

Message to Our Shareholders

THIRD QUARTER REPORT

We are pleased to report the third quarter results for the period ending February 28, 2002. Net sales in the third quarter increased 14% to \$304,609,000. Excluding the impact of foreign currency, which decreased sales by \$900,000 and discontinued products, which reduced sales by \$2.5 million, net sales increased 15.4% during the third quarter. The discontinued products were products distributed through our Biomet Merck joint venture. Approximately \$1 million is associated with general surgery products in Portugal and \$1.5 million consists of spinal products in Belgium. Gross profit increased 14.2% to \$219,371,000 with gross margins increasing 10 basis points, compared to the third quarter of fiscal year 2001, to 72.0% of sales. Selling, general and administrative expenses increased 16.4% to \$112,851,000 principally as a result of Biomet's continued expansion of certain of the Company's direct selling organizations. Specifically, we continue to build our direct sales operations in Japan, we recently acquired Synthes-Stratec reconstructive products division in Europe, and EBI continues to expand its direct sales force in the United States in order to address its growing platform of spinal products and technologies. Research and development expenses for the quarter were 4.0% of sales at \$12,190,000, while operating income increased 13% to \$94,330,000 with operating margins at 31.0% of sales. Biomet's "other income" declined by \$1.5 million compared to the second quarter of fiscal year 2002 and approximately \$1.1 million compared to the third quarter of fiscal year 2001 to \$2,872,000 principally as a result of lower interest rates associated with the Company's cash and investments. Net income increased 11% to \$61,674,000 during the quarter, while diluted earnings per share increased 15% 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 16% during the quarter to \$217,583,000 and foreign sales increased 14% to \$87,026,000.

During the third quarter, reconstructive device sales increased 17% to \$184,765,000. Reconstructive sales were led by knee sales, which increased 19% in the United States and 18% worldwide during the quarter. The minimally invasive Repicci II Unicondylar Knee System, the Ascent and Maxim Total Knee Systems, the Finn Knee Revision/Oncology System, and Biomet's broad line of revision products are propelling knee sales. Biomet continues to lead the domestic unicondylar knee market recording greater than 60% revenue growth this quarter with the only product on the market that is both bone conserving and minimally invasive.

Worldwide hip sales increased 15% during the third quarter of fiscal year 2002 with 13% growth in the United States. Biomet's M2a Taper Metal-on-Metal Articulation System, M2a RingLoc Articulation System, and M2a-38 Acetabular System, designed to provide patients with greater range of motion and reduced risk of dislocation, are experiencing strong demand, along with Biomet's extensive array of clinically proven cementless hip stems. Sales of Biomet's M2a Systems increased over 130% during the third quarter. The M2a Taper Metal-on-Metal Articulation System is Biomet's first alternative bearing product to reach the market in the United States. Biomet continues to explore and develop advanced hip articulating systems, such as the C2a Ceramic-on-Ceramic Articulation System, which is currently in clinical studies in the United States.

Dental reconstructive implant sales increased 17% during the third quarter, led by the OSSEOTITE Dental Reconstructive Implant System. International sales of dental reconstructive implants increased over 18%, while domestic sales increased approximately 16%. A successful OSSEOTITE Research and Technology Forum was held during the quarter with approximately 300 clinicians in attendance. Additionally, the Ossix resorbable collagen membrane, which has been experiencing strong domestic market acceptance, was launched in Europe during the quarter.

Worldwide sales of bone cements and accessories increased 25% during the third quarter of fiscal year 2002. The Optivac Vacuum Mixing System and bone cements experienced sales growth of 27% in the United States. Biomet is now the second largest competitor in the bone cements and accessories market in the United States. Additionally, Biomet recently received FDA approval to market its Generation 4 Bone Cement with VacPac Delivery System. This proprietary, 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, while significantly reducing operating room time. Clinical use of the system will begin in the fourth quarter, with broader rollout scheduled to begin in the second quarter of fiscal year 2003.

During the third quarter of fiscal year 2002, fixation sales increased 5% in the United States and 2% worldwide to \$53,548,000. Electrical stimulation systems increased 7% and external fixation sales increased 4% worldwide during the third quarter. Internal fixation sales increased 5% in the United States and decreased 1% worldwide. New internal fixation products include a Small Cannulated Screw System and line extensions to the VHS Vari-Angle Hip Screw System. Craniomaxillofacial sales increased 3% in the United States and decreased 13% worldwide. We are continuing to focus on research and development of new fixation products and technologies for craniomaxillofacial indications, while we are concentrating on additional training and development of Lorenz Surgical's salesforce. Additionally, Biomet's bone substitute materials are experiencing strong demand with a 30% revenue increase in the United States and sales growth of 29% worldwide.

Spinal product sales increased 30% to \$32,458,000 during the third quarter of fiscal year 2002. Spinal sales in the United States increased 26%, with spinal implant sales increasing 29% and spinal stimulation sales rising 25%. The Company's strong spinal implant revenues are benefiting from EBI's VueLock Anterior Cervical Plate System and the Omega 21 Spinal Fixation System. During the fourth quarter, validation will be initiated on the SpineLink II Fixation System, which is an advanced design of the SpineLink System, allowing for greater ease of use for the surgeon. The non-invasive SpinalPak Stimulation System continues to experience excellent market acceptance in the United States. In addition to the launch of OsteoStim Bone Substitute Granules approved for spinal indications, EBI introduced its Anterior Cervical Allograft Spacer System during the third quarter, entering the \$245 million market for machined allograft products addressing the spinal market in the United States.

Worldwide sales of Biomet's "other products" increased 19% during the third quarter of fiscal year 2002 to \$33,838,000, while growing 26% in the United States. Arthroscopy sales increased 35% in the United States and 36% worldwide during the recently completed quarter. Arthrotek's strong sales are a result of Arthrotek's LactoSorb resorbable arthroscopic products, such as the LactoScrew suture anchor and procedure-specific products, specifically, the CurvTek Bone Tunneling System and the Howell ACL implants and instruments. New products include line extensions for the Charlotte Shoulder System and the Ti Screw Suture Anchor. Sales of softgoods and bracing products rose 17% in the United States and 13% worldwide during the recently completed quarter, principally led by EBI's Support-On-Site stock and bill program and new product introductions, such as the Alliance ACL Brace.

During the third quarter of fiscal year 2002, Osseous Technologies, a Biomet Company, introduced a full line of allograft tissues, including tendons, ligaments, and a large number of machined bone configurations, including EBI's proprietary cervical spacer system.

Biomet announced an exclusive development and distribution alliance with z-kat digital surgery company during the quarter which will position Biomet and its subsidiaries into the rapidly growing market of computer assisted surgery and image guided procedures. Biomet plans to have several products developed and ready for distribution by the third or fourth quarter of fiscal year 2003 that will aid in less invasive procedures for many musculoskeletal surgeries.

In February, Biomet introduced approximately 80 new products during the Annual Meeting of the American Academy of Orthopaedic Surgeons in Dallas, Texas. Biomet's dedication to new product development and advancing new technologies is evidence of the Company's commitment to serving clinicians and patients worldwide. Connecting people, ideas, technology, products, and service is critical to the success of Biomet. We thank you for your support and confidence in the Biomet team.

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

Niles L. Noblitt
Chairman of the Board

Featured Market Segment - Minimally Invasive Unicondylar Knees

Biomet was the first company to introduce the concept of a minimally-invasive unicondylar knee to the orthopedic community. The Repicci II Unicondylar Knee System was developed through collaboration between Biomet and John A. Repicci, D.D.S., M.D. and has proven to be an extremely successful product. Dr. Repicci has published excellent long-term clinical results showing 96% survivorship at 8 years for the Repicci II implant with his minimally invasive technique.

Since March of 1999, Dr. Repicci has personally trained over 500 surgeons worldwide in the Repicci procedure. The majority of the training was conducted at the AAOS managed Orthopedic Learning Center in Chicago. The Repicci II Unicondylar Knee is indicated for patients with osteoarthritis that is confined to only one compartment of the knee. The surgical procedure takes approximately one hour to complete and is typically performed through a three-inch incision. The procedure can often be performed on an outpatient basis with the patient being ambulatory immediately after surgery. The procedure also allows for shorter recovery than a total knee and a reduced need for physical therapy.

Knee reconstruction with Repicci II implants is a conservative approach utilized to aid in preserving functional knee tissue and to delay total knee replacement. The Repicci II implant is designed to relieve weight-bearing pain, rebalance the knee, and improve knee function. While all implants have a limited life expectancy, the Repicci II implant is designed to function well for 10 years dependent upon the age, weight, and activity level of the patient.

In order to provide an additional option for orthopedic surgeons, Biomet recently designed the Oxford Fixed Bearing Uni System. This new uni knee primarily differs from the Repicci II Knee, in that it provides a fully instrumented option for the clinician and employs a direct compression molded metal-backed tibial component.

The Oxford Fixed Bearing Uni System incorporates the design features of the Oxford Phase 3 Unicompartmental Knee, which continues to experience strong acceptance in the international market. The primary design difference between the two is that the Oxford Phase 3 offers a mobile bearing tibia. The femoral components are the same. These two uni knees are both descendants of the original Oxford Unicompartmental Knee, which has long-term clinical results showing 98% success at 10 years. Additionally, Biomet is seeking FDA approval to market the mobile bearing Oxford Phase 3 in the United States.

The domestic unicondylar knee market is currently estimated to be \$35-40 million and is the fastest-growing sector of the domestic knee market. Biomet continues to lead the unicondylar knee market in the United States with over 40% market share. Both the Repicci II Unicondylar Knee and the Oxford Fixed Bearing Uni System are expected to exhibit excellent growth rates as surgeons and their patients continue to seek minimally invasive options with demonstrated long-term clinical success.

Consolidated Statements of Income

for the nine and three month periods ended February, 2002 and 2001
(in thousands, except per share amounts)

	Nine Months		Three Months	
	2002	2001	2002	2001
Net sales	\$866,018	\$742,657	\$304,609	\$267,163
Cost of sales	241,664	214,236	85,238	75,042
Gross profit	624,354	528,421	219,371	192,121
Selling, general and administrative expenses	320,846	293,189	112,851	123,075
Research and development expense	35,845	31,533	12,190	11,374
Operating income	267,663	203,699	94,330	57,672
Other income, net	11,807	14,107	2,872	3,926
Income before income taxes and minority interest	297,470	217,806	97,202	61,598
Provision for income taxes	94,800	74,624	32,924	21,112
Income before minority interest	184,670	143,182	64,278	40,486
Minority interest	5,531	4,752	2,604	2,281
Net Income	\$179,139	\$138,430	\$61,674	\$38,205
Earnings per share:				
Basic	\$.66	\$.52	\$.23	\$.14
Diluted	\$.66	\$.51	\$.23	\$.14
Shares used in the computation of earnings per share:				
Basic	269,554	267,633	269,388	268,245
Diluted	272,543	270,561	272,265	271,530
Cash dividends per common share	\$.09	\$.07	-	-

Sales Analysis

for the three months ended February 28, 2002 and 2001 (in thousands)

Domestic/Foreign Sales	2002	2001
U.S. sales	\$217,583	\$187,686
Foreign sales	87,026	79,477
Segment Sales		
Reconstructive	\$184,765	\$158,655
Fixation	53,548	52,549
Spinal products	32,458	26,429
Other	33,838	29,530

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, 2002 - 6,460.

	1st Qtr.	2nd Qtr.	3rd Qtr.	4th Qtr.
2003				
High	29.28			
Low	21.75			
2002				
High	34.36	33.74	33.26	32.68
Low	25.06	24.33	26.77	25.18
2001				
High	23.50	26.92	27.83	30.67
Low	14.97	19.08	20.46	23.67

Consolidated Balance Sheets

at February 28, 2002 and May 31, 2001
(in thousands)

Assets

	02/28/2002	05/31/2001
Current assets:		
Cash and cash equivalents	\$ 235,698	\$ 235,091
Investments	42,675	52,627
Accounts and notes receivable, net	335,990	324,848
Inventories	318,975	277,601
Deferred income taxes	44,985	48,982
Prepaid expenses and other	<u>23,069</u>	<u>29,230</u>
Total current assets	<u>1,001,392</u>	<u>968,379</u>
Property, plant and equipment, at cost	373,472	325,890
Less, Accumulated depreciation	<u>161,670</u>	<u>140,139</u>
Property, plant and equipment, net	<u>211,802</u>	<u>185,751</u>
Investments	210,431	175,430
Intangible assets, net	7,775	8,848
Excess acquisition costs over fair value of acquired net assets, net	126,704	134,835
Other assets	<u>18,078</u>	<u>16,068</u>
Total assets	<u>\$1,576,182</u>	<u>\$1,489,311</u>

Liabilities and Shareholders' Equity

	02/28/2002	5/31/2001
Current liabilities:		
Short-term borrowings	\$76,815	\$62,734
Accounts payable	32,708	21,008
Accrued income taxes	21,725	31,085
Accrued wages and commissions	31,047	33,030
Accrued litigation	5,864	26,100
Other accrued expenses	<u>66,458</u>	<u>67,865</u>
Total current liabilities	234,617	241,822
Long-term liabilities:		
Deferred federal income taxes	5,836	5,783
Other liabilities	<u>403</u>	<u>423</u>
Total liabilities	<u>240,856</u>	<u>248,028</u>
Minority interest	<u>100,627</u>	<u>95,097</u>
Contingencies (Note 7)		
Shareholders' equity:		
Common shares	121,562	108,918
Additional paid-in capital	48,235	48,732
Retained earnings	1,124,969	1,044,564
Accumulated other comprehensive income	<u>(60,067)</u>	<u>(56,028)</u>

Total shareholders' equity	<u>1,234,699</u>	<u>1,146,186</u>
Total liabilities and shareholders' equity	<u>\$1,576,182</u>	<u>\$1,489,311</u>

Consolidated Statements of Cash Flow

for the three months ended February 28, 2002 and 2001

(in thousands)

	2002	2001
Cash flows from (used in) investing activities:		
Proceeds from sales and maturities of investments	87,728	41,481
Purchases of investments	(111,496)	(54,177)
Capital expenditures	(45,142)	(25,255)
Acquisitions, net of cash acquired	(6,735)	(90,602)
Other	<u>(885)</u>	<u>(2,766)</u>
Net cash used in investing activities	<u>(76,530)</u>	<u>(131,319)</u>
Cash flows from (used in) financing activities:		
Increase in short-term borrowings, net	18,012	(12,788)
Issuance of common shares	13,896	16,471
Cash dividends	<u>(24,268)</u>	<u>(18,993)</u>
Net cash used in financing activities	<u>(68,575)</u>	<u>(15,310)</u>
Effect of exchange rate changes on cash	<u>(56)</u>	<u>4,975</u>
Increase (decrease) in cash and cash equivalents	607	(10,433)
Cash and cash equivalents, beginning of year	<u>235,091</u>	<u>213,606</u>
Cash and cash equivalents, end of period	<u>\$235,698</u>	<u>\$203,173</u>

Quarterly Graphs

for the periods ended February 28,

