

Message to Our Shareholders

SECOND QUARTER REPORT

We are pleased to report record results for the second quarter of fiscal year 2002. In addition, Biomet's Board of Directors announced a share repurchase program. The Board authorized the purchase of up to \$124 million of outstanding Common Shares of the Company in the open market or through privately negotiated transactions. Under this plan, \$24 million has been allocated to the automatic repurchase of shares in the amount of \$2 million per month over the next twelve months irrespective of market conditions. The remaining \$100 million allocated to the plan will be discretionary and the amount expended, if any, will be dependent upon market conditions. This share repurchase program will be in effect between December 20, 2001 and December 19, 2002. Our continued high level of earnings has produced cash in excess of our immediate needs and we view this program as an investment in Biomet's future.

Net sales in the second quarter increased 18% to \$289,387,000. Excluding the impact of foreign currency, which increased sales by \$1.1 million and discontinued products, which reduced sales by \$2.5 million, net sales increased 19% during the second quarter. The discontinued products were products distributed through our Biomet Merck joint venture. Approximately \$1.6 million is associated with general surgery products in Portugal and \$900,000 consists of spinal products in Belgium. Gross profit increased 21% to \$210,353,000 with gross margins increasing 180 basis points, compared to the second quarter of fiscal year 2001, to 72.7% of sales. Selling, general and administrative expenses increased 22% to \$106,679,000 principally as a result of Biomet's continued expansion of its worldwide salesforces. Research and development expenses increased 16% during the quarter to \$11,987,000, while operating income increased 21% to \$91,687,000 with operating margins at 31.7% of sales. Net income increased 19% to \$61,452,000 during the quarter, while diluted earnings per share increased 21% to \$.23 per share.

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 20% during the quarter to \$208,917,000 while foreign sales increased 18% to \$80,470,000.

During the second quarter, reconstructive device sales increased 19% to \$174,894,000. Reconstructive sales were led by knee sales, which increased 21% worldwide and over 20% in the United States during the quarter. The minimally invasive Repicci II Unicondylar Knee System and the Ascent Total Knee System, as well as the Maxim and the Finn Knee Systems, continue to drive knee sales. With approximately 40 - 45% market share, Biomet continues to lead the estimated \$35 million domestic unicondylar knee market with the Repicci II Knee, the market's only bone-conserving minimally invasive product. From March of 1999, Biomet has trained 545 surgeons at the Orthopedic Learning Center in Chicago.

Hip sales increased 20% in the United States and approximately 16% worldwide during the second quarter of fiscal year 2002. Biomet's M2a Taper Metal-on-Metal Articulation System and the M2a RingLoc Articulation System continue to experience strong demand, along with Biomet's extensive array of clinically-proven cementless hip stems. Additionally, we are beginning to launch the M2a-38 Acetabular System, which is designed to provide patients with a greater range of motion and a reduced risk of dislocation.

Dental reconstructive implants, led by the OSSEOTITE Dental Reconstructive Implant System, increased 17% during the second quarter. International sales of dental reconstructive implants increased 24%, while domestic sales increased approximately 11%. The OSSEOTITE dental reconstructive implant is treated with a patented surface to enhance healing and is proven to reduce treatment time to as little as two months. OSSEOTITE is the best-selling dental reconstructive implant worldwide with 98.6% clinical success rates in worldwide studies. A new collagen barrier product, the Ossix membrane, was recently launched in the United States and is experiencing good market acceptance. The Ossix product will be introduced in selected additional countries during the third quarter.

Sales of bone cements and accessories increased 36% during the second quarter of fiscal year 2002.

As a result of the success of the Company's Palacos bone cement and Optivac Vacuum Mixing System combination, Biomet is now the second largest competitor in the bone cements and accessories market within the United States. This complementary cement and delivery duo propelled Biomet to an 8% market share position in the United States within the first year and the pair continues to experience excellent sales growth. Additionally, Biomet recently received approval for its Generation 4 Bone Cement with VacPac Delivery System. This self-contained vacuum mixing and delivery system provides for consistent cement preparation, greater ease of use, reduced exposure to fumes associated with conventional open mixing procedures, and less waste. The Company will begin a gradual market release of the Generation 4 System during the third quarter.

During the second quarter, fixation sales increased 10% to \$53,236,000. Fixation sales were led by internal fixation sales, which increased 26% in the United States and 21% worldwide during the quarter. The VHS Hip Screw and the Ankle Arthrodesis Nail contributed to the robust growth in internal fixation sales. Electrical stimulation systems, which include the EBI Bone Healing System and the OrthoPak System, increased 16% during the quarter reinforcing EBI's market leading position in electrical bone healing systems. External fixation sales increased 6% worldwide and 2% in the United States, while craniomaxillofacial sales decreased approximately 8% in the United States and 12% worldwide. Current sales force expansions, as well as an increased focus on development of new products for the external fixation and craniomaxillofacial segments should provide new opportunities for growth. In addition, EBI recently received approvals to market external fixation products in Japan.

Spinal product sales increased 42% to \$29,692,000 during the second quarter of fiscal year 2002. Spinal sales in the United States increased 41%, with spinal implant sales increasing 45% and spinal stimulation sales increasing 40%. EBI's direct salesforce of over 450 individuals, as well as new products such as the VueLock Anterior Cervical Plate System and the SpinalPak Stimulation System, are contributing to EBI's dramatic growth of its spinal product sales. The SpinalPak System and EBI's SpF Spinal Fusion Stimulation System allow the salesforce to offer spinal fusion stimulation technology for use in either inpatient or outpatient settings. EBI currently controls over 51% of the estimated \$175 million electrical bone growth stimulation market for spinal indications.

Biomet continues to broaden its spinal product lines with numerous new products and technologies. The SpineLink II Fixation System represents an advanced design of the SpineLink System allowing for greater ease of use for the surgeon. The SpineLink II System is scheduled to be launched during the third quarter of fiscal year 2002. EBI plans to launch OsteoStim bone graft substitute material for spinal indications during the fourth quarter. In September of 2001, Biomet formed Osseous Technologies, Inc. to market and distribute allograft tissues in the \$300 million worldwide base allograft market. Additionally, Biomet Merck recently launched the Cemento disposable vertebroplasty device in Europe to be used in the treatment of osteoporotic compression fractures of the spine and vertebral body tumors.

Sales of Biomet's "other products" increased 16% during the second quarter of fiscal year 2002 to \$31,565,000. Other product sales in the United States increased 17%, while international sales of other products grew 13%. Arthroscopy sales increased 45% in the United States and 42% worldwide during the recently completed quarter principally as a result of Arthrotek's procedure-specific and LactoSorb resorbable arthroscopic products. Arthrotek is on track to introduce numerous new products during the third and fourth fiscal quarters, including additions to the LactoSorb resorbable product line. Softgoods products rose 9% in the United States and 8% worldwide during the recently completed quarter, principally led by EBI's Support-On-Site (S.O.S.) stock and bill program.

In February, Biomet will be introducing many new products and technologies at the American Academy of Orthopedic Surgeons Annual Meeting in Dallas. Biomet will be hosting an analyst meeting on February 14, 2002 from 5:00 - 7:00 p.m. at the Westin Park Central. The meeting will be accessible via a live webcast on the Internet at www.biomet.com (in the Investor's section) with a simultaneous conference call option.

Demonstrated by this quarter's excellent financial results, Biomet continues to gain market share in the worldwide market for musculoskeletal products by connecting people, ideas, technology, products, and service. Biomet's 19% growth in revenues led all major orthopedic companies during the recent quarter and, notably, the second quarter of 2002 represents the Company's 18th consecutive quarter

of 15% or greater growth in earnings. We appreciate your support and confidence in the Biomet team and wish each of you a wonderful New Year!



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



Niles L. Noblitt
Chairman of the Board

Featured Market Segment - Spinal Products

The fastest-growing segment of the musculoskeletal products market in the United States is the spinal products market, which is estimated to be \$1.425 billion and growing in excess of 20% per year. Biomet estimates the plate, rod and screw market to be \$580 million, the allograft and bone substitute materials market to be \$455 million, the fusion cage market to be \$215 million, and the electrical stimulation market is estimated at \$175 million.

Biomet's EBI subsidiary first entered the spine market in 1990 with the introduction of the implantable SpF® Spinal Fusion Stimulation System for lumbosacral fusion. In 1997, EBI began producing spine hardware products providing opportunities to take market share in the plate, rod, and screw segment of the spine market. In 2000, the addition of the non-invasive SpinalPak® Fusion Stimulation System boosted the Company into the #1 position in the \$175 million domestic spinal fusion stimulation market with over 51% share. During 2002, EBI entered the allograft and bone substitute materials market with its Allograft Cervical Spacer System and OsteoStim™ Resorbable Bone Graft Substitute. EBI is developing a second-generation interbody fusion cage, which completes the Company's presence in all four of the major segments of the spinal products market. The Company currently is the fourth-largest U.S. spine market participant at 9% market share with a direct salesforce of over 450 representatives.

Spinal stimulation products offered by EBI include both implantable and non-invasive devices, which are placed during or following spinal fusion surgery. Spinal fusion surgery is a procedure in which vertebrae are permanently joined together in an attempt to eliminate discomfort generated from abnormal movement of the spine. These products are designed to assist the body in the stimulation of bone production for successful fusion. EBI's SpF® Spinal Fusion Stimulation System is implanted at the time of fusion surgery and uses cathodes to deliver small electrical currents in order to facilitate spinal fusion. The SpinalPak® Fusion Stimulation System is a non-invasive stimulation device for spinal fusion, which was added to EBI's spinal fusion product line from the Bioelectron acquisition in September of 2000. The SpinalPak® unit (about the size and weight of a cell phone) attaches to a waist belt and utilizes two thin electrodes that adhere to the skin near the surgical site to stimulate the production of bone.

EBI's spine hardware products are experiencing excellent market acceptance. The SpineLink™ Intrasegmental Fixation System employs advanced engineering and technology to address the challenge of matching the product to the anatomical needs of each patient. Instead of a traditional spinal plate, small titanium modular links are utilized to provide the flexibility for optimal screw placement and positioning in the lumbar region of the spine. The Omega 21™ Spinal Fixation System is a unique rod and screw system for spinal fusion surgery, which continues to experience strong growth. The Omega21™ Hooks are a product line extension to the existing system, which were recently launched in the United States. These new hooks will extend the utilization of the system to treat fractures, tumors, and deformity correction in the thoracic region of the spine.

New additions to the SpineLink™ product line include the SpineLink™ Spinal Fixation System StepLinks and the SpineLink™ II Spinal Fixation System. The new SpineLink™ Spinal Fixation System StepLinks are an adjunct to the original SpineLink System. These new links allow the surgeon to more easily accommodate large screw height discrepancies typically found in the lumbar spine. A measuring caliper is utilized to give the surgeon the precise link size needed. Traditional rod systems require precise contouring, which can be very time consuming. The unique SpineLink™ System virtually eliminates this time-consuming task and with the new StepLinks, the procedure time can be reduced even further. The StepLink System is receiving positive market acceptance and represents an excellent addition to the SpineLink™ product line. The new SpineLink™ II Spinal Fixation System will be the next generation SpineLink™ System. This system utilizes the independent, intrasegmental concept, incorporating an advanced design, which makes point-to-point fixation even easier than the original SpineLink™ System. The links are designed to accommodate pedicle screw length and height discrepancy, eliminating secondary manipulation of the screws. Additionally, the next generation polydirectional screw has a unique spring mechanism to aid in stabilization of the screw head intraoperatively, which is an advantage over other multidirectional screws currently on the market.

A clinical study of 259 patients in 11 different study centers who were treated with the SpineLink™

Spinal Fixation System was recently published in, *The Spine Journal*, a peer-reviewed orthopedic spine journal. The study, "Evaluation and Analysis of Patient Outcomes with an Intrasegmental Fixation System in Lumbar Spinal Fusion", revealed excellent clinical results and concluded that consistent patient outcomes were obtained regardless of the number of levels fused. Typically, the more levels that a surgeon attempts to fuse results in successively lower fusion success rates. However, in this study, SpineLink™ yielded consistently high outcomes throughout one, two, and three or more level fusions. The system's design allows the surgeon to connect multiple points of fixation (pedicle screws) one point at a time. The authors concluded, "The design features of the system would appear to convert a multilevel fusion into several one-level fusions".

The cervical spine market is one of the fastest-growing segments of the spinal products market. In 1998, EBI introduced the SpineLink™ Anterior Cervical Spinal System to utilize SpineLink's advanced technology for the cervical region of the spine. In 2001, the VueLock™ Anterior Cervical Plate System was introduced. This system is comprised of pre-contoured titanium plates that feature a unique, open design providing for better visualization of the bone graft during the surgical procedure and on x-ray films following surgery. The VueLock™ System continues to receive excellent market acceptance in the United States and is currently being launched in Europe.

New bone substitute materials and allografts have recently been added to EBI's growing line of spine products. OsteoStim™ synthetic bone substitute granules were recently approved by the FDA for filling bony defects in the spine. The OsteoStim™ granules have already been introduced to EBI's spinal surgeon customer base. In addition, Biomet is marketing a full line of allograft products, including those for spinal indications. The Allograft Cervical Spacer System will be EBI's first spine allograft product offering.

EBI is poised to enter the interbody fusion cage market with the development of its anterior/posterior second-generation spine cage. These devices are indicated when non-invasive treatments have not been effective for problems such as degenerative disc disease, recurrent herniated discs, or lumbar post-laminectomy syndrome.

According to the North American Spine Society, over 80% of all adult Americans experience back pain in their lifetimes. Worldwide statistics parallel this statement. EBI is clearly a responsive leader in spine product development, bringing products from concept to market in an expeditious manner. The continued introduction of innovative products is a major part of EBI's ongoing efforts to improve the quality of life for the millions of patients afflicted with back pain throughout the world.

Consolidated Statements of Incomefor the six and three month periods ended November 30, 2001 and 2000
(in thousands, except per share amounts)

	Six Months		Three Months	
	2001	2000	2001	2000
Net sales	\$561,409	\$475,494	\$289,387	\$244,361
Cost of sales	156,426	139,194	79,034	71,027
Gross profit	404,983	336,300	210,353	173,334
Selling, general and administrative expenses	207,995	170,114	106,679	87,180
Research and development expense	23,655	20,159	11,987	10,295
Operating income	173,333	146,027	91,687	75,859
Other income, net	8,935	10,181	4,371	4,711
Income before income taxes and minority interest	182,268	156,208	96,058	80,570
Provision for income taxes	61,876	53,512	32,607	27,562
Income before minority interest	120,392	102,696	63,451	53,008
Minority interest	2,927	2,471	1,999	1,210
Net Income	\$117,465	\$100,225	\$61,452	\$51,798
Earnings per share:				
Basic	\$.44	\$.37	\$.23	\$.19
Diluted	\$.43	\$.37	\$.23	\$.19
Shares used in the computation of earnings per share:				
Basic	269,635	267,384	269,809	267,729
Diluted	272,747	270,129	272,822	270,708
Cash dividends per common share	\$.09	\$.07	-	-

Sales Analysis

for the three months ended November 30, 2001 and 2000 (in thousands)

Domestic/Foreign Sales	2001	2000
U.S. sales	\$208,917	\$174,680
Foreign sales	80,470	69,681
Segment Sales		
Reconstructive	\$174,894	\$145,801
Fixation	53,236	48,224
Spinal products	29,692	21,692
Other	31,565	28,644

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, 2001 - 6,466.

	1st Qtr.	2nd Qtr.	3rd Qtr.	4th Qtr.
2002				
High	32.79	33.74		
Low	19.00	24.33		
2001				
High	23.50	26.92	27.83	30.67
Low	14.97	19.08	20.46	23.67
2000				
High	19.39	16.78	17.86	17.33
Low	15.50	10.94	13.25	12.06

Consolidated Balance Sheets

at November 30, 2001 and May 31, 2001
(in thousands)

Assets

	11/30/2001	05/31/2001
Current assets:		
Cash and cash equivalents	\$ 247,123	\$ 235,091
Investments	35,455	52,627
Accounts and notes receivable, net	332,013	324,848
Inventories	309,008	277,601
Deferred income taxes	44,334	48,982
Prepaid expenses and other	<u>25,186</u>	<u>29,230</u>
Total current assets	<u>993,119</u>	<u>968,379</u>
Property, plant and equipment, at cost	360,789	325,890
Less, Accumulated depreciation	<u>156,619</u>	<u>140,139</u>
Property, plant and equipment, net	<u>204,170</u>	<u>185,751</u>
Investments	210,346	175,430
Intangible assets, net	7,915	8,848
Excess acquisition costs over fair value of acquired net assets, net	130,017	134,835
Other assets	<u>17,052</u>	<u>16,068</u>
Total assets	<u>\$1,562,619</u>	<u>\$1,489,311</u>

Liabilities and Shareholders' Equity

	11/30/2001	5/31/2001
Current liabilities:		
Short-term borrowings	\$ 57,867	\$ 62,734
Accounts payable	25,586	21,008
Accrued income taxes	27,987	31,085
Accrued wages and commissions	29,219	33,030
Accrued litigation	5,864	26,100
Other accrued expenses	<u>60,754</u>	<u>67,865</u>
Total current liabilities	207,277	241,822
Long-term liabilities:		
Deferred federal income taxes	6,433	5,783
Other liabilities	<u>412</u>	<u>423</u>
Total liabilities	<u>214,122</u>	<u>248,028</u>
Minority interest	<u>98,024</u>	<u>95,097</u>
Contingencies (Note 7)		
Shareholders' equity:		
Common shares	118,340	108,918
Additional paid-in capital	48,732	48,732
Retained earnings	1,137,761	1,044,564
Accumulated other comprehensive income	<u>(54,360)</u>	<u>(56,028)</u>
Total shareholders' equity	<u>1,250,473</u>	<u>1,146,186</u>
Total liabilities and shareholders' equity	<u>\$1,562,619</u>	<u>\$1,489,311</u>

Consolidated Statements of Cash Flowfor the three months ended November 30, 2001 and 2000
(in thousands)

	2001	2000
Cash flows from (used in) investing activities:		
Proceeds from sales and maturities of investments	66,316	33,742
Purchases of investments	(81,562)	(35,817)
Capital expenditures	(34,025)	(16,434)
Acquisitions, net of cash acquired	--	(90,602)
Other	<u>(1,345)</u>	<u>(2,061)</u>
Net cash used in investing activities	<u>(50,616)</u>	<u>(111,172)</u>
Cash flows from (used in) financing activities:		
Increase in short-term borrowings, net	(4,974)	(11,369)
Issuance of common shares	9,422	13,571
Cash dividends	<u>(24,268)</u>	<u>(18,993)</u>
Net cash used in financing activities	<u>(19,820)</u>	<u>(16,791)</u>
Effect of exchange rate changes on cash	<u>(1,885)</u>	<u>(2,892)</u>
Increase (decrease) in cash and cash equivalents	12,032	(46,721)
Cash and cash equivalents, beginning of year	<u>235,091</u>	<u>231,606</u>
Cash and cash equivalents, end of period	<u>\$247,123</u>	<u>\$166,885</u>

Quarterly Graphs

for the periods ended November 30,

