

Message to Our Shareholders

SECOND QUARTER REPORT

We are pleased to report the results for the second quarter of fiscal year 2001. Sales in the second quarter were \$243,459,000. Excluding the impact of foreign currency and discontinued products, which reduced second quarter sales by \$11 million and \$2.4 million respectively, net sales increased 14.4% during the second quarter. Gross profit increased 11% to \$173,334,000 with gross margins increasing 160 basis points compared to the second quarter of fiscal year 2000, to 71.2% of sales. S, G & A expenses increased 11% to \$87,180,000, representing 35.8% of sales, while research and development expenses increased 13% during the quarter to \$10,295,000. Operating income increased 10% to \$75,859,000 with operating margins at 31.2% of sales. Operating income was reduced by approximately \$2 million as a result of foreign currency translation adjustments during the quarter. Net income increased 16% to \$51,798,000 during the quarter, while diluted earnings per share increased 16% to \$.29 per share. The discontinued products which were referenced earlier represents regenerative and non-regenerative membranes utilized in dental reconstructive procedures that the Company's 3i subsidiary distributed from W. L. Gore & Associates. The distribution agreement between 3i and W. L. Gore & Associates terminated on June 1, 2000. Currently, 3i is in the process of exploring alternative distribution arrangements and internal development opportunities concerning regenerative and non-regenerative membranes. While the sales impact will range from \$2 - \$2.5 million per quarter for the balance of fiscal year 2001, the Gore product line did not meaningfully contribute to Biomet's operating income.

Unless otherwise noted, all of the following percentages are quoted on a constant currency basis and adjusted for discontinued products as previously discussed. Domestic sales increased 17% during the quarter to \$173,778,000, while foreign sales increased 9% to \$69,681,000.

Reconstructive Device Sales

During the second quarter, reconstructive device sales increased 10% to \$145,801,000. Reconstructive devices were led by total knee sales which increased over 12% in the United States and approximately 11% worldwide during the second quarter. The Company's market-leading knee performance continues to be driven by the minimally invasive Repicci II Unicodylar Knee System which is experiencing excellent market acceptance in the United States, and the Ascent Total Knee System which has now been introduced to the entire salesforce in the United States. The Ascent Revision Knee System has recently been launched to approximately 20% of the domestic salesforce. Additionally, the Finn Salvage/Oncology Knee System, which is utilized in difficult revision cases and in tumor/oncology cases, experienced increased market acceptance.

Total hip sales increased approximately 5% in the United States during the second quarter of fiscal year 2001 and approximately 4% on a worldwide basis. Biomet's M2a Taper Metal-on-Metal Articulation System, which received FDA clearance in May of this year, has been released to the entire domestic salesforce and the Company continues to experience increased market acceptance with this unique articulation system. Additionally, the M2a RingLoc Articulation System, which is a combination of Biomet's metal-on-metal bearing and the Company's RingLoc acetabular series, received clearance from the FDA in August. Biomet is in the process of building inventory and will introduce the M2a Ringloc Articulation System in January 2001. Furthermore, Biomet will launch the Protrusio PAR 5, which is a modular protrusio cage which accepts a modular RingLoc liner. The PAR 5 system will be utilized in difficult primary hip reconstructive situations and in unique revision clinical indications. Biomet is experiencing approximately 3-4% increases in its average selling prices with respect to hip and knee reconstructive products in the United States.

Dental reconstructive implants, excluding discontinued products, increased 16% during the second quarter of fiscal year 2001. International sales of dental reconstructive implants increased 22%, while domestic sales increased approximately 11% led by the Osseotite dental reconstructive implant system. The Company's 3i subsidiary is in the process of releasing two new products: the TG Implant System and the new Zireal ceramic abutment.

Bone cements and accessories increased 38% during the second quarter of fiscal year 2001. The domestic introduction of Palacos bone cement and the Optivac preparation system, which was initiated on June 1, 2000, continues to benefit bone cement and accessory sales in the United States. Biomet's salesforce in the United States, which is in excess of 400 sales representatives, has been fully trained on the Palacos and Optivac systems and we are receiving enthusiastic market acceptance from our customers.

Fixation Sales

Fixation sales increased 14% to \$48,224,000 during the second quarter of fiscal year 2001. Fixation sales were led by electrical stimulation systems, which include both the EBI Model 2001 Bone Healing System and Bioelectron's OrthoPak System, which increased 22% during the recently completed quarter. As previously announced, the Company acquired Bioelectron on September 25, 2000, and the second quarter results include two months of Bioelectron's operations. Bioelectron's sales are principally included in the fixation and spinal product categories. External fixation sales increased 6% in the United States and approximately 3% worldwide, while craniomaxillofacial sales increased 14% worldwide and approximately 12% in the United States led by the recent introduction of the Mimix bone substitute material. Internal fixation sales increased 2% worldwide and were essentially flat in the United States. New products in the internal fixation market segment include the VHS Supracondylar Plate and the Ally Monofilament Cerclage System. The VHS Supracondylar Plate addresses difficult distal femoral fractures, including periprosthetic fractures, and promotes an anatomic fit of plate-to-bone for optimal patient benefit. The Ally Monofilament Cerclage System addresses fractures, and the reattachment of the greater trochanter during total hip surgery. This system is comprised of a series of anatomic plates and cerclage wires, with a very low profile crimp network.

Spinal Product Sales

Spinal product sales increased 70% to \$21,692,000 during the second quarter of fiscal year 2001. Spinal sales in the United States increased 76%, with spinal implant sales increasing 58% and spinal stimulation sales increasing 83%. Spinal implant sales are benefiting from EBI's expanded salesforce and new products such as the Omega 21 Spinal Fixation System's expandable screw and the VueLok Cervical Fixation System. Spinal stimulation sales include EBI's SpF Spinal Fusion Stimulation System and Bioelectron's SpinalPak Spinal Stimulation System, allowing EBI's 385 person direct salesforce to offer spinal fusion stimulation technology for use in either inpatient or outpatient settings.

Other Product Sales

Sales of Biomet's "other products" increased 13% during the second quarter of fiscal year 2001 to \$27,742,000. Other product sales in the United States increased approximately 15%, while international sales of other products grew 8%. Softgoods products rose 23% worldwide and 28% in the United States during the recently completed quarter, principally led by EBI's Support-On-Site (S.O.S.) stock and bill program. Arthroscopy sales increased 23% in the United States and 10% worldwide during the recently completed quarter as a result of Arthrotek's procedure-specific and LactoSorb resorbable arthroscopic products. Arthrotek has recently received FDA approval for a resorbable Meniscus Screw designed to prevent damage to the femur while healing the meniscus. This product is an addition to the LactoSorb product line and provides another option for arthroscopic knee surgery.

The merger of Bioelectron into EBI is proceeding as planned. Bioelectron's and EBI's salesforces have been consolidated which will eliminate confusion with the companies' customers. Additionally, EBI is now in a position to take advantage of the cross-selling potential between EBI's and Bioelectron's products. Furthermore, in-house cost cutting moves have been executed and EBI will now focus on cross training the combined sales representatives to take advantage of the incremental sales potential in the customer base.

Biomet will host an analyst meeting at the American Academy of Orthopedic Surgeons Annual Meeting on March 1, 2001 from 5:00 - 7:00 p.m. at the Westin St. Francis Hotel. Biomet and its subsidiaries will launch numerous new products and technologies at this annual orthopedic meeting.

We appreciate your continued support and confidence in Biomet and wish each of you a wonderful New Year.

A handwritten signature in black ink, appearing to read "Dane A. Miller". The signature is fluid and cursive.

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.

Niles L. Noblitt
Chairman of the Board

Consolidated Statements of Incomefor the six and three month periods ended November 30, 2000 and 1999
(in thousands, except per share amounts)

	Six Months		Three Months	
	2000	1999	2000	1999
Net sales	\$473,716	\$437,456	\$243,459	\$224,747
Cost of sales	137,416	132,864	70,125	68,398
Gross profit	336,300	304,592	173,334	156,349
Selling, general and administrative expenses	170,114	153,014	87,180	78,193
Research and development expense	20,159	18,575	10,295	9,148
Operating income	146,027	124,003	75,859	60,008
Other income, net	10,181	7,028	4,711	4,410
Income before income taxes and minority interest	156,208	131,031	80,507	64,418
Provision for income taxes	53,512	47,812	27,562	23,787
Income before minority interest	102,696	83,219	53,008	40,631
Minority interest	2,471	3,261	1,210	1,845
Net Income	\$100,225	\$79,958	\$51,798	\$38,786
Earnings per share:				
Basic	\$.56	\$.46	\$.29	\$.22
Diluted	\$.56	\$.45	\$.29	\$.22
Shares used in the computation of earnings per share:				
Basic	178,256	175,139	178,486	175,236
Diluted	180,086	178,199	180,472	177,749
Cash dividends per common share	\$.11	\$.09	-	-

Sales Analysis

for the six and three month periods ended November 30, 2000 and 1999 (in thousands)

	Six Months		Three Months	
	2000	1999	2000	1999
U.S. sales	\$331,392	\$293,116	\$173,778	\$149,926
Foreign sales	142,324	144,340	69,681	74,821
Segment Sales				
Reconstructive	\$287,893	\$275,910	\$145,801	\$142,832
Fixation	94,755	85,363	48,224	43,329
Spinal products	35,801	25,119	21,692	12,951
Other	55,267	51,064	27,742	25,635

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. Record holders of outstanding Common Shares - November 30, 2000 - 6,781

	1st Qtr.	2nd Qtr.	3rd Qtr.	4th Qtr.
2001				
High	35.250	40.375		
Low	22.458	28.625		
2000				
High	29.083	25.167	26.792	26
Low	23.250	16.417	19.875	18.083
1999				
High	22.833	25.666	26.958	30.500
Low	18.666	17.333	21.541	23.375

Consolidated Balance Sheetsat November 30, 2000 and May 31, 2000
(in thousands)**Assets**

	11/30/2000	05/31/2000
Current assets:		
Cash and cash equivalents	\$ 166,885	\$ 213,606
Investments	14,022	34,129
Accounts and notes receivable, net	267,607	249,792
Inventories	254,447	240,162
Deferred income taxes	32,801	25,811
Prepaid expenses and other	<u>32,830</u>	<u>26,128</u>
Total current assets	<u>768,592</u>	<u>789,628</u>
Property, plant and equipment, at cost	309,563	299,294
Less, Accumulated depreciation	<u>127,279</u>	<u>116,037</u>
Property, plant and equipment, net	<u>182,284</u>	<u>183,257</u>
Investments	183,808	159,533
Intangible assets, net	9,149	9,100
Excess acquisition costs over fair value of acquired net assets, net	137,815	60,654
Other assets	<u>17,589</u>	<u>16,276</u>
Total assets	<u>\$1,299,237</u>	<u>\$1,218,448</u>

Liabilities and Shareholders' Equity

	11/30/2000	5/31/2000
Current liabilities:		
Short-term borrowings	\$ 68,985	\$ 70,546
Accounts payable	20,979	25,612
Accrued income taxes	10,755	17,288
Accrued wages and commissions	26,735	24,224
Other accrued expenses	<u>50,780</u>	<u>43,773</u>
Total current liabilities	178,234	181,443
Long-term liabilities:		
Deferred federal income taxes	6,118	5,386
Other liabilities	<u>415</u>	<u>423</u>
Total liabilities	<u>184,767</u>	<u>187,252</u>
Minority interest	<u>90,344</u>	<u>87,873</u>
Contingencies (Note 7)		
Shareholders' equity:		
Common shares	98,658	85,086
Additional paid-in capital	41,451	41,451
Retained earnings	947,243	866,011
Accumulated other comprehensive income	<u>(63,226)</u>	<u>(49,225)</u>
Total shareholders' equity	<u>1,024,126</u>	<u>943,323</u>
Total liabilities and shareholders' equity	<u>\$1,299,237</u>	<u>\$1,218,448</u>

Consolidated Statements of Cash Flowfor the three months ended November 30, 2000 and 1999
(in thousands)

	2000	1999
Cash flows from (used in) investing activities:		
Proceeds from sales and maturities of investments	33,742	7,323
Purchases of investments	(35,817)	(13,288)
Capital expenditures	(16,434)	(21,723)
Acquisitions, net of cash acquired	(90,602)	(13,530)
Other	<u>(2,061)</u>	<u>(3,098)</u>
Net cash used in investing activities	<u>(111,172)</u>	<u>(44,316)</u>
Cash flows from (used in) financing activities:		
Increase in short-term borrowings, net	(11,369)	20,647
Issuance of common shares	13,571	2,438
Cash dividends	<u>(18,993)</u>	<u>(15,785)</u>
Net cash used in financing activities	<u>(16,791)</u>	<u>7,300</u>
Effect of exchange rate changes on cash	<u>(2,892)</u>	<u>(2,879)</u>
Increase in cash and cash equivalents	(46,721)	38,983
Cash and cash equivalents, beginning of year	<u>213,606</u>	<u>132,081</u>
Cash and cash equivalents, end of period	<u>\$166,885</u>	<u>\$171,064</u>

Quarterly Graphs

for the periods ended February 28,
Fiscal Year (FY) 1991 - 2001

