



Message to Our Shareholders

SECOND QUARTER REPORT

We are pleased to report record results for the second quarter of fiscal year 2003, exceeding consensus estimates for revenues and earnings per share by \$13 million and \$.01 per share, respectively. We are also pleased to report, as of the end of the second quarter, the Company had cumulatively purchased approximately 13 million shares during the past 12 months through our previously announced share repurchase programs. Additionally, the Board of Directors approved a \$24 million share repurchase program for the next 12 months.

Net sales in the second quarter increased 18% to \$341,448,000. Excluding the impact of foreign currency, which increased sales by approximately \$5.2 million, net sales increased 16% during the second quarter. Gross profit increased 15% to \$242,843,000 representing 71.1% of sales. The somewhat lower gross margins during the quarter are a reflection of Biomet's strong revenue growth outside of the United States. Selling, general and administrative expenses increased 14% to \$121,249,000 at 35.5% of sales, a 130 basis point improvement over the second quarter of fiscal year 2002. Research and development expenses increased 9% to \$13,069,000 and operating income increased 18% to \$108,525,000, or 31.8% of sales, increasing 10 basis points compared to the second quarter of fiscal year 2002. The Company's "other income" declined by \$1,513,000 compared to the same period last fiscal year to \$2,858,000, primarily as a result of lower investment yields associated with Biomet's cash and investments, and lower cash balances as a result of the previously mentioned share repurchase programs. Net income increased 15% to \$70,354,000 during the quarter, while diluted earnings per share increased 17% to \$.27.

Unless otherwise noted, all of the following percentages are quoted on a constant currency basis. Domestic sales increased 16% during the quarter to \$242,120,000 while foreign sales increased 17% to \$99,328,000.

During the second quarter, reconstructive device sales increased 19% to \$211,914,000. Hip sales increased 25% worldwide and 21% in the United States during the second quarter of fiscal year 2003. The Company's metal-on-metal articulation products are experiencing excellent worldwide market acceptance. Biomet's large diameter M2a-38 hip cup, engineered to provide greater stability and increased range of motion, in addition to the M2a-RingLoc Liner and Biomet's complementary broad line of cementless hip stems are exhibiting strong sales growth. Sales of the Company's metal-on-metal systems currently represent approximately 13% of Biomet's domestic hip sales and increased approximately 102% during the second quarter compared to the second quarter of last year.

Revision hip sales are benefiting from numerous products including the Mallory-Head Modular Calcar and Modular Reach stems, as well as the PAR 5 protrusio cage. Additionally, OsteoCoat HA hip stems were launched during the quarter and the Company received FDA clearance during the quarter for its RingLoc Constrained Liners, which are indicated for patients with a propensity for hip dislocation. New hip products scheduled for release during the third quarter include the Rx-90 Smooth Cemented Stem with lateralized options, the Max-Ti Modular Protrusio Cage and the bone conserving HRS Head Resurfacing System. Biomet's exceptional hip sales performance is impressive particularly in light of the difficult comparisons during the second quarter of last fiscal year when hip sales increased 20% in the United States and 16% worldwide.

Knee sales increased 14% worldwide and 12% in the United States during the second quarter. Products leading growth in knees include the Ascent Primary and Revision Total Knee Systems, the Orthopaedic Salvage System (OSS), and the bone conserving, minimally invasive Repicci II Unicompartmental Knee System. Biomet is the worldwide leader in the minimally invasive uni knee market with the Repicci II and the Oxford Phase 3 systems. During the second quarter, the Vanguard M Series Minimally Invasive Unicompartmental Knee System was launched in the United States, for surgeons who prefer an instrumented surgical technique. The Company recently received FDA clearance for the fixed bearing cruciate retaining and posterior stabilized versions of Biomet's newest knee system, the Maxim Accel. The Maxim Accel system will provide surgeons a comprehensive total knee product offering.

During the second quarter, extremity product sales increased 12% in the United States and 6% worldwide. Key extremity products continue to be the bone conserving Copeland Humeral Resurfacing Head and the Discovery Elbow with its ArCom polyethylene molded bearing, as well as the established Bio-Modular Shoulder System. During the third quarter, the Company is scheduled to launch the Bio-Modular Choice Shoulder System with expanded implant options and advanced instrumentation.

Dental reconstructive implant sales increased 22% worldwide and 27% in the United States during the second quarter. The key product for 3i is the OSSEOTITE Dental Reconstructive Implant, which is treated with a patented surface to enhance healing and is proven to reduce treatment time to as little as two months. Contributing to second quarter growth, the OSSEOTITE NT Natural-Taper Implant was launched at the end of the first quarter in the United States, while the international launch commenced during the second quarter. Calcigen Oral, a new calcium sulfate-based bone graft binder/barrier for use in dental applications, was also introduced to the market during the second quarter.

Sales of bone cements and accessories increased 15% worldwide during the second quarter of fiscal year 2003 and 21% in the United States. Biomet is currently the second largest competitor in the bone cements and accessories market within the United States.

During the second quarter, fixation sales increased 11% in the United States and 9% worldwide to \$58,427,000. Electrical stimulation sales increased 8% worldwide and 9% in the United States during the quarter. Continued market penetration of the non-invasive OrthoPak System contributed to the increase in electrical stimulation sales.

Worldwide internal fixation sales increased 7% during the quarter and 6% in the United States. The ReUnite Orthopedic Resorbable Fixation System, the Holland Femoral Nail and the Low Profile Tibial Nail performed well during the quarter. During the second quarter, Biomet launched the lightweight BioGlide Large Bone Power System, offering more power than competitive systems and providing the only two-speed reaming option on the market. The Quad 4 Femoral Nail System, which is currently being launched, allows for inventory reduction of approximately 50% without loss of intra-operative surgical options.

During the second quarter of fiscal year 2003, external fixation sales increased 7% worldwide and 6% in the United States. EBI's Vision Fixation System is experiencing good market acceptance in

the pin-to-bar external fixation category.

Craniomaxillofacial sales increased 35% in the United States and 17% worldwide, benefiting from a renewed focus on Lorenz Surgical's core titanium and resorbable plating business. Further market penetration of Mimix Bone Substitute Material, along with the recent introduction of a faster setting formulation of the product, Mimix Quickset, is adding to the craniomaxillofacial sales growth. The introduction of the Mimix Quickset product should be completed by the end of the fourth quarter.

Spinal sales increased 21% to \$36,197,000 during the second quarter of fiscal year 2003. Spinal sales in the United States increased 21%, primarily as a result of the strong performance of EBI's non-invasive SpinalPak Stimulation System and the VueLock Anterior Cervical Plate System. Worldwide sales of spinal implant and orthobiological spine products increased 23% and spinal stimulation sales increased 21% worldwide. New products in the spine category include the EBI Ionic Anterior Interbody Spacer System, OsteoStim bone substitute material and the OsteoStim Cervical Spacing System.

Sales of Biomet's "other products" increased 9% to \$34,910,000 with an increase of 13% in the United States during the second quarter. Arthroscopy sales increased 17% in the United States and 16% worldwide during the quarter principally as a result of Arthrotek's procedure-specific and LactoSorb resorbable arthroscopic products, in addition to the CurvTek Bone Tunneling System and the introduction of the CuffPatch reinforcement material for rotator cuff repair. Softgoods and bracing product sales increased 7% in the United States and worldwide during the recently completed quarter. Domestic sales of softgoods and bracing products continue to benefit from EBI's Support-on-Site (S.O.S.) stock and bill program.

During the second quarter of fiscal year 2003, Biomet's direct sales initiatives in Japan resulted in revenues of approximately \$2.2 million. Biomet currently has approximately 22 sales representatives servicing customers in Japan and we are pleased with the Company's progress in this important market.

In February, Biomet will be introducing over 80 new products and technologies at the American Academy of Orthopedic Surgeons Annual Meeting in New Orleans, Louisiana. Biomet will host an analyst meeting on Thursday, February 6, 2003 from 5:00 - 7:00 p.m. in the LaSalle Ballroom at the Hotel InterContinental. 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.

We are pleased with Biomet's second quarter results and believe the Company is positioned to capitalize on the continued growth in the fastest-growing market segments within the musculoskeletal products marketplace with the broadest line of implantable products available in the musculoskeletal products industry. We appreciate your ongoing confidence and support of Biomet and wish you a peaceful New Year!



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



Niles L. Noblitt
Chairman of the Board

Consolidated Statements of Income

for the six and three month periods ended November 30, 2002 and 2001
(in thousands, except per share amounts)

	Six Months		Three Months	
	2002	2001	2002	2001
Net sales	\$659,048	\$561,409	\$341,448	\$289,387
Cost of sales	188,742	156,426	98,605	79,034
Gross profit	470,306	404,983	242,843	210,353
Selling, general and administrative expenses	237,137	207,995	121,249	106,679
Research and development expense	25,707	23,655	13,069	11,987
Operating income	207,462	173,333	108,525	91,687
Other income, net	6,802	8,935	2,858	4,371
Income before income taxes and minority interest	214,264	182,268	111,383	96,058
Provision for income taxes	74,138	61,876	38,544	32,607
Income before minority interest	140,126	120,392	72,839	63,451
Minority interest	3,766	2,927	2,485	1,999
Net Income	\$136,360	\$117,465	\$70,354	\$61,452
Earnings per share:				
Basic	\$.52	\$.44	\$.27	\$.23
Diluted	\$.52	\$.43	\$.27	\$.23
Shares used in the computation of earnings per share:				
Basic	260,862	269,635	259,499	269,809
Diluted	262,925	272,747	261,626	272,822
Cash dividends per common share	\$.10	\$.09	-	-

Sales Analysis

for the three months ended November 30, 2002 and 2001 (in thousands)

Domestic/Foreign Sales	2002	2001
U.S. sales	\$242,120	\$208,917
Foreign sales	99,328	80,470
Segment Sales		
Reconstructive	\$211,914	\$174,894
Fixation	58,427	53,236
Spinal products	36,197	29,692
Other	34,910	31,565

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, 2002 - 6,424.

	1st Qtr.	2nd Qtr.	3rd Qtr.	4th Qtr.
2003				
High	29.28	32.00		
Low	21.75	25.69		
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

Consolidated Balance Sheets
at February 28, 2003 and May 31, 2002
(in thousands)

Assets

	11/30/2002	05/31/2002
Current assets:		
Cash and cash equivalents	\$ 141,521	\$ 154,297
Investments	38,621	30,973
Accounts and notes receivable, net	388,483	365,148
Inventories	360,153	335,348
Deferred income taxes	50,294	49,523
Prepaid expenses and other	<u>20,975</u>	<u>17,655</u>
Total current assets	<u>1,000,047</u>	<u>952,944</u>
Property, plant and equipment, at cost	421,358	389,454
Less, Accumulated depreciation	<u>196,241</u>	<u>170,393</u>
Property, plant and equipment, net	<u>225,117</u>	<u>219,061</u>
Investments	149,945	201,247
Intangible assets, net	12,368	8,532
Excess acquisition costs over fair value of acquired net assets, net	123,265	125,157
Other assets	<u>13,761</u>	<u>14,782</u>
Total assets	<u>\$1,524,503</u>	<u>\$1,521,723</u>

Liabilities and Shareholders' Equity

	11/30/2002	5/31/2002
Current liabilities:		
Short-term borrowings	\$ 111,715	\$ 90,467
Accounts payable	37,048	36,318
Accrued income taxes	7,216	17,483
Accrued wages and commissions	33,196	35,106
Accrued litigation	5,864	5,864
Other accrued expenses	<u>53,523</u>	<u>52,461</u>
Total current liabilities	248,562	237,699
Long-term liabilities:		
Deferred federal income taxes	2,780	3,332
Other liabilities	<u>380</u>	<u>406</u>
Total liabilities	<u>251,722</u>	<u>241,437</u>
Minority interest	<u>107,573</u>	<u>103,807</u>
Contingencies (Note 7)		
Shareholders' equity:		
Common shares	131,700	124,417
Additional paid-in capital	48,266	48,868
Retained earnings	1,019,392	1,054,020

Accumulated other comprehensive income	<u>(34,150)</u>	<u>(50,826)</u>
Total shareholders' equity	<u>1,165,208</u>	<u>1,176,479</u>
Total liabilities and shareholders' equity	<u>\$1,524,503</u>	<u>\$1,521,723</u>

Consolidated Statements of Cash Flow

for the three months ended November 30, 2002 and 2001
(in thousands)

	2002	2001
Cash flows from (used in) investing activities:		
Proceeds from sales and maturities of investments	74,650	66,316
Purchases of investments	(31,919)	(81,562)
Capital expenditures	(19,083)	(34,025)
Other	<u>(3,614)</u>	<u>(1,345)</u>
Net cash used in investing activities	<u>20,034</u>	<u>(50,616)</u>
Cash flows from (used in) financing activities:		
Increase in short-term borrowings, net	12,043	(4,974)
Issuance of common shares	9,944	9,422
Cash dividends	<u>(26,431)</u>	<u>(24,268)</u>
Purchase of common shares	<u>(148,264)</u>	<u>(----)</u>
Net cash used in financing activities	<u>(152,708)</u>	<u>(19,820)</u>
Effect of exchange rate changes on cash	<u>785</u>	<u>(1,885)</u>
Increase (decrease) in cash and cash equivalents	(12,776)	12,032
Cash and cash equivalents, beginning of year	<u>154,297</u>	<u>235,091</u>
Cash and cash equivalents, end of period	<u>\$141,521</u>	<u>\$247,123</u>

Quarterly Graphs

for the periods ended November 30,

