



Living Cell Technologies Limited

Company Announcement

LCT and Otsuka to co-develop NTCELL[®] for Parkinson's disease

17th December, 2012 Sydney, Australia and Auckland, New Zealand – Living Cell Technologies Limited (ASX: LCT; OTCQX: LVCLY) today announced the signing of an agreement with Otsuka Pharmaceutical Factory, Inc. (Otsuka) to co-develop NTCELL[®] for the treatment of Parkinson's disease and other neurological disorders.

LCT will receive an upfront payment of A\$3m within 30 days of signing. In addition, Otsuka will fund all development costs, estimated at \$2m, to complete the previously announced Phase I trial of NTCELL in Parkinson's disease. LCT will receive a further milestone payment of \$2m when the first patient in the Phase I Parkinson's trial has been safely implanted with NTCELL. This is expected to occur in the second quarter of 2013.

In return, LCT has granted Otsuka an exclusive option to jointly develop and commercialise NTCELL in Parkinson's and other neurological diseases, including hearing loss, through Diatranz Otsuka Limited (DOL), the 50:50 joint venture formed between LCT and Otsuka. If Otsuka exercises this option it will subscribe for \$20 million of additional equity into DOL to fund the ongoing development of NTCELL in Parkinson's disease through to market approval and to further develop NTCELL in other neurological diseases. At the same time LCT will transfer the intellectual property for therapeutic use of NTCELL in neurological disease and hearing loss into DOL. This will create a new \$40m asset in the DOL joint venture. Both OPF and LCT will remain equal shareholders in DOL after this transaction.

LCT will retain the exclusive, perpetual licence to develop NTCELL for the treatment of all other, non-neurological diseases.

"This agreement ensures that, if the Phase I clinical trials are successful, the development of NTCELL as a treatment for Parkinson's disease will be fully funded through to market approval," said Andrea Grant, Managing Director of LCT. "We will be able to bring NTCELL to patients and the market without further recourse to our shareholders' funds, whilst retaining 50% of the commercial return through our shareholding in DOL."

LCT will use the \$3m up front and \$2m early milestone payment to further develop its other therapeutic products, including NTCELL in non-neurological diseases, and other cell based products from its technology platform.

"We can also set about securing further assets and partnerships to broaden and diversify our platform technologies and product pipeline," said Dr Grant.

Hiromi Yoshikawa, Executive Senior Managing Director, Otsuka Pharmaceutical Factory, said, "Our partnership with LCT in DIABECCELL has delivered on all fronts in the last year. NTCELL represents another pioneering potential therapeutic that LCT has developed. We are delighted to extend our partnership to include NTCELL so that together we might transform the lives of patients with Parkinson's disease and other neurological disorders."

Roy Austin, Chairman, LCT added, "That Otsuka has chosen to expand its partnership with LCT is a testament to the mutual respect and trust that the two companies have for each other, and to the progress we have made in the last year. It further validates LCT's approach to innovative research, clinical development and business development, and enables us to continue to build LCT into a biopharmaceutical company with a diverse platform of technologies and therapeutic assets."

Key terms of the agreement

- OPF and LCT form a co-development partnership to undertake the Phase I trial of NTCELL in Parkinson's disease during 2013 and 2014. Otsuka will fund all costs associated with the completion of the Phase I trial.
- In consideration of the co-development partnership, Otsuka will make a \$3m upfront payment to LCT, plus an additional \$2m milestone payment when the first patient in the trial has been safely implanted with NTCELL. This milestone is expected to occur in Q2 2013.
- Upon exercise of the option, LCT will vest the NTCELL IP for use in developing treatments for neurological disease and hearing loss into DIATRANZ OTSUKA LIMITED (DOL), the 50:50 joint venture formed between LCT and Otsuka in November 2011. At the same time, Otsuka will invest an additional \$20m of capital into DOL to fund the clinical development of NTCELL in Parkinson's through to market approval and to develop NTCELL for other neurological diseases. Both companies will retain a 50% interest in DOL.
- LCT will retain the exclusive, perpetual right to develop NTCELL for the treatment of all other non-neurological diseases.

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For further information: www.lctglobal.com

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About NTCELL

LCT and Otsuka Pharmaceutical Factory are co-developing NTCELL[®] for the treatment of Parkinson's disease and other neurological conditions.

Parkinson's disease is the second most common neurodegenerative disorder after Alzheimer's disease and affects 4 to 6 million people worldwide. It is characterised by the loss of dopamine producing cells in the brain. Early symptoms include tremor, rigidity and slowness of movement. Later the disease also impacts cognitive function and behaviour. Current treatments are only useful in managing symptoms in the early stages of the disease. These treatments do not reverse or slow the degeneration of neurons in the brain and effectiveness declines as the disease progresses.

NTCELL is pig choroid plexus cells which have been encapsulated with IMMUPEL™, LCT's proprietary immune-protective capsule system, which prevents the immune system rejecting the pigs cells as foreign. The choroid plexus cells are naturally occurring in the brain where they produce hormones – neurotrophins – which are vital to health and survival of brain tissue and also help the brain repair itself after disease or injury. It is expected that transplantation of NTCELL into the brain of Parkinson's patients will induce regeneration of neurons, including dopamine producing neurons, thereby delaying or even preventing the debilitating consequences of Parkinson's disease.

LCT has received approval from Medsafe, New Zealand's medicines regulator, and ethics approval for the first clinical trial of NTCELL in Parkinson's disease. Recruitment is anticipated to commence by early 2013.

LCT is also progressing research and development for NTCELL in non-neurological conditions.

About Living Cell Technologies

Living Cell Technologies (LCT) leads the world in developing cell-based therapeutics to treat diseases with high unmet clinical need. Its proprietary cell encapsulation technology IMMUPEL™ allows for cell transplantation without the need for immunosuppressant drugs.

LCT's lead therapeutic candidate DIABECCELL® is indicated for the treatment of patients with type 1 diabetes, especially those suffering from life threatening episodes of unaware hypoglycaemia (low blood sugar), a dangerous and potentially fatal diabetes complication. DIABECCELL is currently in Phase II clinical trials in both New Zealand and Argentina.

In 2011, LCT formed a partnership with Otsuka Pharmaceutical Factory Inc (OPF) in which the joint venture Diatranz Otsuka Limited (NZ) was established. Valued at A\$50m on formation, LCT vested the DIABECCELL product and associated IP into the JV, while OPF vested A\$25m to fund the final phase of development of DIABECCELL through to market approval. Both LCT and OPF are 50:50 shareholders in the current and future value generated by DIABECCELL and the associated IP.

LCT has also developed NTCELL®, a choroid plexus cell product, to treat neurodegenerative diseases such as Parkinson's disease and stroke. NTCELL's pre-clinical trial results indicate potential for protecting, repairing and possibly regenerating brain tissue which would otherwise die.

LCT is incorporated in Australia. Research and development, operations and manufacturing facilities are based in New Zealand.

Note to editors: All values noted are in Australian dollars unless stated otherwise.

LCT Disclaimer

This document contains certain forward-looking statements, relating to LCT's business, which can be identified by the use of forward-looking terminology such as "promising," "plans," "anticipated," "will," "project," "believe," "forecast," "expected," "estimated," "targeting," "aiming," "set to," "potential", "seeking to," "goal," "could provide," "intends," "is being developed," "could be," "on track," or similar expressions, or by express or implied discussions regarding potential filings or marketing approvals, or potential future sales of product candidates. Such forward-looking statements involve known and unknown risks, uncertainties and other factors that may cause actual results to be materially different from any future results, performance or achievements expressed or implied by such statements. There can be no assurance that any existing or future regulatory filings will satisfy the FDA's and other health authorities' requirements regarding any one or more product candidates nor can there be any assurance that such product candidates will be approved by any health authorities for sale in any market or that they will reach any particular level of sales. In particular, management's expectations regarding the approval and commercialization of the product candidates could be affected by, among other things, unexpected clinical trial results, including additional analysis of existing clinical data, and new clinical data; unexpected regulatory actions or delays, or government regulation generally; our ability to obtain or maintain patent or other proprietary intellectual property protection; competition in general; government, industry, and general public pricing pressures; and additional factors that involve significant risks and uncertainties about our products, product candidates, financial results and business prospects. Should one or more of these risks or uncertainties materialize, or should underlying assumptions prove incorrect, actual results may vary materially from those described herein as anticipated, believed, estimated or expected. LCT is providing this information and does not assume any obligation to update any forward-looking statements contained in this document as a result of new information, future events or developments or otherwise.