

MESSAGE TO OUR SHAREHOLDERS

We are pleased to report the results for the third quarter of fiscal year 2000. Biomet reported third quarter revenues of \$232,910,000, compared to \$209,961,000 for the same period last fiscal year, resulting in an 11% increase. Excluding the \$2.7 million special charge for merger related costs in connection with the 3i acquisition, operating income increased 16% to \$67,766,000 compared to \$58,567,000 for the third quarter of last year; net income increased 17% to \$44,892,000 from \$38,342,000; basic earnings per share increased 15% to \$.38 from \$.33; and diluted earnings per share rose 19% to \$.38 from \$.32.

During the first nine months of fiscal year 2000, net sales increased 11% to \$670,366,000 compared to \$604,059,000 for the same period last year, while operating income increased 17% to \$200,769,000 from \$172,029,000 last year. Net income for the first nine months of fiscal year 2000 totaled \$130,550,000 compared to \$109,883,000, representing a 19% increase. Basic earnings per share increased 18% to \$1.11 per share compared to \$.94 per share last year and diluted earnings per share also increased 18% to \$1.10 compared to \$.93 per share last year. The nine month results exclude the \$9 million non-recurring charge related to the Orthofix litigation and the merger costs associated with 3i as noted above.

Sales in the United States increased 10% during the third quarter and 11% during the first nine months of fiscal year 2000 principally as a result of the continued market penetration in the reconstructive device, fixation and spinal market segments. International sales increased 14% during the third quarter and 12% through the first nine months of fiscal 2000. Foreign revenues were negatively influenced by approximately \$5 million during the third quarter of fiscal year 2000 and \$10 million during the first nine months as a result of foreign currency exchange rates. Without the effect of foreign currency, sales in the third quarter would have increased 13.5% and revenues during the first nine months of fiscal year 2000 would have increased 12.6%.

Reconstructive device sales increased 11% during the third quarter and first nine months of fiscal year 2000. During the third quarter, worldwide total knee sales increased over 11%, while worldwide total hip sales increased approximately 10%. In the United States, the Company's average selling prices in the total hip and total knee product categories increased approximately 2-3%. Growth drivers in the reconstructive device segment were the minimally-invasive Repicci Unicondylar Knee, the Ascent Total Knee System and Biomet's popular and clinically-proven cementless total hip systems. Biomet's bone cement and accessories product lines increased in the upper-teens range during the third quarter of fiscal year 2000. Additionally, the Company's 3i subsidiary experienced a mid-to-upper 20% increase in its worldwide sales of dental implants, regenerative membranes and bone substitute materials for reconstructive procedures of the jaw.

Fixation sales increased 12% during the third quarter of fiscal year 2000 and 10% for the first nine months of this fiscal year. The Company's fixation sales growth was led by internal fixation products, which increased in the low 20% range during the third quarter. Biomet's Vari-Angle Hip Fixation System (VHS) continued to gain market share in the domestic market for internal fixation devices. Additionally, EBI's Model 1200 Bone Healing System increased in the mid-teens during the quarter, while Lorenz Surgical's craniomaxillofacial products increased in the low double digits during the third quarter. Lorenz Surgical continues to benefit from the recent introduction of the Mimix bone substitute material for craniofacial indications. External fixation sales were flat during the quarter due to competitive pricing pressures. We believe that the recent introduction of the Dimension Wrist Fixator and the Access Pelvic Fixator will assist external fixation sales during the fourth

quarter of fiscal year 2000 and beyond.

Spinal product sales increased 16% during the third quarter of fiscal year 2000 and 19% during the first nine months. In the United States, spinal product sales increased in the upper-teens range led by a low 50% increase in EBI's spinal fixation sales. EBI continues to experience an excellent product launch with the Omega 21 Spinal Fixation System and continues to benefit from the leverage of the SpF Spinal Fusion Stimulation System and expansion of its salesforce.

Biomet's other product sales increased 5% during the third quarter and 7% through the first nine months of fiscal year 2000. The Company's AOA line of softgoods increased in the mid-to-upper teens while Arthrotek's arthroscopy products increased in the low 30% range in the United States and the upper-teens range on a worldwide basis during the third quarter. In addition to robust sales of the procedure-specific arthroscopy products, Arthrotek's growth continues to be fueled by the recently introduced LactoSorb Resorbable fixation product line.

Biomet recently attended the American Academy of Orthopaedic Surgeons Meeting in Orlando, Florida and introduced approximately ninety new products at this important orthopaedic trade show. We remain committed to providing superior, technologically advanced products and excellent service to surgeons and patients, as is evidenced by our expansive list of new product introductions. We thank you for your continued support and confidence in Biomet, as we remain focused on the future of the musculoskeletal marketplace.

Respectfully,



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



Niles L. Noblitt
Chairman of the Board

FEATURED MARKET SEGMENT

Dental Implant Market

Biomet's 3i strategic business unit is a market-leading participant in the estimated \$655 million worldwide market segment for dental implants. We believe 3i is the third largest worldwide market participant possessing approximately 14% of the market and the second leading dental implant manufacturer in the United States with approximately 16% market share. We believe the dental implant market is growing 8-10% per year, with the domestic market for dental implants at \$230 million, and the international market at \$425 million.

3i's products encompass a broad platform of technologies from dental implants to regenerative membranes, bone substitute materials and instrumentation utilized during the dental implant procedure. According to the American Dental Association, more than 120 million people in the United States are missing ten or more teeth. Only 3-4% of eligible patients currently receive implants as a treatment modality. Approximately 217,000 dental implant procedures were performed in 1999 in the United States. Oralmaxillofacial surgeons and periodontists perform approximately 85-90% of dental implant procedures in the United States. 3i distributes its products in the United States through a dedicated salesforce of approximately 45 individuals and in the international market place through a combination of independent dealer organizations and direct selling organizations in key markets.

CONSOLIDATED STATEMENTS OF INCOME

for the nine and three month periods ended February 29, 2000 and February 28, 1999
(in thousands, except per share data)

	Nine Months			Three Months		
	2000	1999	% Change	2000	1999	% Change
Net sales	\$670,366	\$604,059	11	\$232,910	\$209,691	11
Cost of sales	203,256	190,929	6	70,393	66,139	6
Gross profit	467,110	413,130	13	162,517	143,552	13
Selling, general and administrative expenses	236,807	212,652	11	83,792	75,351	11
Research and development expense	29,534	28,449	4	10,959	9,634	14
Special charge	11,700	-		2,700	-	
Operating income	189,069	172,029	10	65,066	58,567	11
Other income, net	11,923	9,575	25	4,895	2,619	87
Income before income taxes and minority interest	200,992	181,604	11	69,961	61,186	14
Provision for income taxes	73,129	66,851	9	25,317	22,360	13
Income before minority interest	127,863	114,753	11	44,644	38,826	15
Minority interest	4,713	4,870	(3)	1,452	484	200
Net Income	\$123,150	\$109,883	12	\$ 43,192	\$ 38,342	13
Earnings per share:						
Basic	\$1.05	\$.94	12	\$.37	\$.33	12
Diluted	\$1.03	\$.93	11	\$.36	\$.32	13
Shares used in the computation of earnings per share:						
Basic	117,158	116,492		117,968	116,346	
Diluted	119,027	118,089		119,499	118,575	
Cash dividends per common share	\$.14	\$.12		\$ -	\$ -	

SALES ANALYSIS

for the nine and three month periods ended February 29, 2000 and February 28, 1999
(in thousands, except per share data)

Segment Sales	Nine Months			Three Months		
	2000	1999	% Change	2000	1999	% Change
Reconstructive	\$422,738	\$379,497	11	\$146,828	\$131,757	11
Fixation	131,563	119,533	10	46,200	41,192	12
Spinal products	38,571	32,461	19	13,452	11,642	16
Other	77,494	72,568	7	26,430	25,100	5
Domestic/Foreign Sales						
U.S. sales	\$445,920	\$403,025	11	\$152,804	\$139,489	10
Foreign sales	224,446	201,034	12	80,106	70,202	14

MARKET VALUE OF COMMON SHARES

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. The approximate number of record holders of outstanding Common Shares as of as of February 29, 2000 was 7,187.

	1st Qtr.	2nd Qtr.	3rd Qtr.	4th Qtr.
2000				
High	43 5/8	37 3/4	44 1/2	NA
Low	34 7/8	24 5/8	29 13/16	NA
1999				
High	34 1/4	38 1/2	40 7/16	45 3/4
Low	28	26	32 5/16	35 1/16
1998				
High	22 1/2	25 5/8	30 11/16	33 1/2
Low	17 1/4	20 1/4	23 1/4	27 1/4

CONSOLIDATED BALANCE SHEETS

at February 29, 2000 and May 31, 1999
(in thousands)

for the nine month ended February 29, 2000 and February 28, 1999
(in thousands)

ASSETS

	2/29/2000	5/31/1999
Current assets:		
Cash and cash equivalents	\$ 156,202	\$ 132,081
Investments	48,738	60,078
Accounts and notes receivable, net	246,410	223,613
Refundable income taxes	–	31,308
Inventories	244,539	220,587
Prepaid expenses and other	49,769	45,161
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Total current assets	745,658	712,828
Property, plant and equipment, at cost	288,817	280,950
Less, Accumulated depreciation	107,887	103,567
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Property, plant and equipment, net	180,930	177,383
Investments	163,663	146,859
Intangible assets, net	11,583	10,709
Excess acquisition costs over fair value of acquired net assets, net	57,247	47,861
Other assets	15,647	15,300
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Total assets	\$1,174,728	\$1,110,940

LIABILITIES AND SHAREHOLDERS' EQUITY

	2/29/2000	5/31/1999
Current liabilities:		
Short-term borrowings	\$ 73,745	\$ 51,783
Accounts payable	30,627	30,892
Accrued income taxes	10,975	18,645
Accrued wages and commissions	21,170	21,059
Other accrued liabilities	42,576	95,573
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Total current liabilities	179,093	217,952
Long-term liabilities:		
Long Term Debt	–	2,902
Deferred federal income taxes	7,676	10,115
Other liabilities	447	394
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Total liabilities	187,216	231,363
redeemable convertible cumulative preferred stock	–	3,038
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Minority interest	85,403	80,690
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Shareholders' equity:		
Common shares	83,329	77,850
Additional paid-in capital	26,920	28,271
Retained earnings	825,677	706,094
Accumulated other comprehensive income	(33,817)	(16,366)
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Total shareholders' equity	902,109	795,849
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Total liabilities and shareholders' equity	\$1,174,728	\$1,110,940
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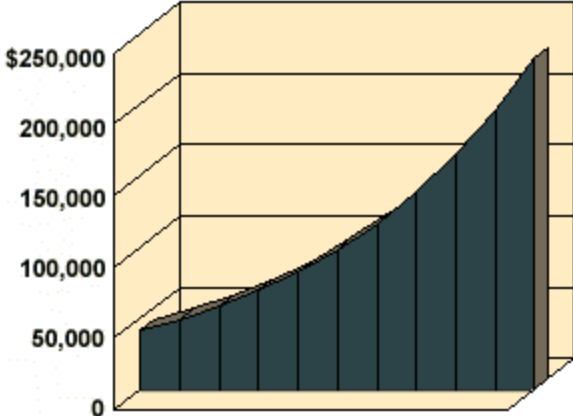
CONSOLIDATED STATEMENTS OF CASH FLOWS

	2000	1999
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Net cash from operating activities	\$ 64,137	\$ 101,988
Net cash used in investing activities	(54,985)	(116,592)
Net cash from financing activities	18,425	31,703
Effect of exchange rate changes on cash	(3,456)	1,113
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Increase in cash and cash equivalents	24,121	18,212
Cash and cash equivalents, beginning of year	132,081	120,776
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Cash and cash equivalents, end of period	\$156,202	\$138,988

QUARTERLY GRAPHS

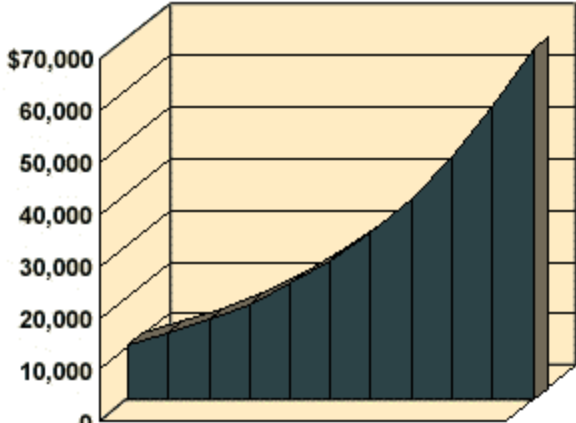
for the periods ended February 28, 1990 thru February 29, 2000

Net Sales
(in thousands)



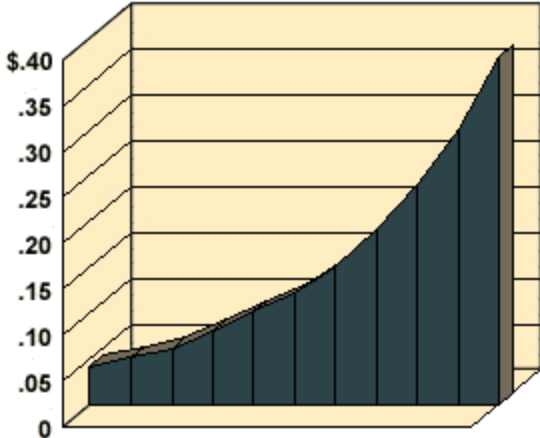
19% Compound Annual Growth Rate (CAGR)

Operating Income
(in thousands)



20% CAGR

Diluted Income Per Share



25% CAGR