

2014 STOCKHOLDER LETTER

ORTHOPAEDICS

SPORTS MEDICINE

WOUND CARE

*Advancing Healthcare Science  
Through Smarter  
Regenerative Products,  
Right Now.*

Osiris transitioned into a commercial enterprise

2014

Prochymal® is world's first approved stem cell drug

2012

NASDAQ – OSIR

2006

Osteocelel® is world's first stem cell product to market for bone repair

2005

First patient treated with MSCs

1998

**Osiris**<sup>®</sup>  
THERAPEUTICS, INC.

Smart Medicine.® Right Now.®

Dear Stockholders,

Last year, Osiris accelerated its transformation into a fully integrated commercial biotechnology company in the areas of wound care and orthopaedics/sports medicine. Essential to our successful commercial transformation have been the implementation of winning distribution strategies, creation of a leadership team, and improvement of gross margin and profitability. The company successfully navigated this transition while advancing its pipeline of cellular regenerative medicine products and creating regulatory clarity for its existing product portfolio.

Our distribution strategy for the wound care business was implemented in 2014, with the creation of a competitive commercial infrastructure including over 100 sales professionals, a health policy and reimbursement field team, a marketing department, and a customer service team. This commercial team has made significant progress to grow Grafix® to the skin substitute of choice. Physicians appreciate Osiris' credible scientific approach to the commercialization of Grafix and welcome a company that is evidence-based.

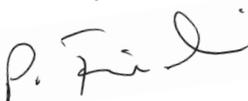
For the orthopaedic (BIO<sup>4</sup>™) and sports medicine (Cartiform®) businesses, Osiris established strategic partnerships in the fourth quarter with Stryker Corporation and Arthrex, Inc., respectively. Osiris and our partners have shared responsibilities with the mutual goal to build strong brands and identify new innovative products. These partnerships will not only contribute to Osiris' growth, but they will also provide diversification to our portfolio and long-term strategic options.

These distribution strategies set the company up for long-term revenue growth. In 2014, revenue grew 146% to \$59.9 million from \$24.3 million in 2013. While we grow our revenue, we remain laser-focused on improving gross margin and identifying opportunities to preserve cash. Last year marked an important milestone in the long history of the company – Osiris turned profitable in the third quarter and generated income from operations.

Osiris also collaborated with our partner Mesoblast to further advance Prochymal® in Graft versus Host Disease. Prochymal has now been submitted to the health authorities in Japan and is being further developed in the US. We sincerely hope that this innovative treatment will be approved in these key regions and will save many lives.

Growing a company requires an experienced leadership team that is fully aligned with the company's strategic objectives. Osiris more than doubled its management team with the additions of experienced leaders in medical affairs, the orthopaedics and sports medicine business, and the legal, reimbursement, manufacturing, and finance departments. This team is well positioned to lead the company towards sustained long term growth. Osiris operates in a highly regulated environment; regulatory compliance is one of our key corporate priorities. We absolutely strive to meet the standards demanded by our regulators because Osiris believes it is the right thing to do for our stockholders, clients, employees and most importantly, the physicians and patients. We thank you for your continued support and appreciate your confidence.

Sincerely,



Peter Friedli  
Chairman



Lode Debrabandere, Ph.D.  
President and Chief Executive Officer