

Press Release

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Azellon to commence human Phase I/IIa clinical trial of stem cell therapy after Mr Hugh Osmond leads successful funding round

Azellon Cell Therapeutics Ltd, ("Azellon"), the developer of a stem cell therapy for the repair of torn meniscal cartilage, today announced it has successfully completed a £0.65 million financing round that was required to take its pioneering stem cell bandage into human clinical trials and for related commercial activities. The financing round follows Azellon's recent approval from the Medicines and Healthcare products Regulatory Agency (MHRA) for the world's first clinical trial for the treatment of patients with torn meniscal cartilage using Cell Bandage. Azellon has raised £2.25m to date. The latest financing round was funded by existing investors IP Group plc, the developer of intellectual property based businesses, and Oxford Technology Management as well as new investors including the lead funder for the round, Mr Hugh Osmond, one of the UK's most successful entrepreneurs. Mr Osmond, founded Punch Group and was its Executive Chairman between 1997 and 2001, during which time he built Punch Group into one of the UK's largest pub companies. He previously co-led the acquisition and market listing of Pizza Express in 1993 and helped build it into the UK's largest sit-down restaurant chain.

More than 900,000 patients have meniscal tears every year in Europe with perhaps 800,000 to one million meniscal repairs in US making the total market 1.7 million meniscal tears per year. Current treatment is surgical removal of the damaged meniscus and leads to an increased risk of osteoarthritis in the injured knee. The Azellon Cell Bandage has been designed as an alternative to surgical removal.

This MHRA approved Phase I/IIa trial will treat 10 meniscal tear patients with a cell bandage product, seeded with the patient's own stem cells. The trial will be undertaken at Southmead Hospital in Bristol and is scheduled to begin in May 2012 with interim data available within 18 months.

The current treatment for the majority of tears is the surgical removal of the meniscus, a procedure that often results in the early onset of osteoarthritis. Azellon's 'cell bandage' is grown from the patient's own stem cells and will be transplanted in the patient's knee joint within two weeks of extracting the stem cells from bone marrow.

The technology is believed to be the world's first adult and autologous (patient's own) stem cell treatment designed to heal meniscal tears*. More than 1.7 million people globally are estimated to have a part of or the full meniscus removed per annum making it a common orthopaedic procedure. Partial or full removal of the meniscus (meniscectomy) can provide significant pain relief within 3-5 months in most patients. It is, however, also well documented that 4-6 years after meniscectomy, osteoarthritic changes are noticeable in the knee of many patients, often leading to further joint surgery including total knee replacement.

Azellon is a spin-out company from the University of Bristol that was co-founded by Professor Anthony Hollander. Professor Hollander came to national prominence as part of the academic team that saved the life of Claudia Castillio, after developing the first tissue-engineered trachea

(windpipe) using the patient's own stem cells. This fully functioning airway was transplanted into the patient and saved her life.

Anthony Hollander, Chief Scientific Officer of Azellon Cell Therapeutics Ltd, said: "With permission for a trial from MHRA and completion of this funding round, we are now ready to get going on our safety trial; it's an important moment for Azellon and for stem cell research."

Alan Aubrey, CEO of IP Group plc, said: "Azellon's stem cell bandage is targeted at a very large and growing market with a clear medical need and we are pleased to support the company as it moves into its Phase I/IIa trial."

Hugh Osmond, who has a medical degree from Oxford University, said: "As a keen sportsman who has had multiple knee operations myself, I believe that this procedure has the potential to be a major breakthrough in treating knee and eventually other joint injuries. For many of the 1.7 million people a year who have operations to repair torn knee cartilage, it could be the difference between an active old age or spending their pension years in a wheel chair. I am very excited."

For more information, please contact:

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Notes for editors

*Meniscal tears are broken into two groups. One group is where the meniscal tear is in the outer margins, the so-called vascularised or red zone. The tears are likely to repair by simply reducing the tear with sutures or meniscal fixators which will promote good clinical outcome. This group is believed to be between 10% and 20% of all meniscal tears. The other group, representing 80% to 90%, consists of the tears to the avascularised or so-called white zone. Due to the absence of blood supply, these tears are unlikely to heal using sutures or meniscal fixators and are thus either partially or fully removed.

About Azellon

Azellon Ltd is focused on developing stem cell therapy for the repair of avascular meniscal tears. Today orthopaedic surgeons are partially or fully removing the meniscus which over 4-6 years will lead to osteoarthritic changes in the knee joint. The technology behind Azellon was developed by Professor Anthony Hollander over the last 8 years and has already been proven highly successful in an in-vitro model. Professor Hollander came to national prominence as part of the academic team that saved the life of Claudia Castillio, after developing the first tissue-engineered trachea (windpipe) using the patient's own stem cells. This fully functioning airway was transplanted into

the patient and saved her life. Azellon has received funding from the Wellcome Trust and the Technology Strategy Board and Bristows provide legal support.

For more information, please visit www.azellon-ltd.com.

About Azellon's technology

Azellon's technology is based on harvesting adult stem cells from the iliac chest, expanded under GMP conditions with a contract manufacture and in-seed an increased population of the patient's own cells into a membrane. This membrane will be surgically inserted, using mini arthrotomy, into the tear in the meniscus where it will be fixed by suture. Once in place, the newly implanted cells will communicate with the original cells. This communication is inductive for cells migrating between the implant and the original tissue leading to bridging or welding the tear. This is expected to lead to strong and long term repair without removing any tissue and thus avoiding the osteoarthritic changes in knee joints and subsequent further surgery.

About IP Group

IP Group is a leading UK intellectual property ("IP") commercialisation company, developing technology innovations primarily from its research intensive partner universities. The Group offers more than traditional venture capital, providing its companies with access to business building expertise, networks, recruitment and business support.

The Company's portfolio comprises holdings in over 60 companies including Oxford Nanopore Technologies, the DNA sequencing development company, Revolymmer, best known for its removable chewing gum and Xeros, which has received many accolades for its revolutionary clothes washing techniques with a much reduced requirement for water.

The portfolio includes early stage to mature businesses and has exposure to five main sectors - Energy & Renewables, Medical Equipment & Supplies, Pharma & Biotech, IT & Communications and Chemicals & Materials. To date, thirteen of the portfolio companies IP Group has backed have listed on the AIM market of the London Stock Exchange and one on PLUS Markets.

Founded in 2001, IP Group listed on AIM in October 2003 and moved to the Official List in June 2006. The Group now has long-term partnerships with twelve core universities including those under its commercialisation agreement with Fusion IP plc.

For more information, please visit our website at www.ipgroupplc.com.

About Oxford Technology Management

Oxford Technology Management is the manager of the £30 million Oxford Technology Enterprise Capital Fund (OTECF), a specialist investor in early stage technology companies in the United Kingdom. OTECF can invest between £100K and £2 million in suitable companies, plus appropriate follow-on investments. Oxford Technology Management is also the manager of four Oxford Technology Venture Capital Trusts, which are now closed to investments in new companies. www.oxfordtechnology.com/

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