ZIMMER BIOMET

# Zimmer to Collaborate with Isto Technologies to Develop and Commercialize Potential Breakthrough Cartilage Repair and Regeneration Technology

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## Move is Zimmer's first initiative in orthobiologics

WARSAW, Ind., Jan. 17 /PRNewswire-FirstCall/ -- Zimmer Holdings, Inc., (NYSE: ZMH) announced today that it has entered into an exclusive collaboration agreement with Isto Technologies, Inc., a privately held biotechnology firm, to develop and commercialize Isto's patented allograft tissue for the surgical repair of articular cartilage defects and potentially, for the regeneration of articular surfaces lost to osteoarthritis.

"Our agreement with Isto confirms our strategy of selectively entering areas such as orthobiologics where we can create benefits for patients, physicians, providers and payers," said Zimmer Chairman and Chief Executive Officer Ray Elliott. "We have said that we plan to enter new, high-growth markets, and with Isto we have a partner who brings world-class research capabilities and a technology that has the potential to be a breakthrough treatment for damaged or lost cartilage."

Under the terms of the agreement, Zimmer will be the exclusive, worldwide distributor of Isto's in vitro cultured cartilage grafts, called Neocartilage. In addition, Zimmer will provide financial and technical resources to accelerate the development and commercialization of this new regenerative cartilage approach. The long-term agreement allows Zimmer to establish and build an equity position in Isto as certain development milestones are reached.

"We are excited to be working with Zimmer to advance our Neocartilage technology. There are over 500,000 arthroscopies performed in the United States each year on individuals with cartilage lesions that would benefit from treatment with Neocartilage," said Joseph Feder, Ph.D., President and CEO of Isto. "We believe that the global sales potential for an effective repair and regeneration technology could exceed $1.5 billion annually. Zimmer possesses the resources and market franchise to capitalize on this opportunity."

Neocartilage, produced from human chondrocytes using a unique cell culture process, is biochemically and histologically very similar to normal articular cartilage, the resilient tissue that covers the ends of bones to provide both a low friction surface for smooth joint movement and a biomechanical buffer against weight-bearing stresses. Isto Technologies is developing two distinct, Neocartilage-based products to treat joint defects. The first is a chondral, or cartilage, graft that is comprised solely of Neocartilage tissue and is intended for cartilage defects that often occur following sports injuries. The second product is an osteochondral graft, consisting of Neocartilage cultured on a bony substrate. The osteochondral product could be implanted into major defects involving both bone and cartilage and, potentially, used to regenerate articular cartilage lost to osteoarthritis.

In 2001, Isto received a prestigious three-year Advanced Technology Program (ATP) award of $2 million from the National Institutes of Standards and Technology (NIST) to support the development of Neocartilage osteochondral allografts.

"Although Neocartilage products will require clinical trials, we believe cartilage repair and regeneration will be a major segment of orthopaedics in the future," said Elliott. "We are committed to being a leader in this area and are willing to take an active role in pursuing opportunities that we believe are exceptional."

Zimmer, based in Warsaw, Indiana, is a global leader in the design, development, manufacturing and marketing of orthopaedic reconstructive implants and fracture management products. Orthopaedic reconstructive implants restore joint function lost due to disease or trauma in joints such as knees, hips, shoulders and elbows. Fracture management products are devices used primarily to reattach or stabilize damaged bone and tissue to support the body's natural healing process. Zimmer also manufactures and markets other products related to orthopaedic and general surgery. Zimmer was founded in 1927 and has more than 3,500 employees worldwide. For the year 2000, Zimmer recorded worldwide revenues of more than $1 billion. Zimmer became an independent, publicly traded company on August 7, 2001, when it was spun off from Bristol-Myers Squibb.

Isto Technologies, based in St. Louis, Missouri, is an emerging biotechnology company that seeks to develop advanced products for the repair, replacement and regeneration of human tissue that has been injured or destroyed by trauma or disease. Its primary focus is on orthopaedic applications. Institutional investors include Alafi Capital Company, Berkeley, and Life Science Partners, Amsterdam.

For additional information, visit Isto Technologies' website at ( www.istotech.com ), contact the Company by phone, at (314) 995-6049, or by e-mail at info@istotech.com.

Visit Zimmer on the Worldwide Web at www.zimmer.com

This press release contains forward-looking statements based on current expectations, estimates, forecasts and projections about the orthopaedics industry, management's beliefs and assumptions made by management. These statements are not guarantees of future performance and involve risks, uncertainties and assumptions that could cause actual outcomes and results to differ materially. These risks and uncertainties include, but are not limited to, price and product competition, rapid technological development, demographic changes, dependence on new product development, the mix of our products and services, customer demand for our products and services, our ability to successfully integrate acquired companies, control of costs and expenses, our ability to form and implement alliances, international growth, U.S. and foreign government regulation, reimbursement levels from third-party payors, general industry and market conditions and growth rates and general domestic and international economic conditions including interest rate and currency exchange rate fluctuations. For a further list and description of such risks and uncertainties, see the reports filed by Zimmer with the Securities and Exchange Commission. Zimmer disclaims any intention or obligation to update or revise any forward-looking statements, whether as a result of new information, future events or otherwise.