

3rd Quarter Report - Quarter Ended February 28, 2001

Message to Our Shareholders

We are pleased to report the third quarter results for the period ending February 28, 2001. Biomet reported an increase in revenues of 14.3% over last year's third quarter with net sales of \$266,276,000 compared to \$232,910,000 for the same period last year. Net income increased 23% to \$55,405,000 (before non-recurring charges) from \$44,892,000 for the same period last fiscal year. Diluted earnings per share increased 24%, excluding non-recurring charges, to \$0.31 from \$0.25.

Biomet recorded a one-time pre-tax charge of \$26.1 million this quarter in relation to the U.S. Court of Appeals for the Federal Circuit's reversal in the ongoing Tronzo case. This case does not affect current sales of any of Biomet's products. Biomet intends to file a petition with the United States Supreme Court to review this case. Accordingly, reported net income for this quarter was \$38,205,000 with reported diluted earnings per share of \$0.21.

Net sales for the third quarter increased 19%, excluding the impact of foreign currency and the discontinued products associated with Biomet's 3i division. This increase was due to strong, balanced sales growth in Biomet's reconstructive, fixation, spinal, and other reporting categories. Excluding the effects of foreign currency and discontinued products, sales in the United States increased 23% while international revenue increased 11% for the third quarter. Foreign currency and discontinued products reduced third quarter sales by \$8 million and \$2.3 million, respectively. In addition, foreign currency reduced third quarter operating income by approximately \$1.5 million. The previously announced discontinued product line did not meaningfully contribute to the Company's operating income. This product line represented resorbable and non-resorbable membranes utilized in dental reconstructive procedures. 3i recently initiated distribution of Ossix, a resorbable membrane utilized in dental reconstructive procedures.

Biomet is currently in the process of implementing a direct sales operation in Japan in order to strengthen our position in this important market. Consequently, Biomet's international sales were negatively influenced by approximately \$2.3 million this quarter as a result of a reduction in product purchases from Biomet's former dealer organization in Japan. We believe these strategic changes in Japan will contribute to long-term improvement in Biomet's international revenues.

Unless otherwise noted, all of the following percentages are quoted on a constant-currency basis and adjusted for discontinued products as previously discussed. However, the following percentages do not reflect the reduction in revenues associated with Biomet's Japanese sales.

Worldwide sales of Biomet's reconstructive devices increased 15% to \$158,655,000 during the third quarter of fiscal year 2001. Total hip sales in the United States increased approximately 18% while worldwide hip sales increased approximately 10%. Strong demand for the M2a Taper Metal-on-Metal Articulation System and Biomet's revision total hip products contributed to the strong market share gains in the United States. Knee sales increased 15% in the United States and approximately 13% worldwide during the third quarter. Growth drivers continue to be the minimally invasive Repicci II Unicondylar Knee and the Ascent Total Knee System. During the third quarter, bone cements and accessories increased 37%. Palacos bone cement and the Optivac Preparation/Delivery System combination continues to gain market share in the United States since being introduced June 1, 2000. Dental reconstructive implants increased 26% during the quarter, excluding discontinued products. International sales of dental reconstructive implants increased 35%, while domestic sales increased approximately 17%. The major contributor to the increase in 3i's revenues is the continued market acceptance of the Osseotite Dental Reconstructive Implant System.

Fixation sales increased 15% during the third quarter of fiscal year 2001 to \$52,549,000. Electrical stimulation revenues increased 22% with the EBI Model 2001 Bone Healing System and Bioelectron's OrthoPak System providing strong growth to electrical stimulation sales. Lorenz Surgical's craniomaxillofacial sales increased approximately 13% worldwide and 8% in the United States. Mimix bone substitute material continues to receive excellent acceptance in the craniomaxillofacial market. Internal fixation sales increased 10% worldwide and 7% in the domestic market during the quarter, while external fixation sales experienced 5% growth worldwide with a 6% increase in the United States.

Spinal product sales increased 99% to \$26,429,000 during the third quarter. Spinal sales in the United States increased 107%. Spinal stimulation sales increased 131%, while spine hardware sales increased 58%. The

addition of Bioelectron's SpinalPak Stimulation System, the expansion of EBI's salesforce, and the continued rollout of new spine products are the major contributors to the Company's superb growth rates in the spinal products category. New spine products include the Omega 21 Spinal Fixation System with expansive screws and hooks, the SpineLink Spinal Fixation System with rods, the SpineLink Anterior Cervical Fixation System, and the VueLock Anterior Cervical Plate System.

The category of "other products" increased 12% during the third quarter of fiscal 2001 to \$28,643,000. International sales of other products increased 16%, while the increase in the United States was 10%. Specifically, arthroscopy sales increased 28% worldwide and 40% domestically. Products contributing to the robust growth in arthroscopy sales are Arthrotek's procedure-specific products, LactoSorb resorbable products, and the CurvTek Bone Tunneling System from the Bioelectron acquisition. In addition, Arthrotek continues to expand its dedicated salesforce in the United States. Softgoods products rose 16% worldwide and 16% in the United States during the recently completed quarter principally as a result of EBI's Support-On-Site (S.O.S.) stock and bill program.

In March, Biomet introduced 95 new products during the Annual Meeting of the American Academy of Orthopaedic Surgeons. Biomet's expansive list of new products is proof of our ongoing commitment to innovative technologies for patients and physicians worldwide. We thank you for your support and confidence in Biomet, as we continue to share the Story Behind the Numbers.

Respectfully,



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



Niles L. Noblitt
Chairman of the Board

Consolidated Statements of Incomefor the nine and three month periods ended February 28, 2001 and February 29, 2000
(in thousands, except per share amounts)

| | Nine Months | | Three Months | |
|-------------------------------------------------------|------------------|-----------|------------------|-----------|
| | 2001 | 2000 | 2001 | 2000 |
| Net sales | \$739,992 | \$670,366 | \$266,276 | \$232,910 |
| Cost of sales | 211,571 | 203,256 | 74,155 | 70,393 |
| Gross profit | 528,421 | 467,110 | 192,121 | 162,517 |
| Selling, general and administrative expenses | 267,089 | 236,807 | 96,975 | 83,792 |
| Research and development expense | 31,533 | 29,534 | 11,374 | 10,959 |
| Operating income | 203,699 | 189,069 | 57,672 | 65,066 |
| Other income, net | 14,107 | 11,923 | 3,926 | 4,895 |
| Income before income taxes and minority interest | 217,806 | 200,992 | 61,598 | 69,961 |
| Provision for income taxes | 74,624 | 73,129 | 21,112 | 25,317 |
| Income before minority interest | 143,182 | 127,863 | 40,486 | 44,644 |
| Minority interest | 4,752 | 4,713 | 2,281 | 1,452 |
| Net Income | \$138,430 | \$123,150 | \$38,205 | \$43,192 |
| Earnings per share: | | | | |
| Basic | \$.78 | \$.70 | \$.21 | \$.24 |
| Diluted | \$.77 | \$.69 | \$.21 | \$.24 |
| Shares used in the computation of earnings per share: | | | | |
| Basic | 178,422 | 175,736 | 178,830 | 176,951 |
| Diluted | 180,374 | 178,540 | 181,020 | 179,248 |
| Cash dividends per common share | \$.11 | \$.09 | - | - |

Sales Analysis

for the six and three month periods ended
February 28, 2001 and February 29, 2000 (in thousands)

| | Nine Months | | Three Months | |
|----------------------|------------------|-----------|------------------|-----------|
| | 2001 | 2000 | 2001 | 2000 |
| U.S. sales | \$518,191 | \$445,920 | \$186,799 | \$152,804 |
| Foreign sales | 221,801 | 224,446 | 79,477 | 80,106 |
| Segment Sales | | | | |
| Reconstructive | \$446,548 | \$422,738 | \$158,655 | \$146,828 |
| Fixation | 147,304 | 131,563 | 52,549 | 46,200 |
| Spinal products | 62,230 | 38,571 | 26,429 | 13,452 |
| Other | 83,910 | 77,494 | 28,643 | 26,430 |

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 - February 28, 2001 - 6,744

| | 1st Qtr. | 2nd Qtr. | 3rd Qtr. | 4th Qtr. |
|-------------|----------|----------|----------|----------|
| 2001 | | | | |
| High | 35.250 | 40.375 | 41.750 | |
| Low | 22.458 | 28.625 | 30.688 | |
| | | | | |
| 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 February 28, 2001 and May 31, 2000
(in thousands)**Assets**

| | 02/28/2001 | 05/31/2000 |
|-------------------------------------------------------------------------|--------------------|--------------------|
| Current assets: | | |
| Cash and cash equivalents | \$ 203,173 | \$ 213,606 |
| Investments | 12,857 | 34,129 |
| Accounts and notes receivable, net | 304,392 | 249,792 |
| Inventories | 271,221 | 240,162 |
| Deferred income taxes | 32,801 | 25,811 |
| Prepaid expenses and other | <u>31,423</u> | <u>26,128</u> |
| Total current assets | <u>855,867</u> | <u>789,628</u> |
| Property, plant and equipment, at cost | 324,666 | 299,294 |
| Less, Accumulated depreciation | <u>137,566</u> | <u>116,037</u> |
| Property, plant and equipment, net | <u>187,100</u> | <u>183,257</u> |
| Investments | 195,193 | 159,533 |
| Intangible assets, net | 10,675 | 9,100 |
| Excess acquisition costs over fair value of acquired net assets, net | 142,311 | 60,654 |
| Other assets | <u>16,961</u> | <u>16,276</u> |
| Total assets | <u>\$1,408,107</u> | <u>\$1,218,448</u> |

Liabilities and Shareholders' Equity

| | 02/28/2001 | 5/31/2000 |
|--------------------------------------------|--------------------|--------------------|
| Current liabilities: | | |
| Short-term borrowings | \$ 71,967 | \$ 70,546 |
| Accounts payable | 20,916 | 25,612 |
| Accrued income taxes | 13,898 | 17,288 |
| Accrued wages and commissions | 29,730 | 24,224 |
| Other accrued expenses | <u>84,628</u> | <u>43,773</u> |
| Total current liabilities | 221,139 | 181,443 |
| Long-term liabilities: | | |
| Deferred federal income taxes | 7,409 | 5,386 |
| Other liabilities | <u>425</u> | <u>423</u> |
| Total liabilities | <u>228,973</u> | <u>187,252</u> |
| Minority interest | <u>92,625</u> | <u>87,873</u> |
| Contingencies (Note 7) | | |
| Shareholders' equity: | | |
| Common shares | 101,557 | 85,086 |
| Additional paid-in capital | 41,451 | 41,451 |
| Retained earnings | 985,447 | 866,011 |
| Accumulated other comprehensive income | <u>(41,946)</u> | <u>(49,225)</u> |
| Total shareholders' equity | <u>1,086,509</u> | <u>943,323</u> |
| Total liabilities and shareholders' equity | <u>\$1,408,107</u> | <u>\$1,218,448</u> |

Consolidated Statements of Cash Flow

for the nine months ended February 28, 2001 and February 29, 2000
(in thousands)

| | <u>2001</u> | <u>2000</u> |
|----------------------------------------------|------------------|------------------|
| Net cash from operating activities | \$ 131,221 | \$ 64,137 |
| Net cash used in investing activities | (131,319) | (54,985) |
| Net cash from (used in) financing activities | (15,310) | 18,425 |
| Effect of exchange rate changes on cash | <u>4,975</u> | <u>(3,456)</u> |
| Increase in cash and cash equivalents | (10,433) | 24,121 |
| Cash and cash equivalents, beginning of year | <u>213,606</u> | <u>132,081</u> |
| Cash and cash equivalents, end of period | <u>\$203,173</u> | <u>\$156,202</u> |

Quarterly Graphs

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

