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 DIABECELL 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.

– Ends –

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 DIABECELL® 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. DIABECELL 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 DIABECELL product and associated IP into the JV, while OPF vested A$25m to fund the final phase of development of DIABECELL through to market approval. Both LCT and OPF are 50:50 shareholders in the current and future value generated by DIABECELL 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.