

TO MY FELLOW STOCKHOLDERS:



Marc Hedrick, MD
President and Chief Executive Officer

On behalf of our teams in San Diego, Japan, Europe and now San Antonio, I want to thank you for your ongoing support for Cytori and its mission of enhancing lives through the development of novel therapeutics. Towards that end, we have made significant progress in 2016 and have set the foundation for 2017 to be an important year for the company.

What are some key accomplishments in 2016? First, I am pleased to report that enrollment in our U.S. Phase III STAR trial for our lead therapy, Habeo™ Cell Therapy, finished ahead of schedule. This trial evaluates Habeo for the treatment of scleroderma of the hand. Additionally, based on promising three-year follow-up data from the original French investigator-initiated SCLERADEC I pilot trial and a growing amount of supportive pre-clinical data, we are evaluating the use of Habeo beyond scleroderma to a broader group of patients with secondary Raynaud's symptoms.

We also made progress in 2016 on a number of other clinical objectives around the world. The Japanese investigator-initiated ADRESU approval trial using Cytori Cell Therapy for male stress urinary incontinence following prostate surgery hit the mid-point in enrollment. We also completed the one year follow-up of our U.S. Phase II ACT-OA trial for knee osteoarthritis. This trial reported early evidence of a potential effect on joint

pathology as measured by follow-up MRI assessments. Preclinically, we completed the key development activities related to our BARDA contract and we are currently in the process of seeking U.S. FDA and BARDA approval of our proposed thermal burn clinical trial, with the goal of commencing patient enrollment in 2017.

In early, 2017, we completed the strategic acquisition of substantially all of the assets of San Antonio, Texas-based Azaya Therapeutics, Inc., expanding our pipeline in both the near- and long-term. The acquisition features ATI-0918, a nanoparticle encapsulated generic formulation of doxorubicin used commonly to treat many cancers such as breast and ovarian cancer. European study data for ATI-0918 indicate that it has met the statistical criteria for bioequivalence to the reference listed drug in Europe, and we intend that these bioequivalence data will serve as a basis for a planned regulatory submission to the European Medicines Agency for ATI-0918 approval. The acquisition also includes a new nanoparticle manufacturing facility in Texas that we will use for production of ATI-0918 in connection with our regulatory and commercialization efforts for this drug candidate.

In conclusion, I want to recognize the employees of Cytori for their dedication to the company and its mission. The many achievements of 2016 are because of them. Due to their hard work and dedication, and the support of our various stakeholders, we have many more promising opportunities to which we can look forward in 2017. Thank you once again for your support!

Sincerely,

Marc H. Hedrick, MD
President and Chief Executive Officer

April 10, 2017