Annual Report

LIFECORE BIOMEDICAL

About the Company

Lifecore Biomedical, Inc., manufactures biomaterials and medical devices for use in various surgical markets and also provides specialized contract aseptic manufacturing services. The Company's products are distributed domestically from Chaska, Minnesota, through direct sales, OEM, and contract manufacturing alliances. Outside the U.S., products are sold through direct subsidiaries in Verona, Italy and Bonn, Germany; through a joint venture in Stockholm, Sweden; through 22 international distributors; and through multinational strategic partners, in 35 countries.

Corporate Officers and Directors

Officers

James W. Bracke, Ph.D.
President, Chief Executive Officer and Secretary

Dennis J. Allingham
Executive Vice President and
Chief Financial Officer

Brian J. Kane
Vice President of New Business Development
& Marketing

Colleen M. Olson
Vice President of Corporate
Administrative Operations

Directors

James W. Bracke, Ph.D.
President, Chief Executive Officer and Secretary
Lifecore Biomedical, Inc.

Orwin L. Carter, Ph.D.
Business Consultant

Joan L. Gardner
Community Volunteer

Thomas H. Garrett
Business Consultant

John C. Heinmiller
Vice President, Finance and
Chief Financial Officer
St. Jude Medical Inc.

Richard W. Perkins
President and Chief Executive Officer
Perkins Capital Management

Lifecore fondly remembers our employee Phillip Reimer who passed away July 6, 2000.

Letter to Shareholders

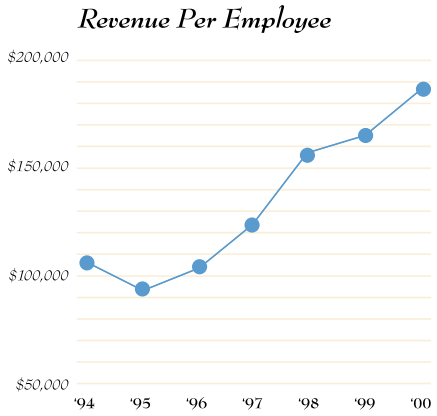
Lifecore recorded its fifth consecutive year of record annual revenue in fiscal 2000. We were pleased with the overall double-digit revenue growth but more importantly, cash flow from operations added to our cash position.

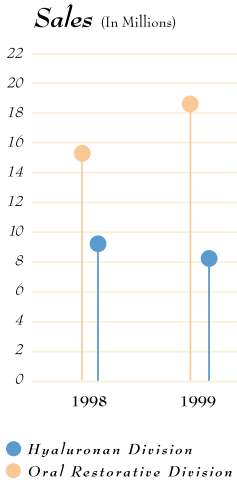
The Hyaluronan Division was the star performer among our two operating divisions this year in achieving 56% revenue growth. The increase was primarily driven by increased purchases of ophthalmic hyaluronan by the Company's largest customer, Alcon Laboratories. In addition, five of our seven other largest customers also exceeded planned annual purchase levels. Division profit was significantly reduced in the second half of the fiscal year by the slow down in production of GYNECARE INTERGEL™ Adhesion Prevention Solution. The slow down was a result of a delay in U.S. regulatory approval. We are continuing to work with the U.S. FDA seeking regulatory approval of that product in fiscal 2001.

Lifecore Officers from left: Jim Bracke, Dennis Allingham, Colleen Olson and Brian Kane.

Oral Restorative Division revenue growth slowed to a single-digit pace for the year. Although domestic revenue growth continued to be strong, we experienced a significant decline in international revenue. While domestic sales benefited from a strong showing by the newly introduced STAGE-1™ Single Stage Dental Implant System, that product was not introduced internationally until late in the fiscal year. International product sales were also soft due to weaker economies in several key markets during most of the year. International performance is expected to strengthen in the coming year because of improving economic conditions, greater availability of the new product line, and the addition of new sales territories in Germany, Scandinavia, Eastern Europe, and the Middle East.

Lifecore was publicly recognized for two achievements during the past year. In September 1999, we were recognized as a winner in the 1999 MINNESOTA TECHNOLOGY FAST 50 competition. A jury assembled by representatives of Deloitte & Touche selected Lifecore as one of the fifty fastest growing technology companies in Minnesota. Then, in June 2000, GYNECARE INTERGEL™ Adhesion Prevention Solution won a Silver Award in the *Medical Design Excellence Awards 2000* competition. This global competition recognizes product innovation, design and engineering excellence, end-user benefit, and cost-effectiveness in medical manufacturing. We will continue to strive for additional excellence in both divisions as we focus on multiple regulatory strategies to augment future new product revenue growth.





Yours truly,

James W. Bracke

Jim Bracke

President & CEO

Oral Restorative Division

Lifecore's Oral Restorative Division develops and markets precision surgical and prosthetic devices for the restoration of damaged or deteriorating dentition and its associated support tissues. The Company's titanium dental implant systems are permanently implanted in tooth replacement therapy for long-term support of crowns, dentures, and bridges. Dental implants maintain long term underlying bone structure and provide superior fixation of restorations when compared to older dental restorative therapies. The Company also offers a broad variety of soft tissue and bone regenerative products and the most expansive warranty in the industry.

To meet the needs of its professional dental customer, Lifecore has developed comprehensive training programs to train restorative doctors and their dental auxiliary team in the principles of tooth replacement therapy. The highly successful Support Plus™ Program will be augmented with the addition of more advanced hands-on training through the new Support Plus™ II Program in the coming year.

The newly introduced STAGE-1™ Single Stage Implant System illustrates the current trend in the dental industry toward more simplified surgery and prosthetic restoration of dentition defects. In the coming year the Company is focused on expanding the working diameters and surface features offered with this system.

Lifecore recently announced a strategic partnership with the non-profit Musculoskeletal Transplant Foundation ("MTF"). With this relationship, the Company is allying itself with the world's largest donor service organization to provide quality donor tissue to Lifecore's customers. MTF is a national consortium of academic medical institutions, organ procurement, and tissue recovery organizations. Lifecore has strategically repositioned its human donor tissue relationships toward non-profit organizations like the MTF to better reflect the spirit of the National Organ Transplant Act.

Hyaluronan Division

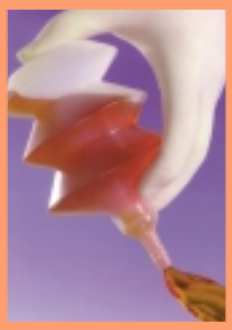
Lifecore produces the natural biomaterial, hyaluronan, through a proprietary fermentation process. It is a commonly occurring carbohydrate that serves as an essential moisturizer and protective cushion in the body's tissues. Currently, the division's primary revenue is generated from ophthalmic surgical sales such as those to its largest customer, Alcon Laboratories. Hyaluronan facilitates the eye surgeon's efforts in cataract extraction surgery. In addition, the Company's hyaluronan is used for embryo transplantation and traumatic arthritis in veterinary applications.

The Company continues to develop and evaluate other medical applications with strategic industry partners. This includes applications for hyaluronan alone and in combination with various partner's biotechnology compounds.

Ferric Hyaluronan Technology

Ferric hyaluronan is an important subset of the Company's hyaluronan proprietary intellectual property. This unique ionically crosslinked technology enhances the physical properties of native hyaluronan causing it to be more lubricating and retentive to natural tissue surfaces. The most important commercial application currently under development involves the use of ferric hyaluronan to reduce adhesive scar tissue formation post surgically. GYNECARE INTERGEL™ Adhesion Prevention Solution, a product based on this technology, is currently under evaluation by the U.S. FDA. GYNECARE, the women's healthcare division of ETHICON, INC., a Johnson & Johnson Company, markets the product outside the United States. Lifecore is also evaluating the suitability of other medical products based on this technology.

GYNECARE INTERGEL™ Adhesion Prevention Solution product was made available to a small restricted group of patients. FDA protocol permits certain Compassionate and Emergency Uses of unapproved products in patients deemed to be critically ill who are without other recourse. The following are selected summaries of actual cases:



Patient MFO

A 79 year-old female underwent a hysterectomy in January 1995. In February 1995, she underwent surgery to relieve a bowel obstruction. The bowel re-obstructed in June and required a second adhesiolysis procedure. The bowel again re-obstructed in July 1995 and her physician deemed her to be in a life-threatening condition. The patient underwent emergency adhesiolysis via laparotomy and received a 300-mL dose of GYNECARE INTERGEL™ Solution. The patient's post-operative recovery was uneventful and she was discharged the following week. No other episodes or problems have been reported to the Company.

Patient GM

A 32 year-old male had recurrent episodes of bowel obstructions dating back to an appendectomy at age 12. He had 10 subsequent attacks of partial and complete bowel obstruction resulting in several hospitalizations. In January 1997, after another bowel obstruction, the patient was deemed by his physician to be in a life-threatening condition. The patient had emergency surgery to remove the small bowel obstruction and received a 300-mL dose of GYNECARE INTERGEL™ Solution. The patient's post-operative recovery was uneventful. No other episodes or problems have been reported to the Company.

Patient SS

A 32 year-old male had recurrent episodes of bowel obstruction after a previous operation for spinal fusion. Several episodes required hospitalization including two with surgical interventions. The patient suffered severe pain with significant weight loss and recurrent bowel obstruction every few weeks. He was deemed by his physician to be in a life-threatening condition. In November 1998, the patient underwent emergency adhesiolysis via laparotomy and received a 300-mL dose of GYNECARE INTERGEL™ Solution. The patient's post-operative recovery was uneventful. No other episodes or problems have been reported to the Company.

Patient JD

A 46 year-old female had chronic debilitating pain for five years due to severe adhesions. She had undergone five laparotomies with findings of severe, dense, abdominal and pelvic adhesions. Pain recurred within six to twelve months of each surgery accompanied by recurrence of extensive adhesions. Repeated surgeries resulted in added complications from a hernia and extended hospital stays. Her physician deemed her condition serious due to continued extensive pain, which required immediate compassionate surgical attention. The patient underwent adhesiolysis via laparotomy and received a 300-mL dose of GYNECARE INTERGEL™ Solution. The patient's post-operative recovery was uneventful. To date, no pain or other episodes or problems have been reported to the Company.

Community Involvement

Lifecore encourages its employees to charitably give back to society in any way they deem appropriate. The following is a partial list of projects supported by employees through their outside time and financial support:

Animal Ark

Animal Humane Society

Bloomington Neighborhood Watch Program

Boy Scout Troop 207

Chaska Community Action Program

The Leukemia & Lymphoma Society

Lifecore Foundation

Memorial Blood Centers of Minnesota

Minneapolis Neighborhood Watch Program

Minnesota Academy of Science

Minnesota State Science Fair Program

The Raptor Center

Watertown City Council

008-2000

Shareholder Information

Independent Certified Public Accountants

Grant Thornton LLP
200 South Sixth Street, Suite 500
Minneapolis, MN 55402-1459

Corporate Counsel

Dorsey & Whitney LLP
Pillsbury Center South
220 South Sixth Street
Minneapolis, MN 55402-1498

Patent Counsel

Vidas, Arrett & Steinkraus
Suite 2000
6109 Blue Circle Drive
Minnetonka, MN 55343-9131

Transfer Agent

Wells Fargo
Stock Transfer Department
P.O. Box 78
South St. Paul, Minnesota 55075-0738
651.450.4058
800.468.9716 (toll-free)

Corporate Headquarters

3515 Lyman Boulevard
Chaska, Minnesota 55318-3051
952.368.4300
Facsimile: 952.368.3411

Annual Meeting

The Annual Meeting of Shareholders will be held on Thursday, November 16, 2000 at 3:30 p.m. at the Lutheran Brotherhood Auditorium, 625 Fourth Avenue South, Minneapolis, Minnesota 55415.

Investor Information

Lifecore mails annual and quarterly reports to shareholders of record. If your shares are not registered in your name but held by a broker bank, or other intermediary, you may receive this information by written request. The Company is pleased to provide corporate information without charge upon written request to:

Shareholder Relations
Lifecore Biomedical, Inc.
3515 Lyman Boulevard
Chaska, Minnesota 55318-3051

LIFECORE BIOMEDICAL

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952.368.4300
FAX: 952.368.3411
Email: info@lifecore.com
http://www.lifecore.com

Stock Listing and Stock Price Summary

The Company's Common Stock is traded on the Nasdaq National Market under the symbol LCBM. The following table sets forth for each quarter of fiscal 2000 and 1999 the range of high and low closing sale prices of the Common Stock on the Nasdaq National Market. These quotations represent prices between dealers and do not include retail mark-ups, markdowns, or commissions, and may not represent actual transactions.

Fiscal Year	Low	High
2000		
First Quarter	$ 8 ¾	$13 ¾
Second Quarter	11 ¼	21 ½
Third Quarter	6 ¾	23 ¾
Fourth Quarter	5 ⅜	9 ½
1999		
First Quarter	$7 ¼	$17
Second Quarter	5 ¾	10 ⅜
Third Quarter	8 ⁹⁄₁₆	14 ½
Fourth Quarter	8 ³⁄₁₆	13 ¹⁄₁₆

The Company has not paid cash dividends on its Common Stock and does not plan to pay cash dividends in the near future. The Company expects to retain any future earnings to finance its business. The Company has a loan agreement which restricts its ability to pay dividends. See Note D to Consolidated Financial Statements.

At July 31, 2000, the Company had 654 shareholders of record.

Cautionary Statement

Certain statements in this document are not historical facts and are forward-looking statements as defined in the Private Securities Litigation Reform Act of 1995.

Such statements imply continued cash flow and financial improvement, improvement in future sales, positive regulatory outcomes with both the GYNECARE INTERGEL™ Adhesion Prevention Solution and commencement of U.S. production for Bausch & Lomb, as well as the expansion of labeling claims for the Company's oral restorative products. Because such statements include numerous inherent risks and uncertainties, actual results may differ materially from those implied by such forward-looking statements. Those risks and uncertainties are detailed from time to time in Lifecore's periodic financial reports such as the fiscal year-end Annual Report on Form 10-K.

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