

ORTHOPEDICS

SPORTS MEDICINE

WOUND CARE

*Setting Higher Expectations
For Ourselves,
For Everyone*

Commercial launch of
Grafix[®]
Cartiform[®]
OvationOS[™]

2013

Prochymal[®] is world's first
approved stem cell drug

2012

NASDAQ – OSIR

2006

Osteocel[®] is world's first stem cell
product to market for bone repair

2005

First patient treated
with MSCs

1998


Osiris[®]
THERAPEUTICS, INC.

Smart Medicine.[®] Right Now.[®]

Dear Shareholders,

Last year marked the beginning of a new chapter for the company. Our goals are ambitious and we are focused on building a best-in-class commercial enterprise by bringing our intelligent therapies Grafix®, Cartiform® and OvationOS™ to more patients in need.

In 2013, we completed a major deal with Mesoblast in which they now continue the development of Prochymal®, the first stem cell drug to receive regulatory approval. The deal is worth up to \$100 million plus royalties. This partnership provides us with resources but, even more importantly, sharpens our focus on corporate strategy. We also tripled our revenue to \$24.3 million in the core areas of wound care, sports medicine and orthopedics with our three commercial products.

Our sights are now set on the execution of our corporate strategy as we prepare our company for long-term revenue growth. We are confident that we have the right people, culture and processes in place to achieve industry leading **commercial transformation, innovation** and **differentiation** – the three pillars of our strategy.

Commercial Transformation. Osiris is investing heavily to ensure a swift transformation to a commercial enterprise. In 2014 for the first time in the company's history, commercial investments will exceed R&D investments. Our commercial strategy has three very specific areas of focus: (1) obtain full market access and reimbursement for our products, (2) build a competitive commercial infrastructure, and (3) provide the customer with the best service and experience.

Innovation. Our R&D activities will be focused on two areas: (1) tissue repair and reconstruction in the acute and chronic wound market and (2) motion preservation in the orthopedics and sports medicine markets. These target markets have significant unmet medical needs representing multi-billion dollar business opportunities.

Differentiation. What differentiates our company and our products is our science, clinical development programs, manufacturing know-how and intellectual property – the results of a 20-year head start in stem cell R&D. Osiris has unique resources and capabilities that allow us to satisfy unmet medical needs in ways that are difficult for our competitors to copy. With this, we can offer better products and build stronger barriers to entry for our competitors.

Our science and clinical data remain unmatched. Grafix, Cartiform and OvationOS offer better solutions that will have a positive economic impact on the healthcare system. After a smooth leadership transition at the end of 2013, we look forward to an exciting new era for Osiris.

We thank you for your continued support and appreciate your confidence.

Sincerely,



Peter Friedli
Chairman



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