



**Regeneration  
Technologies Inc.**



2001 Letter  
To Shareholders



**Brian K. Hutchison**  
*President & CEO*

**D**uring 2001, RTI was forced to begin a metamorphosis, where the company has started changing from a young, upstart biotechnology company to a strong, stable consistent corporation. The company faced numerous challenges and opportunities during the year, each one giving us the chance to prove ourselves and emerge stronger. The experiences of this year have provided the scaffolding to make changes for the better and build on for the future.

The year 2001 was a very challenging one for RTI. In facing one difficult situation after another, the company had to spend a tremendous amount of resources to meet each of these challenges. Unfortunately, that left few resources to focus on the company itself. As a result, RTI's business, distribution partners, customers and recovery agencies suffered. This altered focus on survival instead of our business shows in the year-end financial reports from 2001.

In December 2001, when RTI started reviewing results for the fourth quarter and the year, it became apparent that the financial results for the fourth quarter would be lower than the previous quarters. The company had experienced a decline in overall revenues due to declines in tissue recovery, a change in the mix of the tissue recovered, delays in tissue processing

and lower sales. At the same time, expenses were increasing due to legal and consulting fees and increased operating costs. As a result, we reported a loss - for the first time since our inception in February 1998(?) - for the fourth quarter and full year of 2001.

I was brought in as CEO of RTI in December 2001 to bring stability, direction and drive to the company. I am very business focused and goal oriented, and I look for sustained, consistent performance out of my employees and the company. I believe in gathering the right mix of people based on their strengths, formulating an idea and then driving towards it. For me personally, success is building a company that people feel good about.

While the financial picture of the year 2001 is not the brightest in RTI's history, we have had some positive outcomes that will assist us in turning the company around for 2002 and beyond. I believe the positive outcome of the FDA's review of the BioCleanse™ tissue sterilization process, coupled with the dismissal of the MTF lawsuit and the reorganization of our management team should enable us to begin the turnaround.

Here at RTI, I am currently evaluating our employee talent and looking for

people who are here for the long haul, who are interested in doing things for the right reasons. Those are the people who will help me build RTI.

Our management team has already begun identifying areas within our company where we have cost reduction opportunities. While this will be an intense, fairly quick process, our employees are working diligently to help RTI become a stronger, more profitable company. We still expect some tough roads ahead - we have matters to sort out and fences to mend - but we also have a great opportunity for long-term success.

All the strengths of this company, what attracted me to come to RTI in the first place, are still here. The basic fundamentals of the business are here and the market is strong. There is still a tremendous need for allograft in the spinal and orthopedic industry, and RTI has some of the best technology and the best products available. The employees here are still dedicated to the principles on which this company was founded: that innovative thinking brings about better options for surgery and patient recovery.

The use of BioCleanse™ tissue sterilization system gives the company a strong advantage in the market. The FDA's determination that our scientific studies prove that the BioCleanse process prevents contamination and

cross-contamination of processed tissue with representative bacteria, viruses and spores could be the beginning of a significant period of change in the tissue industry. Surgeons, risk managers, purchasing agents and even the industry itself are starting to realize that without effective sterilization processes, bacteria and viruses can - and do - cause fatalities.

For 2002, we will refocus our resources on our business. We will use all of our strength to improve the tissue industry, not destroy it. We will rectify our relationships with our customers, our partners, our recovery agencies and the industry. For our customers, we will concentrate on providing the highest level of service.

RTI is committed to being an industry leader in providing the safest and highest quality products and the most innovative technology for our surgeons and their patients. We will do this by not losing our focus on our business and the relationships that have made us successful. We at RTI are driven to make the future bright for this company and all those associated with it.



Brian K. Hutchison  
President & CEO

## Forward Looking Statement

This Letter to Shareholders and the documents incorporated by reference contain forward-looking statements that have been made pursuant to the provisions of the Private Securities Litigation Reform Act of 1995. These forward-looking statements are based on current expectations, estimates and projections about our industry, our management's beliefs and certain assumptions made by our management. Words such as "anticipates," "expects," "intends," "plans," "believes," "seeks," "estimates," variations of such words and similar expressions are intended to identify such forward-looking statements. These statements are not guarantees of future performance and are subject to certain risks, uncertainties and assumptions that are difficult to predict; therefore, actual results may differ materially from those expressed or forecasted in any such forward-looking statements. Unless required by law, we undertake no obligation to update publicly any forward-looking statements, whether as a result of new information, future events or otherwise. However, readers should carefully review the risk factors set forth in other reports or documents the registrant files from time to time with the Securities and Exchange Commission.

## Regeneration Technologies' Mission

Regeneration Technologies' mission is to advance life and revolutionize healing by:

- Expanding the gift of life given by donors and their families
- Pioneering innovations for tissue regeneration
- Dedicating ourselves to excellence, quality and customers
- Demonstrating integrity in everything we do

## About Regeneration Technologies

Regeneration Technologies, Inc. is a leader in the use of natural tissues and innovative technologies to repair and promote the natural healing of human bone and other human tissues. Using core human physiology – the basic biology of natural tissues as they function in the body – our human tissue implants are improving surgical outcomes. We process human musculoskeletal and other tissue, including bone, cartilage, tendon, ligament, pericardial and cardiovascular tissue in producing our allografts. Surgeons then use these tissues to repair and promote the healing of a wide variety of bone and other tissue defects, including spinal vertebrae repair, musculoskeletal reconstruction, fracture repair, repairs to the jaw and related tissues, urinary incontinence and heart valve disorders.

## Investor Contact

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## Annual Shareholder's Meeting

Wednesday, May 29, 2002, {time TBD}  
{location TBD}



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