

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' Vision Statement

We will be the leader in using the body to heal the body through the use of natural tissue and innovative technologies.

Our mission is to enhance the lives of patients by pioneering health solutions through regenerative medicine.

About Regeneration Technologies

Regeneration Technologies, Inc. processes human musculoskeletal and other tissues for use in orthopedic, cardiovascular and other surgeries with a commitment to science, safety and innovation. Surgeons then implant these allografts to repair a wide variety of bone and other tissue defects, including spinal vertebrae repair, musculoskeletal reconstruction, fracture repair, periodontal repair, urinary incontinence and heart valve disorders.

By processing allograft tissue into forms that can be used in many types of surgical procedures, RTI enables patients to benefit from the gift of donated tissues.

RTI also holds the patents on BioCleanse®, the only proven tissue sterilization process validated to eliminate viruses, bacteria, fungi and spores from tissue without impacting the structural or biomechanical integrity of the allograft. The company has distributed more than 600,000 implants sterilized with the BioCleanse process with zero incidence of infection. RTI is accredited by the American Association of Tissue Banks and was named a 2004 Technology Pioneer by the World Economic Forum.

Board of Directors

Brian K. Hutchison, Chairman
President & CEO
Regeneration Technologies, Inc.

Philip R. Chapman
President, Venad Administrative
Services, Inc.
General Partner, Adler & Company

Peter F. Gearen, M.D.
Associate Professor
University of Florida, College of Medicine

Michael J. Odrich
Managing Director, Lehman Brothers, Inc.

David J. Simpson
Executive Vice President
Stryker Corporation

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Annual Shareholders' Meeting

Tuesday, July 26, 2005
10 a.m. ET
Tampa Airport Marriott
Tampa, Florida 33607

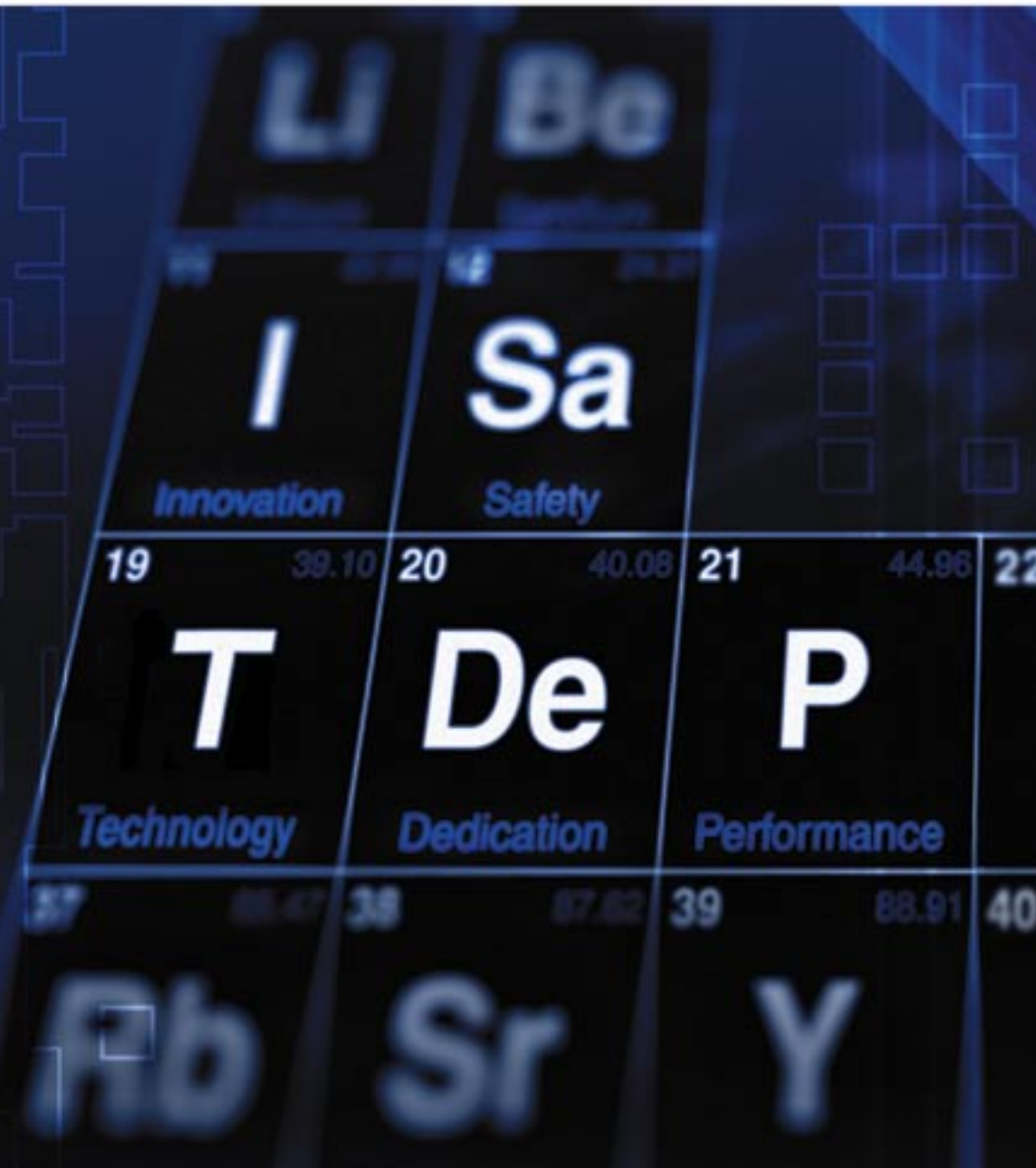


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2004 Letter to Shareholders

Elements of
Growth





2004 Letter to Shareholders
Elements of Growth

Dear Shareholders,

The employees of Regeneration Technologies have been steadily building a strong foundation to support our future growth. This infrastructure is based on knowledge, skill and strengths and our commitment to science, safety and innovation.

Performance

At the end of 2004, we posted record revenues at \$92.6 million, exceeding our goal of 20 percent growth over revenues of \$75.5 million in 2003. In addition, our net income of \$6.2 million was one of the highest levels in company history and is indicative of how profitable we can be as we grow revenues. Our 2004 financial performance reflects that we have the elements of growth in place to achieve our long-term goals.

Science and Safety

Throughout the industry, RTI is known for its unwavering commitment to safety and sterilization. This year, we raised the bar for tissue safety once again. In June 2004 we introduced our proprietary BioCleanse® tissue sterilization process for musculoskeletal soft tissue. Major presentations were made at the April 2004 meeting of the Arthroscopy Association of North America and at the June 2004 meeting of the American Orthopedic Society for Sports Medicine. The ability to effectively sterilize human tissue through BioCleanse without impacting the biocompatibility or structural integrity of the tissue, specifically musculoskeletal soft tissue, generated a positive reaction and demand from surgeons.

At the end of 2004, the Food and Drug Administration's long-awaited GoodTissue Practices were finalized. The implementation of these new regulations in May 2005 should be advantageous to RTI in several ways.

- The new regulations give well-defined guidelines on labeling that will change the way many tissue processors label their implants. For RTI, BioCleanse plus terminal sterilization allows us to continue using the "Sterile" label for tissue implants. At the end of 2004, 93 percent of the allograft implants distributed from RTI were labeled "sterile."
- The regulations require processors to include warnings on labeling and package inserts if the implant is not sterilized—use of BioCleanse allows RTI to eliminate warnings from our packaging.
- Good Tissue Practices require tissue processors to comply with "device-like" requirements, which will likely cause many other processors to incur additional investments in facility and procedure upgrades to become compliant. Fortunately, RTI has spent the past several years ensuring our facilities and procedures already met these high quality standards. Therefore, we met the requirements prior to their implementation and will not need to incur additional investments to be compliant.

Innovation

Starting in 2004, we began significantly increasing our R&D spending to develop new implants to meet current demand as well as to enter new market segments.

Keeping in line with our industry-leading innovation, we expect that the current R&D projects will garner at least half a dozen new products through 2005 in our spinal, sports medicine and general orthopedics lines. In addition, a healthy pipeline of products is planned for introduction into 2006 and 2007.

We have a wonderful opportunity to capitalize on our competencies to safely process and sterilize xenograft tissue to supplement the unmet demand for biological solutions in surgery. The BioCleanse technology enables us to deliver xenograft implants that are sterile, with improved biocompatibility and preserved structural integrity. Additionally, exclusive use of the largest FDA-recognized closed bovine herd enables significant control over safety and quality of the tissues we process.

Dedication

The dedication of our employees and our commitment to the process of tissue transplantation are of utmost importance to our company.

Since RTI's inception, our employees have consistently dedicated themselves to the principles of this company—that innovative thinking brings about better options for surgery and better outcomes for patients. Their work touches the lives of donor families that have made the ultimate gift of donation and recipients whose lives are changed through the implants.

Our donor services program is a crucial component of our company. The importance of educating people about the key benefits of tissue donation and providing services to donor families remains the mission of RTI Donor Services. Over the years, we have increased the programs and services offered to communities and tissue recovery agencies across the country in an effort to support the process of organ and tissue donation.

Focus on the Future

As the innovation leader in our industry, it is important for us to keep focused on the future. In 2005 we will focus on our elements of growth already in place, leveraging our unique ability to sterilize tissue through BioCleanse, growing our existing markets and entering new markets. We believe that we will be successful in growing the company and helping more patients through our life-saving and life-enhancing tissue implants. Along with our customers, our shareholders and our employees, we look forward to the future of our industry and our company as the science, safety and innovation of biologics continues to evolve.

Brian K. Hutchison
Chairman, President and CEO

2004 Milestones

2004 RTI selected as a Technology Pioneer by The World Economic Forum

The World Economic Forum recognized our commitment to innovation by selecting RTI as one of 30 Technology Pioneers for 2004.

January 2004 RTI Donor Services sponsored National Coalition on Donation's Rose Parade® float

For the second year in a row RTI Donor Services sponsored the float which featured two of our donor family members.

February 2004 RTI signed financing agreement

The long-term financing agreement with Merrill Lynch Capital consists of a \$9 million, five-year term loan and a \$16 million revolving line of credit.

June 2004 RTI in the news

RTI's BioCleanse® process mentioned in *The New England Journal of Medicine*.

June 2004 Soft Tissue BioCleanse® introduced

Announced the development of BioCleanse® tissue sterilization process for soft tissue allografts.

July 2004 Over half a million allografts sterilized

More than 540,000 implants sterilized through BioCleanse® distributed with zero incidence of infection.

July 2004 Melendez named executive director of research and development

Bill Melendez joined RTI after 13 years experience with Baxter Healthcare Co. He brings with him an extensive technical background in product development, research and project management in the medical device and drug delivery industries.

August 2004 Rose named executive vice president

Roger Rose named executive vice president and oversees research and development, operations and cardiovascular in addition to his leadership of the marketing, distribution and donor services functions.

September 2004 RTI awarded Florida Governor's Business Diversification Award

RTI received the Major Market Innovation Award, one of the 2004 Governor's Business Diversification Awards.

October 2004 RTI sponsored Five Points of Life

RTI sponsored a coast-to-coast bike ride to raise awareness about the ways people can share their lives through donation.

November 2004 Tara Zerby named general manager of Cardiovascular for Alabama Tissue Center

Zerby oversees all aspects of the wholly owned subsidiary in Birmingham.