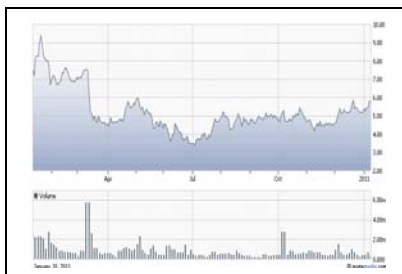


January 11, 2010

FY11 should be an Event Driven and Appreciative Year

Beyond Q3/10, Update

Valuation: **\$8.77**Fair Value: **\$7.05**Price at 1/10/11: **\$5.71**Market Capitalization: **\$288.41M**Enterprise Value: **\$283.7 M**Cash: **\$60M**Fully Diluted: **70.24M**Shares Outstanding: **50.51M**Float: **41.20M**52 Week Range: **\$3.15 - \$9.50**Avg Volume (3 mos): **459,452**Avg Volume (10 day): **377,943**Beta: **1.89**Shares Short: **6.13M**Short (% of float) Ratio: **15.30%**Fiscal Year End: **Dec 31**Exchange: **NASDAQ**

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Please read the important
Disclosures Section
at the end of this review!

Cytori Therapeutics manufactures and sells products to the cosmetic and reconstructive surgery markets and develops treatments for cardiovascular disease. Its principal products include the Celution® System family of products, which processes patients' cells at the bedside in real time, consisting of a central device, a related single-use consumable used for each patient procedure, proprietary enzymes and related instrumentation.

- Initiated (12/7/10) and closed (12/14/10) a strategic equity agreement to evaluate the potential of adipose derived stem and regenerative cells for pre-clinical liver program. Astellas purchased 1.43M unregistered shares at \$7.00 per share for net proceeds of \$10M;
- Q3/10 product revenue was \$1.5M compared to Q2/10 of \$2.1M versus Q1/10 revenue of \$2.3M. Decline in Q3/10 and Q2/10 consumable orders reflects decrease of cosmetic procedures;
- The net loss for Q3/10 was \$10.4M or (\$0.23) per share compared to Q2/10's \$5.4M or (\$0.12) per share, versus Q1/10 net loss of \$2.4M or (\$0.06) per share;
- Q3/10 total operating expenses were \$10.3M. R&D expenses were \$2.48M; SG&A expenses were \$2.9M with G&A clocking in at \$3.06M. The increase in operating expenses in Q3/10 was \$10.25M and is due in part to a \$1.8M non-cash change in the fair value of the warrant liability. Total operating expenses reflect an increase in SG&A activities that was partially offset by a decrease in R&D costs. Other expenses (interest expense of \$759K, \$27K and loss from JV of \$43K) increased offset by interest income of \$3K;
- System installed-base in EU, Asia and US bringing cumulative revenue-generating units grew worldwide to 135. shipped 221 consumables including 162 consumable re-orders;
- Expanded Celution® EU regulatory approval to include breast reconstruction and other medical indications such as treatment of Crohn's fistulas;
- Received approval for and launched PureGraft™ into the US and EU plastic and reconstructive surgery markets;
- Finalized protocol and identified initial sites for ADVANCE, the pivotal EU heart attack study, with enrollment beginning in Q1/11;
- Prepared Celution® pre-IDE US soft tissue defect repair study applications to FDA:
- Cash and cash equivalents as of 9/30/10 were \$30.7M, 19.3M was raised in a public offering with \$10M through the Astellas agreement;
- BUY ranking implies a valuation of **\$8.77** based on basic and diluted weighted average common shares of **50.51M** with direct comps analysis of **\$16.35** and sector or universe comps of **\$2.73**. The fair value is **\$7.05** which is discounted 10%.

Investment Thesis

I continue with a **BUY** ranking and believe share price momentum and appreciation should propel CYTX to the designated valuation in FY11. We derived our current valuation by using a Blended Price Valuation Table which includes a Sum of the Parts (SOTP) analysis and a direct comparable analysis layered with a sector comparable analysis.

Our SOTP scenario is extremely conservative (with a 10% discount) and details a value of **\$5.60**, and when merged with a direct comparables analysis of **\$16.35** reinforced by a stem cell sector perspective of **\$2.73** and a cosmetic companies comparables of **\$5.06**, implies a blended valuation of **\$8.77**. The Avg. Blended Price Valuation of **\$8.77** is above this stock's current price of **\$5.71** with a trading range of **\$3.15 - \$9.50**. We apply a standard **20x** P/E biotech multiple to 2010 EPS and a 10% Discount Rate back to 2009 or 4 years/periods and achieve a fair value of **\$7.05** per share. We note the average market capitalization of designated comparables is **\$825.98M** or about **2.9X** the implied multiple of CYTX's market cap of **\$288.41M**. In a review of the overall sector stem cell companies, CYTX has a **0.5X** multiple and a comparison value of **\$2.73**.

CYTX has created a family of medical devices and disposable supplies to extract a cocktail of stem and regenerative cells from a patient's fat and re-inject those cells into the patient during the same surgical procedure. This mixed collection of cells has demonstrated ability to stimulate new circulation in transplanted tissue and improve blood flow in organs where it is impaired.

Adult stem and regenerative cells have been shown to promote healing. CYTX's lead product is the Celution System, a medical device that extracts and separates stem and regenerative cells from a patient's own fat tissue. The device is currently approved in the EU for applications including breast reconstruction, soft tissue repair, and the facilitation of healing certain types of wounds, such as those resulting from Crohn's disease.

Cytori systems have been used to treat more than 1,000 patients in 38 countries. They are currently being sold for cosmetic and reconstructive procedures and research as well as being evaluated for a range of applications, including heart attack, urinary incontinence, renal failure and liver disease.

Sales of the system have been tracking downward over the past 3 Q's in a questionable economy. Hopefully, Q4/10 will come in even, enabling a transition to the New Year and economic outlook. We believe the Celution System will see sales ramp significantly over next year, FY11. But, ultimately, clinical data will determine the pace at which the share price continues to rise. So far, the clinical data has been exciting, and with several investigator-sponsored programs ongoing. Cytori is directly selling its products in Asia and Europe and also has distribution agreements with GE Healthcare and Green Hospital Supply.

CYTX continues to expand the number of Celution(R) and StemSource(R) products in the field while simulating system adoption and consumable usage. Expanded Celution(R) indications-for-use in EU include new medical applications such as breast reconstruction and the repair of wounds positively impacts their ability to sell systems to hospitals. This expansion of market opportunity opens doors for sales efforts beyond what had been focused (primarily) on cosmetic surgery clinics.

The global market for regenerative medicine is forecast to reach \$1.4B by the year 2015, powered by increasing focus on stem cell research, greater usage of non-autograft products, ageing baby boomers and higher investments in R&D activity. For an industry segment known for both hope and hype, it is no surprise that stem cell therapies are once again making headlines and CYTX operates within what is expected to be a high-demand sector in the coming years.

CYTX 12 month results from the RESTORE 2 breast reconstruction trial support efforts to gain reimbursement for breast reconstruction in the EU. In addition, PureGraft(TM) approval in the US and EU now expands the product portfolio to more comprehensively address the autologous fat grafting market. When combined, the importance of the expanded claims and PureGraft(TM) approvals support the CYTX's transformation from a primarily R&D organization to a multi-product, multi-market, sales driven organization.

Risks

CYTX is focused on the development of the Celution® System family of products and the therapeutic applications of its cellular output. The CE Mark approval in the EU and likelihood of adjoining countries should reduce risk and negative cash flows from operations. CYTX has been able to raise capital easier through the recent public offering and the Strategic Equity Agreement with Astellas to fund operations and lengthy time-consuming clinical studies in surgery, cell preservation, the cardiovascular area and many other indications. CYTX expects to continue operating in a loss position on a consolidated basis and that recurring operating expenses will be at higher levels for the next several years, in order to perform clinical trials, additional pre-clinical research, product development and marketing.

Current Market Dynamics

Past negative trends in the general economy continue to adversely affect the stem cell universe, financial markets and the global economy as their issue is always about the current cash position (\$60M) and its utilization. But, regulatory authorities demand that device and drug developers present a reasonable amount of scientific proof that development compounds bind to designated molecular targets or exert the expected physiological effect in the target tissue(s).

Valuation Parameters

The majority of the stem cell companies covered by Scimitar Equity are development stage companies that are not profitable and may not be profitable in the foreseeable future. These companies have an increased degree of volatility relative to the overall market. Valuation should be understood in terms of an objective quantitative model and a comprehensive qualitative explanation that enlightens investors to expectation and potential. Models reflect current judgment, as qualitative analysis and quantitative models are subject to change based on share pricing, share/capitalization increases or decreases based on regulatory constraints and status, market conditions, perceptions and sentiment.

Capitalization

Financial Instruments	# of Shares
Number of Common Shares Outstanding	50.51 M
Seaside	0.50 M
Astellas Strategic Equity Agreement	1.43M
Employee Options	6.2 M
Warrants Outstanding	11.6 M
Fully Dilutive Total	70.24M

Holders

Holder	% Outstanding
Management, Directors and Officers	2.0%
Partners	16.2%
Institutional Holdings	19.2%
Retail	62.6%

Institutional Holdings

Holder	Holder
Aletheia Research and Management	Ship Healthcare Holdings
DFA US Micro	Blackrock Institutional
BlackRock Fund Advisors	Stratus Capital Management
Jennison Associates	Princeton Capital
Perkins Capital Management	TIAA-CREF Investment
State Street Global Advisors	Bank of New York
Dimensional Fund Advisors	Fidelity- Multiple Portfolios
Vanguard Group	Goede Capital
Prudential Jennison Health Sciences	Dominick & Dominick
Northern Trust	Black Investment
Russell 2000 Index Fund	INVESCO LTD
Biotechnology Index Fund	Internix
DFA US Micro Cap	RUMBLINE ADVISORS
DFA US Small Cap Series	Florida State Board
Bridgeway Capital Management	Commerce Bank
College Retirement Equities Fund	Credit Suisse AG
BNY Mellon Asset Management	AXA
Goede Capital Management	Davenport & Co
Morgan Stanley	Metropolitan Life
Calpers	RBC Capital Markets
Citadel Advisors	Teachers Advisors
Claymore Advisors	UBS AG
MFC Global Investors	Ohio Public Employees
Penn Mutual Life	Janney Montgomery Scott
Nationwide Fund Advisors	AIG, SunAmerica Asset
KBC Group NV	Deere & Co
John Hancock – Multiple Portfolios	Parametric Portfolio
JP Morgan Chase	ING
State Farm Mutual – Multiple Portfolios	First Manhattan
D E Shaw & Co	Goldman Sachs
Amerprise Financial	BNP Paribas
Mitsubishi UFJ Asset	Wells Fargo
Gagnon Securities	Olympus
American Family Mutual	Summit Investment
Hartford Life	Source Investment
Rodney Strong	US Bancorp
Wilshire Associates	Block River Asset

Valuation Analysis (cont)

We note the average market capitalization of designated comparables is **\$825.98M** or about **2.9X** the implied multiple of CYTX's market cap of **\$288.41M**. In a review of the overall public stem cell sector companies, CYTX has a **0.5X** multiple and a full value of **\$2.73**.

Stem Cell Company Direct Comparables

Company	Ticker	Price	Market Cap (\$M)	EV (\$M)
ThermoGenesis	KOOL	\$3.41	\$47.82	\$37.63
Osiris Therapeutics	OSIR	\$7.52	\$246.58	\$168.03
Dendreon	DNDN	\$38.16	5,510.00	\$5,210.00
NeoStem	NBS	\$1.46	\$84.12	\$86.34
Athersys	ATHX	\$2.63	\$49.79	\$33.96
Geron Corporation	GERN	\$5.27	\$540.63	\$415.09
Aastrom Biosciences	ASTM	\$3.25	\$91.82	\$77.63
Tengion, Inc.	TNGN	\$3.00	\$37.07	\$30.10
Average of Comparables		\$8.09	\$825.98	\$757.35
Cytori Therapeutics	CYTX	\$5.71	\$288.407	\$283.70
Implied Multiples			2.9x	
Implied Fair Value CYTX			\$16.35	

Stem Cell Company Comparables

Company	Ticker	Price	Market Cap (\$M)	EV (\$M)
Biotime	BTX	\$8.71	\$414.56	\$389.14
Opexa Therapeutics	OPXA	\$2.33	\$43.03	\$38.90
Neuralstem	CUR	\$2.10	\$97.59	\$86.00
Pluristem Therapeutics	PSTI	\$2.30	\$60.54	\$47.31
Intl. Stem Cell Corporation	ISCO.OB	\$2.01	\$145.64	\$139.93
Reneuron Group	RENE.L	\$9.97	\$64.68	\$21.22
Average of Comparables		\$4.57	\$137.67	\$119.28
Cytori Therapeutics	CYTX	\$5.71	\$288.41	
Implied Multiples			0.5x	
Implied Fair Value CYTX			\$2.73	

Valuation Analysis (cont)

Company	Ticker	Price	Market Cap (\$M)	EV (\$M)
Syneron Medical	ELOS	\$10.15	\$349.89	\$137.49
Cynosure	CYNO	\$11.01	\$138.73	\$48.43
Palomar Medical Technologies	PMTI	\$14.94	\$277.48	\$197.01
Average of Comparables		\$12.03	\$255.37	\$128.13
Cytori Therapeutics	CYTX	\$5.71	\$288.407	
Implied Multiples			0.9x	
Implied Fair Value CYTX			\$5.06	

Our Standardized Scimitar Valuation Matrix and Price Target Sensitivity Analysis below assume a **2010** EPS (the companies second estimated year of profitability) of **(\$0.52)**. We apply a standard **20x** P/E biotech multiple to 2010 EPS and a 10% Discount Rate back to 2009 or 4 years/periods and achieve a fair value of **\$7.05** per share.

Cytori Therapeutics (CYTX)					
Valuation Matrix					
Based on projected EPS in 2010 of:					(\$0.52)
	Discount Factor				
P/E x	5.0%	10.0%	15.0%	20.0%	25.0%
10	(\$4.25)	(\$3.53)	(\$2.95)	(\$2.49)	(\$2.11)
15	(\$6.37)	(\$5.29)	(\$4.43)	(\$3.74)	(\$3.17)
20	(\$8.50)	(\$7.05)	(\$5.90)	(\$4.98)	(\$4.23)
25	(\$10.62)	(\$8.82)	(\$7.38)	(\$6.23)	(\$5.29)
30	(\$12.74)	(\$10.58)	(\$8.86)	(\$7.47)	(\$6.34)

Clinical Status

Cytori's Commercial Focus and Clinical Studies				
Product	Clinical Development Phase			
Cell-enriched fat grafting	Pre-Clinical	Pilot	Pivotal	Market
Acute myocardial infarction	Pilot data May 7			
Chronic heart disease	Pilot data May 7			
Investigator-Sponsored Studies (Open-access to Celution® operating system)				
Product	Clinical Development Phase			
Stress urinary incontinence	Pre-Clinical			
Wounds & radiation injury	Pre-Clinical			
Renal failure	Pre-Clinical			
Liver disease	Pre-Clinical			
Peripheral vascular disease	Pre-Clinical			

Key Catalysts and Milestones

Corporate Value Drivers for next 12 months	STATUS
Acute & chronic heart disease 6-month data	Completed
PureGraft™ US launch	Completed
PureGraft™ EU approval & launch	On-Going
Initiate US clinical studies (soft tissue)	On-Going
Expand to select emerging markets (commercial CRs)	On-Going
Breast reconstruction study 12-month results & reimbursement	On-Going
Data from investigator led studies	On-Going
Strategic partnering opportunities	On-Going
Initiate EU AMI Study in 2010	On-Going

Celution® System	STATUS
Broaden therapeutic applications	On-Going
RESTORE 2 claim and reimbursement study	On-Going
Goal 18,000 hospitals plus specialty clinics worldwide	On-Going
Submission of IDE in FY10	On-Going

PureGraft™	STATUS
US clearance and launch	Completed
EU clearance and launch	On-Going

APOLLO	STATUS
APOLLO Heart Attack Pilot Study Enrollment	Completed
6-month data reported	Completed
Institute EU pivotal study	On-Going
Strategic Partnering Opportunities	On-Going

Patents

CYTX's global patent portfolio is built around the Celution® System and the numerous therapeutic uses for which the Celution® System output can be tailored. CYTX's current products as well as future generation products in development are protected.

Celution® System Patents	
Device	US Patent No#: 7,390,484; 7,514,075
Single use consumables	US Patent No#: 7,390,484;7,514,075
Reagents	US Patent No#: 7,390,484; 7,473,420; 7,514,075
User interface	US Patent No#: 7,514,075
Adipose tissue via liposuction or lipectomy	US Patent No#: 7,390,484
Method for cosmetic & reconstructive surgery	US Patent No#: 7,429,488
Method for cell banking	US Patent No#: 7,501,115

Future Generation Products in Development Patents	
Celution® System: Device - Alternative configurations, including Celution® One device to be manufactured by Olympus-Cytori Joint Venture - Non-centrifuge based desktop devices	US Patent No#: 7,390,484; 7,514,075
Celution® System: Single Use Consumables - Alternative Configurations	US Patent No#: 7,390,484; 7,514,075
Celution® System: Output - Optimized for intravascular delivery - Optimized for specific therapeutic applications	US Patent No#: 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 No#: 7,390,484; 7,473,420; 7,514,075

Licensed Patents from University of California	
Adipose Tissue (Future Generation Products)	US Patent No#: 7,740,537
Celution® System capable of cell culture or antibody selection	US Patent No#: 7,390,484 and 7,514,075

Technology

Cytori's mission is to improve the quality and length of life by providing innovative regenerative therapies to patients. Specifically, Cytori Therapeutics' goal is to provide access to clinical grade Adipose-Derived Stem and Regenerative Cells (ADRCs). ADRCs, sometimes referred to as stromal vascular fraction cells, are a heterogeneous or mixed population of cells found in adipose tissue. This population includes adult stem cells, endothelial progenitor cells, leukocytes, endothelial cells, and vascular smooth muscle cells.

Adipose, also known as fat tissue is a rich and accessible known source of stem cells. It contains a specialized class of stem cells comprised of multiple cell types that promote healing and repair. Adipose stem cells have been shown to differentiate into multiple cell types, including muscle cells (heart, smooth and skeletal) bone, fat, cartilage and nerve. Beyond differentiation, regenerative cells may provide therapeutic benefit through the release of growth factors and other therapeutic healing mechanisms.

The major advantages of adipose tissue as a source of regenerative cells, which distinguish it from alternative cell sources, include: yield, a therapeutic dose of regenerative cells can be isolated in approximately one hour without cell culture; safety, patients receive their own cells (autologous-use) so there is no risk of immune rejection or disease transmission; versatility, stem cells from adipose tissue impart benefit from multiple mechanisms-of-action.

Given this, Cytori has developed a proprietary device for cost-effective access to a patient's own ADRCs at the point-of-care: the Celution® System family of products. Celution® System seed products include PureGraft™ and StemSource® Cell Bank.

The Celution™ System is designed to automate the proprietary process and methods for extracting and purifying a high yield of stem cells. Cytori's goal is to introduce the first system that can enable real-time, cellular therapy at the bedside.



Autologous adult stem and regenerative cells are thought to promote healing of scarred or injured tissue. While we are learning more about the exact mechanisms every day, it is believed that this heterogeneous population of cells influences the local environment via cell-to-cell signaling, immune modulation, and differentiation into other cell types. The use of ADRCs in the treatment of many different medical conditions (including cardiovascular disease, soft tissue defects, wound healing, and many more) is being evaluated in numerous clinical and preclinical studies around the world.

The use of ADRCs is a unique and promising approach and holds key advantages over stem and regenerative cells from other sources. While stem and progenitor cells usually make up less than 5% of all ADRCs¹, this is 2,500-fold more than the frequency of such cells in tissues such as bone marrow (0.002%). The abundance of ADRCs in adipose tissue and the ability to easily collect large amounts of adipose tissue via liposuction eliminates the need for tissue culturing.

Notably, ADRCs have been shown in preclinical and clinical applications to increase blood flow in ischemic tissue; also, these cells have demonstrated increased blood flow which restores health in important unmet medical needs.

Technology (cont)

Cytori's Celution[®] 700 System

This device technology processes adipose tissue to obtain a diverse and mixed population of cells. Key claims are directed to a closed processing system for tissue collection, filtration, concentration and a provision for aseptic removal.

The system for brings a mixed population of cells including, but not limited to fibroblasts, red blood cells, white blood cells, smooth muscle cells, smooth muscle progenitor cells, endothelial cells, endothelial progenitor cells, lymphatic cells, lymphatic progenitor cells, as well as adult stem cells.



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 in the EU and Asia 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 meaningful gross margins. Given the urgent need for affordable healthcare, Cytori is uniquely positioned to provide cost-effective access to regenerative medicine.

Technology (cont)

PureGraft™



Product Description

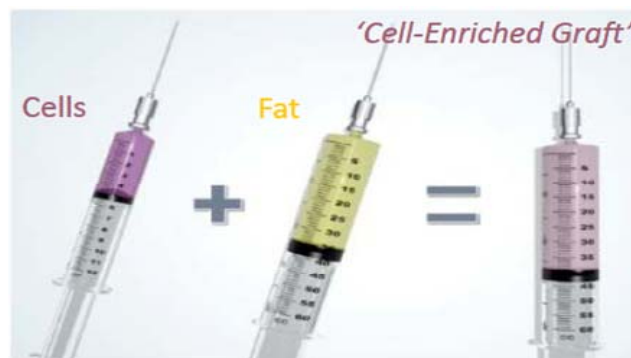
PureGraft is a revolutionary product developed by Cytori Therapeutics which allows the operator to prepare a fat graft in about 20 minutes. With no mechanical equipment required, the PureGraft bag clears the lipoaspirate of blood, tumescent fluid, and free lipid in a closed, sterile system which is easy to operate. Furthermore, the physician is in complete control of the hydration of the fat graft by adjusting the length of time that the bag is allowed to drain during the final step.

Key Features & Benefits

- Fast - It only takes approximately 20 minutes to prepare between 50-500 mL of graft.
- Space-saving – No mechanical equipment needed.
- Controllable – The physician can control the hydration of the graft by varying the drain times and number of wash cycles.
- Sterile – This single-use, closed, sterile, disposable product reduces the risk of graft contamination during preparation.

PureGraft™ is for the preparation of fat grafts in a closed, sterile field. With advanced filtering capabilities, PureGraft™ selectively washes the lipoaspirate and drains the tumescent fluid, free lipid and debris in less than 15 minutes, streamlining the graft preparation process. With no mechanical equipment, the PureGraft™ System is easy to operate and allows the physician to control hydration of the graft. Compared to conventional graft preparation techniques, the PureGraft™ System has been designed to prepare grafts quicker and to process larger volumes (50-250 mL).

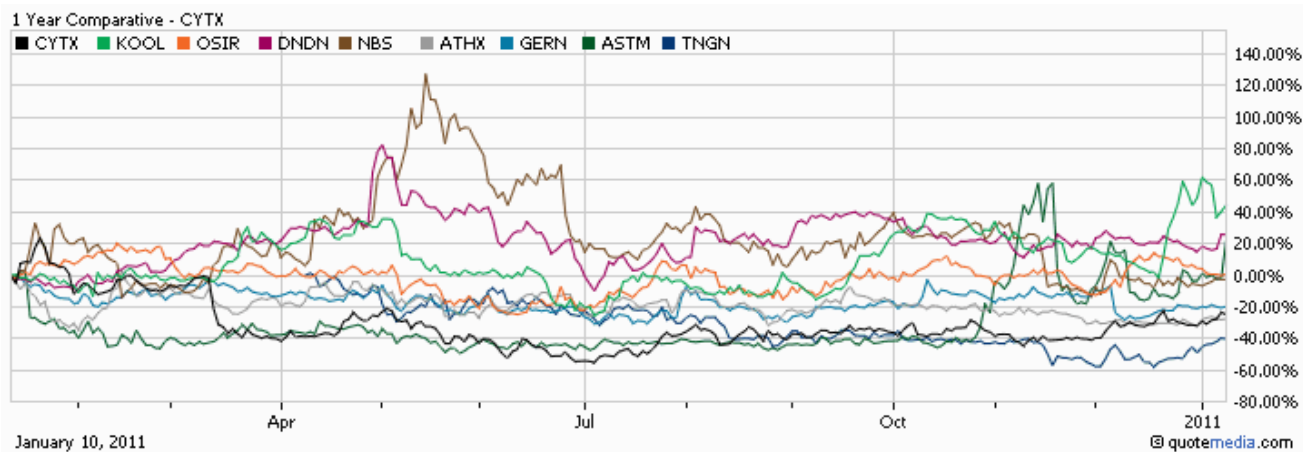
The PureGraft™250/PURE System is indicated for use in the harvesting, filtering and transferring of autologous fat tissue for re-injecting back into the same patient for aesthetic body contouring. The PureGraft™250/PURE System includes the PureGraft™ 250/PURE Consumable Set, the PureGraft™250/CK Convenience Kit and the PureGraft™550/IS Instrument Set.



CYTX Share Price and Volume



Comparables Index



- Cytori Therapeutics, Inc. (CYTX): Black**
- ThermoGenesis, Corp. (KOOL): Light Green**
- Osiris Therapeutics, Inc. (OSIR): Orange**
- Dendreon, Corp. (DNDN): Purple**
- NeoStem, Inc. (NBS): Brown**
- Athersys, Inc. (ATHX): Grey**
- Geron Corp. (GERN): Light Blue**
- Aastrom Biosciences, Inc. (ASTM): Dark Green**
- Tengion, Inc. (TNGN): Dark Blue**

Financial Highlights

Q3/10

CYTX reported a net loss of \$10.4M or \$(0.23) per share. Q3/10 product revenues were \$1.5 M and gross profit was \$0.6 M with no StemSource® Cell Bank sale. Decline in Q3/10 consumable orders reflects seasonality of cosmetic procedures in July and August. Total operating expenses were \$10.3M. R&D expenses were \$2.48M; SG&A expenses were \$2.9M with G&A clocking in at \$3.06M. The increase in operating expenses in Q3/10 was \$10.25M and is due in part to a \$1.8M non-cash change in the fair value of the warrant liability. Total operating expenses reflect an increase in SG&A activities that was partially offset by a decrease in R&D costs. Other expenses (interest expense of \$759K, \$27K and loss from JV of \$43K) increased offset by interest income of \$3K. The loss was based on basic and diluted weighted average common shares of 45.9 M. Cash and cash equivalents as of 9/30/10 were \$30.7M. An additional \$19.3M in net proceeds were raised subsequent to the end of Q3/10 through a public offering of common stock. For the 9 month (FY10) period, product revenue was \$5.9M while gross profit was \$3.1M. Revenue growth for the 1st 9 months of FY10 is due in part to increased demand for the Celution® System for private pay cosmetic surgery procedures and the sale of a StemSource® Cell Bank in Q1 and Q2/10. Total operating expenses were \$22.1M for 1st 9 months of 2010.

Q2/10

CYTX's net loss was \$5.4 M and \$0.12 per share. Product revenues were \$2.1M for the quarter and \$4.4 M for the first six months in 2010, compared to \$1.3 M and \$3.2 M for the same time periods, respectively, in 2009. Gross margin was 58% with a gross profit of \$1.2 M for the second quarter of 2010 and 58% and \$2.5 M for the first half of 2010. This compares with a gross margin of 39% and a gross profit of \$0.5 M for the second quarter of 2009, and a gross margin of 42% and a gross profit of \$1.3 M for the first 6 months of 2009. Product revenues and gross profit grew 64% and 141% respectively comparing second quarter 2010 with the second quarter of 2009, due largely to increased direct sales and reduced reliance on distributors. Total operating expenses were \$6.3 M and \$11.8 M for the second quarter and first six months of 2010, respectively, compared to \$8.2 M and \$14.6 M for the same periods, respectively in 2009. Compared to the same periods a year ago, the decline in total operating expenses are primarily due to a net reduction in non-cash expenses for changes in fair value of the warrant and option liabilities. We experienced a decrease in research and development expenses, partially offset by a greater investment into sales and marketing efforts as well as increased corporate costs. Net cash used in operating activities was \$4.5 M for the three months ended June 30, 2010 as compared to \$6.0 M for the same period in 2009. Cash and cash equivalents as of June 30, 2010 were \$38.1 M and we ended the quarter with \$2.6 M in net accounts receivable.

Q1/10

The net loss for Q1/10 was \$2.447 M or \$(0.06) per share. Q1/10 total revenue was \$4.4 M. Q1/10 product revenues were \$2.3 M from Celution® and StemSource® sales in Europe, Asia and the US (representing 19% product revenue growth over Q1/09 of \$1.9 M and 80% growth over Q4/09) and \$2.1 M in development revenue. The cumulative number of revenue generating systems grew to 110 in Q1/10 (compared to 59 in Q1/09). In addition, 342 consumables were shipped in the first quarter of 2010, compared to 337 consumables shipped in the fourth quarter of 2009 and 241 consumables shipped in the first quarter of 2009. Of these, 261 consumables were re-orders in the first quarter of 2010, compared to 164 re-orders in the same quarter of 2009 and 258 re-orders in the prior quarter. Gross margin grew 59% (a gross profit of \$1.3 M) in Q1/10 (compared with 43% in Q1/09). The improvement in margin is due largely to a greater proportion of direct sales and improved manufacturing efficiencies. Total operating expenses were \$5.6 M (compared to \$6.4 M in Q1/09). Included in operating expenses was a \$1.9 M net reduction in non-cash change in fair value of the warrant and option liability compared to a \$0.8 M net reduction in Q1/09. CYTX ended Q1/10 with \$22.7 M in cash and cash equivalents (versus \$12.9 M at 12/31/09) plus \$2.7 M in accounts (net) receivables. Subsequent to the end of Q1/10, CYTX raised an additional \$2.3 M from the sale of stock through the equity agreement with Seaside 88, LP.

Cytori Therapeutics (CYTX)							
Consolidated Income Statement							
(in thousands, except per-share data)							
Period Ending	2008A	2009A	2010	2010	2010	2010	FY10E
			Q1A	Q2A	Q3A	Q4E	
Product Revenues							
Total Product Revenues	4,528.0	5,837.0	2,266.0	2,091.0	1,519.0	2,600.0	8,476.0
% growth	472%	29%		-8%	-27%	71%	45%
Development Revenues							
Total Development Revenues	2,325.0	8,893.0	2,143.0	7.0	65.0	700.0	2,915.0
% growth	-56%	282%		-100%	829%	977%	-67%
Total Revenues	6,853.0	14,730.0	4,409.0	2,098.0	1,584.0	3,300.0	11,391.0
% growth	13%	115%		-52%	-24%	108%	-23%
Cost of Product Revenue							
Total Cost of Product Revenue	1,854.0	3,394.0	930.0	883.0	920.0	1,500.0	4,233.0
% total revenue	27%	23%	21%	42%	58%	45%	37%
Gross profit	4,999.0	11,336.0	3,479.0	1,215.0	664.0	1,800.0	7,158.0
% product gross margin	73%	77%	79%	58%	42%	55%	63%
Operating Expenses							
Research and development	17,371.0	12,231.0	2,245.0	2,301.0	2,480.0	2,975.0	10,001.0
% of total revenue	253%	83%	51%	110%	157%	90%	88%
Sales and marketing	4,602.0	6,583.0	1,999.0	2,425.0	2,932.0	2,000.0	9,356.0
% of total revenue	67%	45%	45%	116%	185%	61%	82%
General and administrative	11,727.0	10,415.0	3,218.0	3,052.0	3,060.0	2,600.0	11,930.0
% of total revenue	171%	71%	73%	145%	193%	79%	105%
Change in fair value of warrants	0.0	4,574.0	(2,167.0)	(1,461.0)	1,803.0	(1,000.0)	(2,825.0)
% of total revenue	0%	31%	-49%	-70%	114%	-30%	-25%
Change in fair value of option liabilities	1,060.0	(920.0)	260.0	(60.0)	(20.0)	0.0	180.0
% of total revenue	15%	-6%	6%	-3%	-1%	0%	2%
Total Operating Expenses	34,760.0	32,883.0	5,555.0	6,257.0	10,255.0	6,575.0	28,642.0
Operating Loss	(29,761.0)	(21,547.0)	(2,076.0)	(5,042.0)	(9,591.0)	(4,775.0)	(21,484.0)
Other income (expense)							
Gain on sale of assets	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Interest income	230.0	20.0	1.0	2.0	3.0	3.6	9.6
Interest expense	(420.0)	(1,427.0)	(276.0)	(254.0)	(759.0)	(376.2)	(1,665.2)
Other expense, net	(40.0)	(218.0)	(75.0)	(49.0)	(27.0)	0.0	(151.0)
Equity loss from investment in joint venture	(45.0)	(44.0)	(21.0)	(34.0)	(43.0)	0.0	(98.0)
Total Other Income (net)	(275.0)	(1,669.0)	(371.0)	(335.0)	(826.0)	(372.6)	(1,904.6)
Other comprehensive loss-unrealized loss							
Other comprehensive loss-unrealized loss	0.00	0.00	0.0	0.0	0.0	0.0	0.00
Comprehensive loss	(30,036.0)	(23,216.0)	(2,447.0)	(5,377.0)	(10,417.0)	(5,147.6)	(23,388.6)
Basic and Diluted Net Loss per Share							
Basic and diluted weighted average common shares	(\$1.12)	(\$0.65)	(\$0.06)	(\$0.12)	(\$0.23)	(\$0.11)	(\$0.52)
	26,882,431.0	35,939,260.0	42,281,381.0	45,295,965.0	45,905,580.0	45,295,965.0	45,295,965.0

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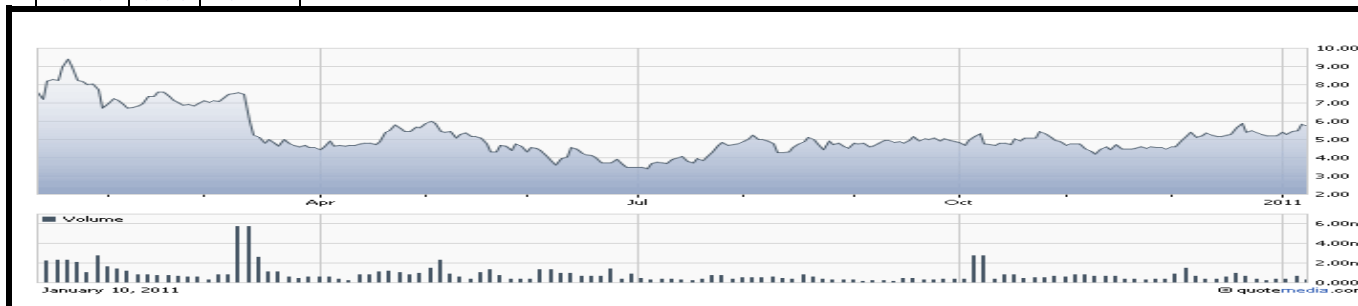
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