehensive Fracture Stem is used to treat complex shoulder fractures. The ExploR Radial Head Replacement, which includes a tapered stem and a head engineered to articulate with the patient's natural bone, continued to receive excellent market acceptance during the first quarter due to its modular design. The Maestro Wrist can be used as a total wrist device or a hemi-arthroplasty for carpal replacement. The T.E.S.S. Shoulder, which is contributing to extremity sales growth in Europe, provides for maximum bone preservation due to its anatomical design and requires only one instrument system for implantation of all designs included in the system, including hemi-arthroplasty, as well as anatomic and reverse shoulder prostheses.

Sales of bone cements and accessories increased 9% in the United States and decreased 11% worldwide during the first quarter. These rates were up against last year's growth of 9% in the United States and 16% worldwide. Biomet's internally developed Cobalt and Cobalt G bone cements received solid market acceptance in the United States during the quarter.

The Company's StageOne Cement Spacer Molds continued to receive excellent market acceptance during the first quarter, as the spacer molds offer surgeons an advantage over the conventional hand-made and pre-made cement spacers. The rollout of the StageOne Cement Hip Spacer Molds was initiated during the fourth quarter and the full release was completed during the first quarter. Biomet offered live webcast training sessions for the StageOne Hip Spacer Molds during the quarter, with more than 100 individuals participating in the training.

During the first quarter, dental reconstructive device sales increased 11% worldwide and in the United States. A limited release for 3i's NanoTite surface technology was initiated during the first quarter for Prevail and straight-wall Certain Implant designs. Approximately 150 customers worldwide were invited to participate in the limited release, with full product release planned for the fourth quarter of fiscal year 2007. NanoTite is a technologically advanced hydroxyapatite surface treatment that incorporates a discrete crystalline deposition of nano-scale calcium phosphate, which is applied to 3i's existing OSSEOTITE surface substructure. The treatment provides a marked improvement of implant integration performance, in terms of the bone implant interface quality, as well as the speed of osseointegration, delivering a more rapid and predictable treatment option. During the second quarter, 3i will focus on three key systems to drive sales growth, including the Straight and Standard Prevail Implant Systems and the enhanced NT (Natural Taper) Implant System.

Fixation sales decreased 5% worldwide to \$60.9 million and decreased 9% in the United States during the first quarter of fiscal year 2007. Internal fixation sales increased 1% worldwide during the quarter and decreased 10% in the United States, while external fixation sales decreased 11% worldwide and 16% in the United States. Electrical stimulation device sales decreased 8% worldwide and in the United States during the first quarter.

New trauma products include the OptiLock Periarticular Plating System, the Biomet Vision FootRing System and the OrthoPak 2. The OptiLock Periarticular Plating System's proximal tibial plates were introduced during the first quarter. During the second quarter, the Company plans to launch the OptiLock System's distal femoral plates, which are designed for the fixation of lower extremity fractures and osteotomies. The distal femoral plates, manufactured from titanium alloy, are anatomically contoured and incorporate the SphereLock technology that allows either a locked or non-locked screw to be used in the same screw hole. This comprehensive system provides color-coded implants and instruments for ease of use by the surgeon and operating room staff. A third quarter launch of the distal tibial plates is scheduled, which will complete the lower extremity line.

The Biomet Vision FootRing System is a comprehensive external fixation system designed for the treatment of osteotomies, arthrodesis and fractures. This system offers a simplified, snap-fit application of all components to the Vision Ring and can be configured into a multitude of constructs to treat a wide range of fixation indications, from simple fractures to complex reconstruction. The Vision FootRing System is made of carbon fiber, which is radiolucent and is lightweight, providing for increased patient comfort.

The recently introduced OrthoPak 2 is a next generation bone growth stimulation system for nonunion fractures that offers rechargeable batteries for added patient convenience. In addition, the Company launched a new coil specifically for finger fractures.

During the first quarter, craniomaxillofacial fixation sales decreased 4% worldwide and 5% in the United States. Products launched during the first quarter were the LactoSorb Pediatric Distraction Device, the ThinFlap Low-Profile Cranial Fixation System and the Sterile Trac Neuro System.

Lorenz Surgical product introductions planned for the second quarter include the addition of longer screws (14 and 16 mm) to the SternaLock product line for enhanced predictability and expanded applications. Also scheduled for a second quarter introduction is the resorbable LactoSorb Pectus Stabilizer, used to correct congenital deformity of the chest wall. This is particularly important outside the United States where the standard stainless steel version of the Pectus Bar is not patent protected. The resorbable version will differentiate the product in international markets and will be a preferred application for small-framed patients throughout the world. In addition, the Company plans to introduce Allogenix Plus during the second quarter. This biomaterial combines our current lecithin-based Allogenix Demineralized Bone Matrix with ProOsteon granules, resulting in an improved bone graft material. By combining a scaffold and an osteoinductive source into one product, there would be no need to subject the patient to a second procedure in order to harvest bone chips for use as a scaffold. This combination product also provides an economic benefit due to the reduction in operating room time required.

Spinal product sales decreased 6% worldwide to \$51.9 million and decreased 7% in the United States during the first quarter. Sales of spinal implants and orthobiological products for the spine decreased 4% worldwide and 5% in the United States during the quarter, while spinal stimulation sales decreased 9% worldwide and in the United States.

The PEEK (PolyEtherEtherKetone) version of the ESL (Elliptically Shaped Lumbar) Spine System was launched in the United States during the first quarter. The system's elliptical shape offers optimal surface contact with the vertebral body endplates. The availability of the ESL System in PEEK material broadens the Company's product offering in the segment of the spacer market that addresses a direct posterior surgical approach.

During the first quarter, Biomet completed the rollout of the Polaris Spine System. The Polaris is a next generation Synergy spine system offered in a 6.35mm diameter top-loading rod system, which utilizes patented helical flange locking technology.

Additionally, the rollout of the stainless steel version of the Array Deformity Spine System was initiated during the first quarter. The stainless steel version not only broadens the deformity correction system product offering, but also builds upon the excellent early clinical experience of the original titanium version. The Array System includes various styles of screws, hooks and rods for scoliosis correction.

During the first quarter of fiscal year 2007, the clinical trial for the Regain Lumbar Nucleus Replacement pilot study was initiated in the United States. The Regain is a rigid one-piece device made of pyrocarbon, which is a highly

compatible biomaterial. The device is held in the disc space by the natural bony anatomy of the endplates. The implant geometry is designed to maintain disc height and to allow for normal motion of the lumbar spine.

The Company is expanding its osteobiologic product offering with the addition of the Biomet DBM (Demineralized Bone Matrix) PlatFORM. PlatFORM consists of freeze-dried sheets of DBM putty, which can be hydrated using the Biomet BMA (Bone Marrow Aspirate) Kit to produce a matrix that is osteoconductive, osteoinductive and osteogenic.

"Other product" sales increased 5% worldwide to \$43.6 million during the first quarter and increased 2% in the United States. Arthroscopy sales increased 13% worldwide and 6% in the United States during the quarter. Arthrotek products that experienced excellent growth rates during the first quarter include the EZ-Loc Femoral Fixation Device and the WasherLoc Tibial Fixation Device, as well as the InnerVue Diagnostic Scope System. Sales of softgoods and bracing products increased 11% in the United States and 10% worldwide during the first quarter.

In summary, we are pleased with the sales growth of the orthopedic reconstructive device categories, particularly the knee product category, which continued to experience strong market demand with double-digit growth during the first quarter of fiscal year 2007. Biomet Orthopedics continues to lead the market with its introduction of innovative products and technologies, along with its broad product portfolio of clinically proven products. Much work is being done to improve the trauma and spine operations and we are confident these teams are capable of producing incremental top and bottom line improvements throughout fiscal year 2007. Thank you for your continued loyalty and support of Biomet.

Market Value of Common Shares

Fiscal Year 2007 1st Quarter - Quarter Ended August 31, 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 - August 31, 2006 was 5,738.

| 2007 | | | | |
|------|-------|-------|-------|-------|
| High | 36.07 | | | |
| Low | 30.22 | | | |
| | | | | |
| 2006 | | | | |
| High | 39.11 | 39.09 | 38.66 | 39.45 |
| Low | 33.64 | 32.50 | 34.90 | 33.64 |
| | | | | |
| 2005 | | | | |
| High | 49.60 | 49.50 | 49.64 | 43.32 |
| Low | 39.69 | 43.13 | 40.53 | 34.90 |
| | | | | |

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

BIOMET, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF INCOME

for the three months ended August 31, 2006 and 2005
(Unaudited, in thousands, except per share data)

| | 2006 ---- | 2005 ---- |
|--|--------------|--------------|
| Net sales | \$ 508,161 | \$ 484,903 |
| Cost of sales | 138,747 | 134,495 |
| | ----- | ----- |
| Gross profit | 369,414 | 350,408 |
| Selling, general and administrative expenses | 190,010 | 178,182 |
| Research and development expense | 24,361 | 20,816 |
| | ----- | ----- |
| Operating income | 155,043 | 151,410 |
| Other income, net | 1,113 | 558 |
| | ----- | ----- |
| Income before income taxes | 156,156 | 151,968 |
| Provision for income taxes | 53,326 | 51,669 |
| | ----- | ----- |
| Net income | \$ 102,830 | \$ 100,299 |
| | ===== | ===== |
| Earnings per share: | | |
| Basic | \$.42 | \$.40 |
| | ===== | ===== |
| Diluted | \$.42 | \$.40 |
| | ===== | ===== |
| Shares used in the computation of earnings per share: | | |
| Basic | 244,881 | 249,582 |
| | ===== | ===== |
| Diluted | 244,881 | 250,656 |
| | ===== | ===== |
| Cash dividends per common share | \$.30 | \$.25 |
| | ===== | ===== |

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

BIOMET, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS

for the three months ended August 31, 2006 and 2005
(Unaudited, in thousands)

| | 2006 | 2005 |
|---|-----------|-----------|
| | ---- | ---- |
| Net cash used in investing activities | (27,706) | (22,337) |
| | ----- | ----- |
| Cash flows from (used in) financing activities: | | |
| Increase (decrease) in short-term borrowings, net | (1,605) | 6,823 |
| Issuance of common shares | 3,284 | 2,798 |
| Cash dividends | (73,526) | (62,473) |
| Purchase of common shares | (7,268) | (35,447) |
| | ----- | ----- |
| Net cash used in financing activities | (79,115) | (88,299) |
| | ----- | ----- |
| Effect of exchange rate changes on cash | (786) | (1,507) |
| | ----- | ----- |
| Increase in cash and cash equivalents | 29,539 | 19,687 |
| Cash and cash equivalents, beginning of year | 160,963 | 104,706 |
| | ----- | ----- |
| Cash and cash equivalents, end of period | \$190,502 | \$124,393 |
| | ===== | ===== |

BIOMET, INC. AND SUBSIDIARIES

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

ASSETS

| | August 31, 2006 ----- (Unaudited) | May 31, 2006 ----- |
|--|--|--------------------------|
| Current assets: | | |
| Cash and cash equivalents | \$ 190,502 | \$ 160,963 |
| Investments | 6,386 | 6,380 |
| Accounts and notes receivable, net | 493,639 | 507,883 |
| Inventories | 559,985 | 534,515 |
| Deferred income taxes | 73,786 | 73,345 |
| Prepaid expenses and other | 36,715 | 32,342 |
| | ----- | ----- |
| Total current assets | 1,361,013 | 1,315,428 |
| | ----- | ----- |
| Property, plant and equipment, at cost | 682,260 | 655,432 |
| Less, Accumulated depreciation | 318,710 | 297,800 |
| | ----- | ----- |
| Property, plant and equipment, net | 363,550 | 357,632 |
| | ----- | ----- |
| Investments | 60,688 | 58,128 |
| Goodwill | 442,118 | 441,397 |
| Intangible assets, net | 77,485 | 79,498 |
| Other assets | 16,107 | 11,839 |
| | ----- | ----- |
| Total assets | \$2,320,961 | \$2,263,922 |
| | ===== | ===== |

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

BIOMET, INC. AND SUBSIDIARIES

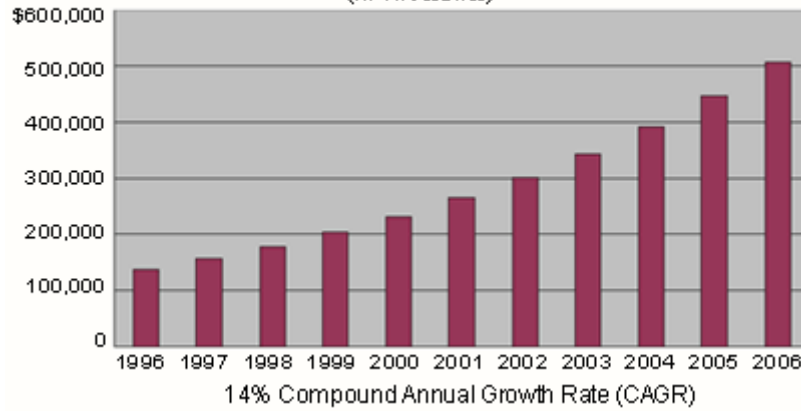
CONSOLIDATED BALANCE SHEETS
at August 31, 2006 and May 31, 2005
(in thousands)

LIABILITIES AND SHAREHOLDERS' EQUITY

| | August 31, 2006 | May 31, 2006 |
|--|--------------------|-----------------|
| | ----- | ----- |
| | (Unaudited) | |
| Current liabilities: | | |
| Short-term borrowings | \$ 272,894 | \$ 276,561 |
| Accounts payable | 57,165 | 62,276 |
| Accrued income taxes | 37,754 | 6,356 |
| Accrued wages and commissions | 58,668 | 63,279 |
| Other accrued expenses | 113,856 | 111,960 |
| | ----- | ----- |
| Total current liabilities | 540,337 | 520,432 |
| Long-term liabilities: | | |
| Deferred income taxes | 27,450 | 26,991 |
| | ----- | ----- |
| Total liabilities | 567,787 | 547,423 |
| | | ----- |
| ----- | | |
| Contingencies | | |
| Shareholders' equity: | | |
| Common shares | 209,740 | 206,633 |
| Additional paid-in capital | 73,130 | 72,839 |
| Retained earnings | 1,445,554 | 1,419,297 |
| Accumulated other comprehensive income | 24,750 | 17,730 |
| | ----- | ----- |
| Total shareholders' equity | 1,753,174 | 1,716,499 |
| | ----- | ----- |
| Total liabilities and shareholders' equity | \$2,320,961 | \$2,263,922 |
| | ===== | ===== |

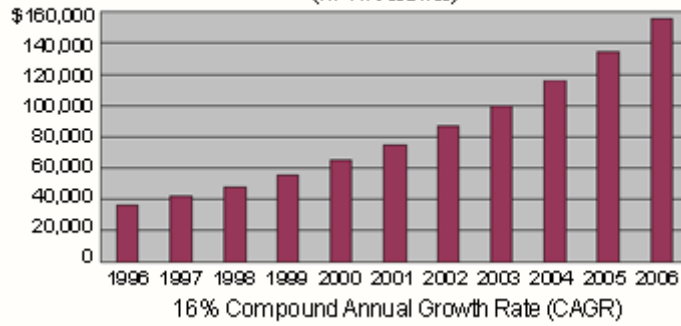
Net Sales

(in Thousands)



Operating Income

(in Thousands)



Diluted Earnings Per Share

