Message to Our Shareholders

THIRD QUARTER REPORT

We are pleased to report record third quarter results for fiscal year 2003. Net sales increased 16% to $354,042,000, net income increased 18% to $72,594,000, while diluted earnings per share increased 22% to $0.28.

Following an internal audit of the Company's European operations, Biomet is taking a $4.2 million charge to cost of goods sold during the third quarter of fiscal year 2003 as a result of negative adjustments related primarily to the quantity of work-in-process inventory at the Company's United Kingdom operations. This was purely a record keeping and processing issue and does not affect finished goods inventory. Management changes in our European operations have been implemented, bringing in a new Chief Financial Officer who has enhanced our internal auditing process in Europe. Additionally, we recently promoted a new Managing Director for our United Kingdom operations.

On February 12, 2003, the United States Court of Appeals for the Federal Circuit ruled that the Company does not owe post-judgment interest in connection with the damage award paid in the Tronzo litigation. Biomet had previously recorded a one-time special charge during the third quarter of fiscal 2001 in the amount of $26.1 million, which included the maximum amount of interest that could be calculated, even though the Company disputed the interest claim. As a result of this favorable ruling, Biomet has recorded a one-time pre-tax gain of approximately $5.8 million in the third quarter of fiscal year 2003, which is reflected in "other income". Although the plaintiff could petition the United States Supreme Court to review the Federal Circuit's decision, management believes it is highly unlikely the United States Supreme Court would accept the case for review.

During the third quarter, Biomet's bone cement and accessories revenues were negatively influenced by approximately $2 million as a result of an issue necessitating a packaging redesign and recall of Palacos bone cement in the United States. This packaging issue has been corrected and we have resumed shipments of Palacos bone cement.

Without the non-recurring items, gross margins were 70.8% of sales and operating margins were 30.9% of sales, while Biomet's earnings per share amounted to $0.28 during the third quarter of fiscal year 2003.

Excluding the impact of foreign currency, which increased revenues by approximately $10.9 million, net sales increased 13% during the third quarter. United States and international sales each increased 13% during the quarter, excluding the effects of foreign currency.

Reconstructive device sales increased 20% during the third quarter to $222,253,000. On a constant currency basis, reconstructive device sales increased 15% during the quarter. Reconstructive devices were led by hip implant sales, which increased 19% in the United States and 23% worldwide during the third quarter. Hip sales increased 18% constant currency during the third quarter. Biomet's market-leading hip sales performance during 2002 continued into the third quarter of fiscal year 2003 and was propelled by the Company's broad line of cementless total hip systems and advanced articulation metal-on-metal hip systems. In particular, the large diameter M2a-38 hip cup, designed to provide increased range of motion and greater stability, is experiencing extremely strong demand. During the third quarter, revenues for Biomet's M2a Metal-On-Metal Systems increased over 93% compared to the third quarter of fiscal year 2002 and currently represent approximately 14% of the Company's domestic hip sales.

Products driving growth in the revision hip category are the Mallory-Head Modular Calcar System and the RingLoc II Constrained Liner. The Modular Calcar System allows for intra-operative product customization, maximizing fit of the implant to the patient's anatomy. The reintroduction of constrained liners, indicated for patients with a tendency for hip dislocation, should continue to provide Biomet with excellent growth opportunities in the domestic revision hip market segment.

New hip products scheduled for release during the fourth quarter include Biomet's Minimally Invasive Total Hip Instrument System and the Freedom Constrained Liner. The Company plans to release the first 50 mini hip instrument sets in May. This unique set of hip instruments allows surgeons to reduce incision size to approximately 2 ½ - 3 inches. Biomet's Freedom Constrained Liner offers the greatest range of motion, the widest series of options, and the only constrained liner trialing system in the market.

Knee implant sales increased 20% worldwide and over 15% in the United States during the third quarter. Growth in knee sales amounted to 15% constant currency. Key products continuing to lead knee sales growth include the Ascent Primary and Revision Total Knee Systems, the Orthopaedic Salvage System (OSS) for oncology cases and challenging revisions involving significant bone loss, and the bone conserving, minimally invasive Repicci II Unicondylar Knee System. Biomet continues to lead the industry in the worldwide minimally invasive uni knee market with the Repicci II and Oxford Phase 3 Systems. In addition, the initial launch of the Vanguard M Series Unicompartmental Knee System continues to gain momentum, further expanding Biomet's leadership position in this market segment. The Vanguard System offers a minimally invasive unicompartmental option to surgeons who prefer a conventional instrumented surgical technique.

During the third quarter, Biomet's 510(k) submissions for the fixed bearing cruciate retaining and posterior stabilized versions of the Company's newest knee system, the Maxim Accel, received clearance from the Food and Drug Administration. Adding to Biomet's broad range of knee implant options, the Maxim Accel system will provide surgeons with one of the most comprehensive total knee product offerings in the industry. A limited market introduction of the Maxim Accel system to nine development sites is scheduled to commence in April. Additionally, Biomet plans to release 20 Maxim MI (minimally invasive) instrument sets in June, which can be utilized with the Maxim or AGC Knee Systems. The Maxim MI instruments allow surgeons to utilize a 4 - 4 ½ inch incision with minimal disruption of the extensor mechanism. This minimally invasive procedure is designed to provide quicker patient recovery and rehabilitation as a result of less muscle trauma and a reduction in blood loss.

Extremity product sales during the third quarter increased 15% worldwide and 11% in the United States. Constant currency growth for extremity sales was 11% during the quarter. Extremity products experiencing growth continue to be the bone conserving Copeland Humeral Resurfacing Head and the Discovery Elbow with its ArCom polyethylene molded bearing. The Bio-Modular Shoulder System continues to be a principal extremity product for the Company and the third quarter launch of the Bio-Modular Choice Shoulder System offers surgeons expanded implant options, as well as new and advanced instrumentation. Additionally, the initial rollout of the Comprehensive Fracture Stem, particularly suited for complicated shoulder fractures, is planned for the fourth quarter.

During the third quarter, dental reconstructive implant sales increased 20% in the United States and 19% worldwide. Constant currency growth for the quarter was 16%. Strong demand for the OSSEOTITE NT Natural-Taper Implant continues to contribute to 3i's growth. The OSSEOTITE NT Implant was launched in the United States at the end of the first quarter and in key international markets during the second quarter of fiscal year 2003.

Sales of bone cements and accessories increased 11% worldwide during the third quarter and decreased 19% in the United States. On a constant currency basis, bone cements and accessories decreased 2% during the quarter. As previously noted, Biomet's bone cements and accessories revenues were negatively influenced by approximately $2 million as a result of an issue necessitating a packaging redesign and recall of Palacos bone cement in the United States. This packaging issue has been corrected and we have resumed shipments of Palacos bone cement. The Generation 4 Bone Cement with VacPac self-contained mixing and delivery system continues to gain market acceptance in its initial rollout stage.

During the third quarter, fixation sales increased 10% worldwide to $59,061,000. Fixation sales increased 9% constant currency during the quarter. Internal fixation sales increased 23% worldwide and 7% in the United States during the third quarter. Constant currency growth for internal fixation sales amounted to 18% for the quarter. Products contributing to growth include the Holland Nail and the Low Profile Tibial Nail. During the third quarter, rollout of the Quad 4 Femoral Nail System was initiated. The Quad 4 System allows for inventory reduction of approximately 50% without the loss of intra-operative surgical options.

Craniomaxillofacial sales increased 15% worldwide and 1% in the United States. Constant currency growth was 14%. Lorenz Surgical remains focused on titanium and LactoSorb plating systems, as well as Mimix Bone Substitute Material, which is continuing to experience good market acceptance. Mimix QS (Quick Set), a faster setting formulation with improved handling characteristics, is currently being introduced to the market.

During the third quarter, external fixation sales increased 11% worldwide and 8% in the United States. The OptiROM Elbow Fixation System experienced increased market acceptance during the third quarter. The OptiROM System incorporates a low-profile design with a patented concentric hinge, which allows for replication of natural flexion and extension of the joint. Electrical stimulation sales increased 4% in the United States and 3% worldwide during the third quarter. The OrthoPak Bone Growth Stimulation System, which is the lightest, smallest, and most compact non-invasive system on the market, continues to receive excellent market acceptance.

Spinal product sales increased 11% to $36,157,000 during the third quarter of fiscal year 2003. Spinal sales in the United States during the quarter also increased 11%. On a constant currency basis, spinal product sales increased 10%. During the third quarter, worldwide sales of spinal implants and orthobiological spine products increased 17% and 14% on a constant currency basis. Worldwide sales of spinal stimulation systems increased 9% led by the continued success of the lightweight, non-invasive SpinalPak Stimulation System. The VueLock Anterior Cervical Plate System continues to penetrate the cervical plate and screw market.

New spinal product launches planned for the fourth quarter include the EBI OsteoStim Demineralized Bone Matrix Putty and the EBI Ionic Interbody Spacer System. Biomet's EBI subsidiary and Millenium Biologix Inc., a Canadian medical biotechnology company, recently formed a partnership providing EBI with exclusive distribution rights, outside of Canada, to Millenium's Skelite Resorbable Bone Graft Substitute. The Food and Drug Administration has approved the Skelite synthetic product for the repair of osseous defects in the spine, extremities, and the pelvis. The product launch of the Skelite material is also scheduled for the fourth quarter and will be marketed worldwide as part of EBI's OsteoStim product line. Additionally, the Company will introduce its minimally invasive program for spinal fusion utilizing the EBI VuePASS (Portal Access Surgical System) for the SpineLink II Fixation System during the fourth quarter. This program is designed to provide numerous benefits including a reduction in blood loss, less muscle trauma resulting in reduced post-surgical pain, a shorter hospital stay, and faster patient recovery and rehabilitation. We believe that these planned product introductions will accelerate the growth rate of EBI's spinal business.

Sales of Biomet's "other products" increased 8% during the third quarter to $36,571,000 with an 11% increase in the United States. "Other products" increased 6% constant currency. Arthroscopy sales increased 11% in the United States and worldwide during the quarter. On a constant currency basis, arthroscopy sales increased 9%. Products contributing to arthroscopy sales growth during the quarter include Arthrotek's procedure-specific products, the CurvTek Bone Tunneling System, the RC Needle for rotator cuff procedures, and the LactoSorb line of resorbable arthroscopic products. During the third quarter, Arthrotek introduced the L-15 LactoScrew resorbable suture anchor and the Company expects continued market penetration in the suture anchor market as this rollout continues into the fourth quarter.

During the third quarter, softgoods and bracing product sales increased 11% in the United States and 9% worldwide. Softgoods and bracing products increased 8% on a constant currency basis. The continued success of EBI's Support-on-Site (S.O.S.) stock and bill program is benefiting the Company's domestic softgoods and bracing sales.

We continue to be pleased with the Company's progress in Japan. During the third quarter, a national sales manager was hired and an office was opened in Osaka, the second largest city in Japan. Biomet's direct sales presence resulted in revenues of approximately $2.6 million during the third quarter of fiscal year 2003.

We are pleased with Biomet's third quarter results, led by continued strong growth in Biomet's reconstructive businesses. In February, Biomet introduced over 80 new products during the Annual Meeting of the American Academy of Orthopaedic Surgeons in New Orleans, Louisiana, bringing the total introductions to over 340 new products during the past four years. Biomet's committed focus on engineering excellence and technological advances places the Company at a distinct advantage to continue to provide a broad platform of musculoskeletal products which is second to none in the industry. Thank you for your confidence and support.

Respectfully,

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

Niles L. Noblitt
Chairman of the Board

Featured Market Segment - Dental Reconstructive Implant Market

Biomet entered the dental reconstructive implant business during the third quarter of fiscal year 2000 with the acquisition of Implant Innovations, Inc. ("3i") in December of 1999. Building on synergies between Biomet's biomaterials research efforts and 3i's dental reconstructive implant business, the Company continues to gain market share, commanding the #3 worldwide market position in the estimated $990 million global market. Controlling the #2 market position in the United States, 3i is an undisputed leader in the $390 million domestic market, which is currently growing at an estimated annual rate of 15%. According to the American Dental Association, more than 20 million people in the United States are missing all of their natural teeth, and more than 100 million are missing from 11 to 15 teeth. During the third quarter of 2003, 3i's revenues increased 19% worldwide, with 20% growth in the United States.

Experiencing strong demand, the OSSEOTITE NT (Natural Taper) implant is the newest addition to the OSSEOTITE Dental Reconstructive Implant product line. The tapered shape of the OSSEOTITE NT more closely resembles a natural root design allowing for immediate placement in extraction sockets and facilitating treatment of patients with convergent roots of adjacent teeth. A key feature for surgeons is the self-tapping Spiral ICE™ design unique to 3i's OSSEOTITE NT, which significantly accelerates implant placement and reduces insertion force during implantation.

In addition to its broad range of dental reconstructive implants, 3i offers clinicians numerous bone grafting choices including allografts, alloplastics, autogenous, autologous platelet concentrates, bone graft stabilizers, and guided bone regeneration barriers. Allograft (cadaver bone) materials are available from 3i and obtained through the Miami Tissue Bank. Biogran resorbable synthetic bone graft material is an alloplastic material that stimulates bone growth and is actually replaced by bone, eliminating the need for a second surgery to remove the product. Autogenous products assist with the collection of the patient's own bone such as Safescraper bone scraper/collector and the Autogenous Tissue Collector, a bone particle suction device. The PCCS (Platelet Concentrate Collection System) provides an autologous option, concentrating and collecting platelets from a small sample of the patient's own blood. Calcigen Oral bone graft stabilizer is a new resorbable calcium sulfate bone substitute material used for binding and strengthening bone grafts. OSSIX resorbable collagen membrane is a material used for guided bone regeneration and is the only collagen membrane on the market that provides full six-month barrier function.

The Company distributes its dental reconstructive implants through a worldwide network of over 200 individuals, including a domestic salesforce of approximately 65 representatives. Internationally, 3i distributes its dental reconstructive implants through an estimated 100 independent and 45 direct sales representatives.

Consolidated Statements of Income

for the nine and three month periods ended February, 2003 and 2002
(in thousands, except per share amounts)

	Nine Months		Three Months	
	2003	2002	**2003**	2002
Net sales	**$1,013,090**	$866,018	**$354,042**	$304,609
Cost of sales	**296,378**	241,664	**107,636**	85,238
Gross profit	**716,712**	624,354	**246,406**	219,371
Selling, general and administrative expenses	**365,126**	320,846	**127,990**	112,851
Research and development expense	**40,262**	35,845	**14,555**	12,190
Operating income	**311,324**	267,663	**103,861**	94,330
Other income, net	**15,947**	11,807	**9,145**	2,872
Income before income taxes and minority interest	**327,271**	279,470	**113,006**	97,202
Provision for income taxes	**113,307**	94,800	**39,169**	32,924
Income before minority interest	**213,964**	184,670	**73,837**	64,278
Minority interest	**5,010**	5,531	**1,243**	2,604
Net Income	**$208,954**	$179,139	**$72,594**	$61,674
Earnings per share:				
Basic	**$.80**	$.66	**$.28**	$.23
Diluted	**$.80**	$.66	**$.28**	$.23
Shares used in the computation of earnings per share:				
Basic	**259,895**	269,554	**257,929**	269,388
Diluted	**261,597**	272,543	**259,824**	272,265
Cash dividends per common share	–	$.09	–	–

Sales Analysis

for the three months ended February 28, 2003 and 2002 (in thousands)

Domestic/Foreign Sales	**2003**	2002
U.S. sales	**$244,838**	$217,583
Foreign sales	**109,204**	87,026
Segment Sales		
Reconstructive	**$222,253**	$184,765
Fixation	**59,061**	53,548
Spinal products	**36,157**	32,458
Other	**36,571**	33,838

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, 2003 - 6,454.

	1st Qtr.	2nd Qtr.	3rd Qtr.	4th Qtr.
2003				
High	29.28	32.00	30.50	
Low	21.75	25.69	26.42	
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, 2003 and May 31, 2002
(in thousands)

Assets

	02/28/2003	05/31/2002
Current assets:		
Cash and cash equivalents	$ 167,777	$ 154,297
Investments	38,251	30,973
Accounts and notes receivable, net	412,904	365,148
Inventories	363,805	335,348
Deferred income taxes	48,574	49,523
Prepaid expenses and other	20,065	17,655
Total current assets	1,051,376	952,944
Property, plant and equipment, at cost	452,734	389,454
Less, Accumulated depreciation	208,738	170,393
Property, plant and equipment, net	243,996	219,061
Investments	133,324	201,247
Intangible assets, net	11,995	8,532
Excess acquisition costs over fair value of acquired net assets, net	125,511	125,157
Other assets	13,408	14,782
Total assets	$1,579,610	$1,521,723

Liabilities and Shareholders' Equity

	02/28/2003	05/31/2002
Current liabilities:		
Short-term borrowings	$ 115,556	$ 90,467
Accounts payable	28,758	36,318
Accrued income taxes	3,191	17,483
Accrued wages and commissions	37,300	35,106
Accrued litigation	--	5,864
Other accrued expenses	57,296	52,461
Total current liabilities	242,101	237,699
Long-term liabilities:		
Deferred federal income taxes	3,029	3,332
Other liabilities	378	406
Total liabilities	245,508	241,437
Minority interest	108,817	103,807
Contingencies (Note 7)		
Shareholders' equity:		
Common shares	134,990	124,417
Additional paid-in capital	48,360	48,868
Retained earnings	1,054,051	1,054,020

Accumulated other comprehensive income	(12,116)	(50,826)
Total shareholders' equity	1,225,285	1,176,479
Total liabilities and shareholders' equity	$1,579,610	$1,521,723

Consolidated Statements of Cash Flow
for the nine months ended February 28, 2003 and 2002
(in thousands)

	2003	2002
Cash flows from (used in) investing activities:		
Proceeds from sales and maturities of investments	104,717	87,728
Purchases of investments	(43,899)	(111,496)
Capital expenditures	(41,766)	(45,142)
Acquisitions, net of cash acquired	--	(6,735)
Other	(4,178)	(885)
Net cash used in investing activities	14,874	(76,530)
Cash flows from (used in) financing activities:		
Increase in short-term borrowings, net	6,655	18,012
Issuance of common shares	13,897	13,896
Cash dividends	(26,431)	(24,268)
Purchase of common shares	(187,115)	(76,215)
Net cash used in financing activities	(192,994)	(68,575)
Effect of exchange rate changes on cash	7,222	(56)
Increase (decrease) in cash and cash equivalents	13,480	607
Cash and cash equivalents, beginning of year	154,297	235,091
Cash and cash equivalents, end of period	$167,777	$235,698

Quarterly Graphs
for the periods ended February 28, 2003