

Strategies for Market Protection and Sustainable Growth

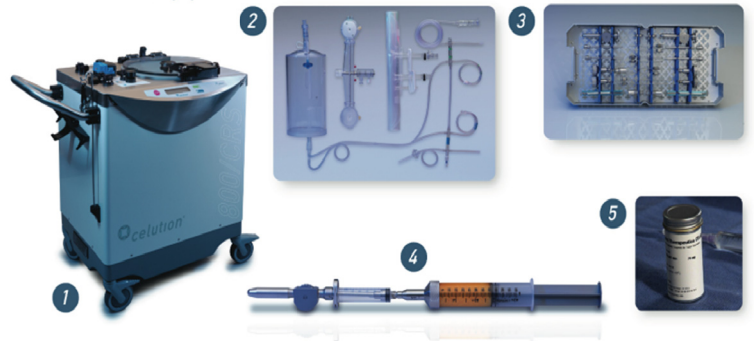
OVERVIEW

Cytori is dedicated to harnessing the abilities of a patient’s own adipose derived stem and regenerative cells to treat a wide variety of medical conditions. The Company is currently commercializing products into the cosmetic & reconstructive surgery market in Europe and the research and cell banking markets worldwide.

Cytori’s core product is the Celution® System. The Celution® System consists of a cell processing device, single use consumables and related instrumentation and reagents. The Celution® System’s cell processing device is a highly versatile automated device that rapidly and reliably delivers a clinical grade, mixed population of non-cultured adipose derived stem and regenerative cells at the patient’s bedside.

Cytori’s decade long commitment to adipose derived stem and regenerative cell-based therapies has positioned the company as a leader in regenerative medicine. Any new entrant will potentially face the following barriers:

Celution® 800/CRS Equipment



Knowledge based barriers:

- Technological leadership and global portfolio of issued and pending patents related to adipose derived stem and regenerative cells
- Proprietary know-how for processing and delivery of adipose-derived stem and regenerative cells

Brand based barriers:

- First mover advantage in establishing brand loyalty
- Partnerships with leading healthcare brands including GE Healthcare and Olympus Corporation

Economics based barriers:

- Substantial capital investment in the Celution® System by Cytori and Olympus Corporation
- Exclusive supply chains for critical components

COMMERCIALIZATION MODEL

Cytori is commercializing the Celution® System using the “razor and blade” commercialization model. The Celution® System’s cell processing device is the “master” or reusable product, and a new, single-use consumable set is required for each use of the device. Cytori is actively selling the Celution® System to clinics and hospitals worldwide in order to generate a continual and sustainable market for the single use consumables.

Cytori’s commercialization model has attracted leading international medical device and healthcare companies such as GE Healthcare and Olympus Corporation as partners. These organizations help bring relationships, insight and scale that a company of Cytori’s size could not achieve on its own.

Unlike traditional cell therapy commercialization models, the cells themselves are not sold as pharmaceuticals. By commercializing the Celution® System devices and consumables rather than the cells, Cytori can offer its products at a much lower price point while retaining high gross margins. Given the urgent need for affordable healthcare, Cytori is uniquely

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CELLS

Cytori’s approach to cell therapy represents a paradigm shift in the field of regenerative medicine. Traditional cell therapy models (then and now) used isolated or pure cell populations. Obtaining isolated cell populations requires a cell selection process such as cell culture or antibody capture. Although cell culture and antibody capture can increase the number and purity of a desired cell type, they do so at a cost. These costs include loss of useful non-stem cell populations, significant delays in delivery of the cells and reduced affordability.

In contrast to the prevailing paradigm, Cytori pioneered the use of a mixed or heterogeneous population of uncultured (i.e., fresh) cell types found in adipose tissue. Cytori’s approach has had positive clinical outcomes while avoiding the problems commonly associated with cell culture or other cell selection methods. The Celution® System embodies Cytori’s pioneering approach to cell therapy and delivers a clinical grade, mixed population of non-cultured adipose derived stem and regenerative cells at the patient’s bedside.

PATENTS

Cytori’s global patent portfolio is built around the Celution® System and the numerous therapeutic uses for which the Celution® System output can be tailored. Cytori’s current products as well as future generation products in development may be protected by the following issued United States patents:

Current Products

PRODUCT	PATENT
Celution® System: Device	US Patent Nos: 7,390,484; 7,514,075
Celution® System: Single use consumables	US Patent Nos: 7,390,484;7,514,075
Celution® System: Reagents	US Patent Nos: 7,390,484; 7,473,420; 7,514,075
Celution® System: User interface	US Patent Nos: 7,514,075
Celution® System: Adipose tissue via liposuction or lipectomy	US Patent Nos: 7,390,484
Celution® System: Method for cosmetic & reconstructive surgery	US Patent Nos:7,429,488
Celution® System: Method for cell banking	US Patent Nos: 7,501,115

Future Generation Products in Development

PRODUCT	PATENT
Celution® System: Device - Alternative configurations, including Celution® One device to be manufactured by Olympus-Cytori Joint Venture - Non-centrifuge based desktop device	US Patent Nos: 7,390,484; 7,514,075
Celution® System: Single Use Consumables - Alternative Configurations	US Patent Nos: 7,390,484; 7,514,075
Celution® System: Output - Optimized for intravascular delivery - Optimized for specific therapeutic applications	US Patent Nos: 7,473,420; 7,514,075
Celution® System: Output with additives -Including scaffolds, demineralized bone, immunosuppressive agents, cell differentiation agents, cytokines, growth factors	US Patent Nos: 7,390,484; 7,473,420; 7,514,075

Cytori has also licensed the University of California’s rights to patents and applications directed to specific cell types within adipose tissue (e.g., US Patent No. 7,470,537), which may be relevant to the Company’s future generation products. As discussed above, cell selection is not currently part of Cytori’s business model. If a Celution® System capable of cell culture or antibody selection is developed, it may be protected by Cytori’s US Patent Nos. 7,390,484 and 7,514,075.

SUMMARY

Cytori believes its first mover advantage in the field of regenerative medicine is significant. Cytori pioneered the therapeutic use of a mixed population of uncultured adipose derived stem and regenerative cells and developed the Celution® System to deliver a clinical grade population of such cells rapidly and reliably at the patient's bedside. Cytori believes that a comprehensive strategy to protect the Celution System and Cytori's approach to cell therapy from competitive forces is in place. This allows the Company to focus on the crucial task of bringing affordable regenerative medicine to patients and creating value for our shareholders.

CAUTIONARY STATEMENT REGARDING FORWARD LOOKING STATEMENTS

This document contains forward-looking statements that are based on Cytori's current expectations and beliefs and are subject to a number of risks, uncertainties and assumptions that could cause actual results to differ materially from those described. All statements, other than statements of historical fact, are statements that could be deemed forward-looking statements. Forward-looking statements involve significant risks and uncertainties, including those discussed below and more fully described in the SEC reports filed by Cytori, including Cytori's most recent annual report on Form 10-K and most recent periodic reports on Form 10-Q. No forward-looking statement can be guaranteed and actual results may differ materially from those we project. The protection offered by our patents and patent applications may be challenged, invalidated or circumvented by our competitors. Discovery or identification of new product candidates cannot be guaranteed and movement from concept to product is uncertain; consequently, there can be no guarantee that any particular product candidate will be successful and become a commercial product. Please refer to Cytori's most recent Forms 10-K and 10-Q for additional information on the uncertainties and risk factors related to our business. Unless otherwise noted, Cytori is providing this information as of June 2009 and expressly disclaims any duty to update information contained herein.