



Message to Our Shareholders

FIRST QUARTER REPORT

We are pleased to report record results for the first quarter of fiscal year 2003. Sales in the first quarter increased 17% to \$317,600,000. Net sales increased 15% during the quarter excluding the impact of foreign currency, which increased first quarter sales by approximately \$6.2 million. Gross profit increased 17% during the quarter to \$227,463,000 with gross margins increasing 10 basis points to 71.6% of sales. Selling, general and administrative expenses increased 14% to \$115,888,000 representing 36.5% of sales. During the quarter, research and development expenses were 4% of sales at \$12,638,000. Operating income increased 21% to \$98,937,000 with operating margins increasing 110 basis points to 31.1% of sales. Compared to the first quarter of fiscal year 2002, Biomet's "other income" declined by \$620,000 principally due to lower cash balances as a result of the Company's share repurchase programs and lower investment yields associated with Biomet's cash and investments. Net income increased 18% to \$66,006,000 and diluted earnings per share increased 19% to \$.25.

During the past nine months, Biomet has acquired approximately 11.5 million shares through the Company's share repurchase programs. Additionally, Biomet's Board of Directors authorized the purchase of up to an additional \$100 million of the outstanding Common Shares of the Company during a period ending one year from the announcement date of September 23, 2002. The number of shares repurchased, if any, will be dependent upon market conditions. The expansion of our share repurchase program reflects today's poor investment environment and we continue to believe that our shares represent an excellent investment for the Company. Our continued high levels of earnings have produced cash in excess of our immediate needs, and we view this program as an investment in our future.

Unless otherwise noted, all of the following percentages are quoted on a constant-currency basis. Sales in the United States increased 13% during the first quarter to \$224,580,000 and international sales increased 19% to \$93,020,000.

Reconstructive device sales increased 16% during the first quarter of 2003 to \$192,025,000. Hip sales increased 20% worldwide and 12% in the United States during the first quarter. The M2a Metal-on-Metal Hip Articulation System, M2a RingLoc Liners, the larger diameter M2a-38 and the Company's complementary line of cementless hip stems continue to experience excellent worldwide sales growth. Knee sales increased 17% worldwide and 14.5% in the United States during the quarter. The minimally invasive Repicci II Unicondylar Knee, the Ascent Primary and Revision Knee Systems, as well as the Orthopaedic Salvage System (OSS) continue to drive knee sales. During fiscal year 2002, over 20,000 units of the Company's minimally invasive knee products were implanted, including components of the Repicci II Unicondylar Knee System and the Oxford Unicompartmental Knee System. Extremity product sales increased 18% in the United States and over 15% worldwide during the first quarter. Products leading extremity revenue growth are the Discovery Elbow with its ArCom polyethylene molded bearing and the bone-conserving Copeland Humeral (shoulder) Resurfacing Head. Sales of bone cements and accessories increased 30% in the United States and 23% worldwide during the first quarter of 2003. The Optivac Vacuum Mixing System and the Company's broad portfolio of bone cements are contributing to the strong global sales of these complementary products. Dental reconstructive products increased 6% in the United States and 3% worldwide during the first quarter. During the beginning of the second quarter, 3i experienced a reacceleration in domestic dental reconstructive sales growth. The key product for 3i continues to be the OSSEOTITE Dental Reconstructive Implant System with new line extensions such as the OSSEOTITE NT (natural taper) Implant, which was launched in the United States at the end of the first fiscal quarter of 2003. The international launch of the OSSEOTITE NT will commence during the second quarter of 2003. Biomet continues to broaden its product portfolio with technologically advanced innovations providing the Company with additional opportunities for market share gains in the worldwide reconstructive implant market.

Message to Our Shareholders (Cont.)

Fixation sales experienced 10% growth during the first quarter to \$59,381,000. Revenues in the electrical stimulation device product category led the increase in fixation sales during the quarter with 12% worldwide growth as a result of continued market acceptance of the non-invasive EBI Bone Healing System and OrthoPak Stimulation System, as well as the implantable OsteoGen Stimulation System. Craniomaxillofacial fixation sales increased 12% worldwide and 8% in the United States. The increases in craniomaxillofacial sales were led by the continued market acceptance of Mimix Bone Substitute Material. During the first quarter of fiscal year 2003, a Food and Drug Administration ("FDA") Panel recommended the approval of the Lorenz TMJ (temporomandibular joint) System. In anticipation of the FDA approval, Lorenz Surgical is preparing for the launch of the Lorenz TMJ, which will compete in the \$10 million worldwide market for jaw joint replacement. During the quarter, internal fixation sales increased 8% worldwide and 9% in the United States principally due to the VHS Supracondylar Plate, the ReUnite Orthopedic Resorbable Fixation System, the Holland Femoral Nail, as well as the Low Profile Tibial Nail. In addition, the launch of the new Quad 4 Femoral Nail System is scheduled to occur during the second quarter of 2003. External fixation sales increased 4% in the United States and 5% worldwide during the first quarter of 2003.

Worldwide spinal product sales increased 20% to \$33,266,000 during the first quarter. Spinal product sales in the United States increased 20% during the quarter, as a result of the continued strong performance of EBI's non-invasive SpinalPak Stimulation System and the VueLock Anterior Cervical Plate System. Spinal stimulation device sales recorded a 22% increase and spinal implant sales increased 13% worldwide. EBI continues to enter new spinal product market segments such as the \$455 million allograft/bone substitute material market, which includes machined allograft products. New products in this market segment are the EBI OsteoStim Anterior Cervical Allograft Spacer and the EBI OsteoStim Resorbable Bone Graft Substitute Material. In addition, EBI is launching the Ionic Anterior Interbody Spacer which is anatomically shaped and is designed to maximize bone graft placement and ingrowth, as well as providing the surgeon with excellent x-ray visualization. EBI has a number of exciting development projects underway for the spine market, including additional machined allograft products, a second generation cage, a vertebral body replacement product and an artificial disc, offering new opportunities in additional segments of the worldwide spinal products market.

Other product sales increased 9% to \$32,928,000 during the first quarter. Arthroscopy product sales increased 13% in the United States and 12% worldwide. Arthrotek's growth was led by the LactoSorb line of resorbable arthroscopic products, the recent introduction of the CuffPatch reinforcement material for rotator cuff repair and the CurvTek Bone Tunneling System designed to create curved tunnels in bone for suture tie-down in the reattachment of soft tissue to bone. Softgoods and bracing sales increased 8% worldwide and 11% in the United States, principally led by EBI's domestic Support-On-Site ("S.O.S.") stock and bill program.

Biomet held its Annual Meeting of Shareholders on September 21, 2002 at its headquarters in Warsaw, Indiana. Tours of Biomet's largest manufacturing facility, encompassing approximately 400,000 square feet, were provided prior to the meeting. The Company's shareholders approved the election of C. Scott Harrison, M.D.; Kenneth V. Miller; Niles L. Noblitt; Marilyn Tucker Quayle; and L. Gene Tanner to the Board of Directors for a three-year term expiring in 2005. Chairman Niles Noblitt provided a timely presentation addressing the topic of corporate governance. Merrill Ritter, M.D. presented an overview of the AGC Knee System, as well as his long-term working relationship with Biomet. We would like to take this opportunity to publicly thank Dr. Ritter for his excellent presentation. Dr. Ritter has been a long-time friend and contributor to Biomet's progress. President and CEO Dane Miller followed with a brief overview of the \$14 billion worldwide musculoskeletal market and the Company's position as a leader in 11 segments of the estimated \$7.6 billion domestic market, as well as Biomet Merck's position as the fourth largest musculoskeletal company in Europe.

Twenty-five years ago, there were some who watched dubiously as we began our Company operations...they said it couldn't be done. Biomet's success in multiple segments of the musculoskeletal market is based upon our strong engineering team, the resultant broad product portfolio and positive long-term clinical results of our products. Building upon that base, we continue to introduce an array of new products from our burgeoning pipeline, as well as expand our worldwide salesforces, which currently exceed 1,850 service-focused representatives. We believe the musculoskeletal industry will remain robust as we continue to introduce market-expanding technologies and as the baby boomer generation enters the market for musculoskeletal product needs. We would like to express our appreciation to our shareholders for your continued support as we look forward to the remainder of fiscal year 2003 with great anticipation!

Respectfully,



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

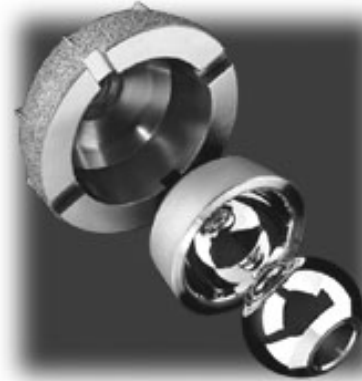


Niles L. Noblitt
Chairman of the Board

Featured Market Segment - Hip Implants

The orthopedic reconstructive market, which includes all total joints, is estimated to be over \$3 billion in the United States and is currently growing at an annual rate of approximately 13 - 15%. Biomet estimates the market for hip implants in the United States to be \$1.35 billion. The hip implant market continues to expand as a result of favorable demographic trends (primarily the aging of the baby boomer generation), technologically advanced products being introduced to the market, an increased demand for revision products (for a second or subsequent surgery on the same joint), as well as the introduction of implants designed for greater longevity, particularly significant for younger patients.

Biomet continues to capture market share with the Company's broad line of hip products, primarily its porous coated cementless hip stems with extremely successful long-term clinical results, the M2a Metal-on-Metal Hip Articulation System, M2a-RingLoc Liners and the larger diameter M2a-38 Acetabular System. Biomet's metal-on-metal articulation systems are designed to provide better wear characteristics than conventional metal-poly systems for patients, while providing treatment options to younger patients.



Biomet recently introduced its universal Exact Hip Instrumentation set, which can be used with the majority of the Company's hip systems. During the second quarter of 2003, several new hip products will be launched. New to the domestic market will be Biomet's OsteoCoat (hydroxyapatite coated) Taperloc and Mallory Head Hip Stems. In addition, the MAX-Ti Modular Protrusio Cage with porous coating and bolt-on augments will be introduced to the revision market. During October, Biomet received approval from the Food and Drug Administration for its Ringloc constrained hip liners designed to reduce the incidence of hip dislocation, which is especially important in revision situations.



In February of 2003, Biomet plans to launch two separate minimally invasive hip techniques at the American Academy of Orthopedic Surgeons Annual Meeting. Both the anterior and the posterior approaches will be one-incision procedures that are practical and reproducible. The utilization of the Company's leading primary hip systems with their excellent long-term clinical results should lend to the success of Biomet's minimally invasive hip procedures. In addition, specialized instrumentation for the procedures will be introduced, along with image-guided software and intelligent instrumentation through Biomet's relationship with Z-KAT, Inc. of Hollywood, Florida. The expected benefits to Biomet's one-incision approach include a reduction in the size of the incision (a 2 - 3 inch opening versus an 8 - 10 inch incision for the traditional open procedure), minimal muscle disruption, reduced blood loss, and a shortened hospital stay. As a result of these benefits, the patient should also expect to have reduced postoperative pain and less time spent in rehabilitation than with the conventional open hip procedure. Biomet is the market leader in minimally invasive knee procedures and this leadership position should prove advantageous to the Company in attaining the leadership position in the minimally invasive hip market, as well.

Consolidated Statements of Income
for the three months ended August 31, 2002 and 2001
(in thousands, except per share amounts)

	2002	2001
Net sales	\$317,600	\$272,022
Cost of sales	90,137	77,392
Gross profit	227,463	194,630
Selling, general and administrative expenses	115,888	101,316
Research and development expense	12,638	11,668
Operating income	98,937	81,646
Other income, net	3,944	4,564
Income before income taxes and minority interest	102,881	86,210
Provision for income taxes	35,594	29,269
Income before minority interest	67,287	56,941
Minority interest	1,281	928
Net Income	66,006	\$56,013
Earnings per share:		
Basic	\$.25	\$.21
Diluted	\$.25	\$.21
Shares used in the computation of earnings per share:		
Basic	262,378	269,459
Diluted	264,405	272,668
Cash dividends per common share	\$.10	\$.09

Sales Analysis

for the three months ended August 31, 2002 and 2001 (in thousands)

Domestic/Foreign Sales	2002	2001
U.S. sales	\$224,580	\$199,202
Foreign sales	93,020	72,820
Segment Sales		
Reconstructive	\$192,025	\$161,172
Fixation	59,381	53,646
Spinal products	33,266	27,459
Other	32,928	29,745

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 - August 31, 2002 - 6,447.

	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 August 31, 2002 and May 31, 2001
(in thousands)

Assets

	8/31/2002	5/31/2002
Current assets:		
Cash and cash equivalents	\$ 124,789	\$ 154,297
Investments	40,240	30,973
Accounts and notes receivable, net	368,589	365,148
Inventories	361,073	335,348
Deferred income taxes	50,131	49,523
Prepaid expenses and other	<u>20,208</u>	<u>17,655</u>
Total current assets	<u>965,030</u>	<u>952,944</u>
Property, plant and equipment, at cost	411,017	389,454
Less, Accumulated depreciation	<u>185,938</u>	<u>170,393</u>
Property, plant and equipment, net	<u>225,079</u>	<u>219,061</u>
Investments	158,616	201,247
Intangible assets, net	13,653	8,532
Excess acquisition costs over fair value of acquired net assets, net	122,440	125,157
Other assets	<u>14,816</u>	<u>14,782</u>
Total assets	<u>\$1,499,634</u>	<u>\$1,521,723</u>

Liabilities and Shareholders' Equity

	8/31/2002	5/31/2002
Current liabilities:		
Short-term borrowings	\$ 101,483	\$ 90,467
Accounts payable	41,249	36,318
Accrued income taxes	31,085	17,483
Accrued wages and commissions	30,337	35,106
Accrued litigation	5,864	5,864
Other accrued expenses	<u>52,073</u>	<u>52,461</u>
Total current liabilities	262,091	237,699
Long-term liabilities:		
Deferred federal income taxes	2,967	3,332
Other liabilities	<u>380</u>	<u>406</u>
Total liabilities	<u>265,438</u>	<u>241,437</u>
Minority interest	<u>105,088</u>	<u>103,807</u>
Contingencies (Note 7)		
Shareholders' equity:		
Common shares	124,702	124,417
Additional paid-in capital	48,192	48,868
Retained earnings	990,360	1,054,020
Accumulated other comprehensive loss	<u>(34,146)</u>	<u>(50,826)</u>
Total shareholders' equity	<u>1,129,108</u>	<u>1,176,479</u>
Total liabilities and shareholders' equity	<u>\$1,499,634</u>	<u>\$1,521,723</u>

Consolidated Balance Sheets (cont.)

Consolidated Statements of Cash Flow

for the three months ended August 31, 2002 and 2001
(in thousands)

	2002	2001
Net cash from operating activities	<u>76,157</u>	<u>53,820</u>
Cash flows from (used in) investing activities:		
Proceeds from sales and maturities of investments	46,211	38,980
Purchases of investments	(13,544)	(39,566)
Capital expenditures	(10,024)	(11,960)
Other	<u>(2,533)</u>	<u>(1,011)</u>
Net cash used in investing activities	<u>20,110</u>	<u>(13,557)</u>
Cash flows from (used in) financing activities:		
Increase (decrease) in short-term borrowings, net	2,313	(2,098)
Issuance of common shares	2,249	4,856
Cash dividends	<u>(26,400)</u>	<u>(24,268)</u>
Purchase of common shares	<u>(106,000)</u>	<u>--</u>
Net cash used in financing activities	<u>(127,838)</u>	<u>(21,510)</u>
Effect of exchange rate changes on cash	<u>2,063</u>	<u>940</u>
Increase (decrease) in cash and cash equivalents	(29,508)	19,693
Cash and cash equivalents, beginning of year	<u>154,297</u>	<u>235,091</u>
Cash and cash equivalents, end of period	<u>\$124,789</u>	<u>\$254,784</u>

Quarterly Graphs

for the periods ended August 31,

