

## Chairman's address

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### **Living Cell Technologies AGM 18 November 2014**

Now we come to the chairman's address. Today I'll talk about what Living Cell Technologies has achieved in the 2013/2014 year, update you on developments since year end and the annual report, and talk a little about where we're heading over the next 12 months.

In April this year, after a comprehensive review of our business, we undertook a strategic restructure of the company. The restructure allows us to reduce risk and concentrate our efforts on developing new clinical products and indications from our 100% owned technologies and intellectual property.

LCT now has 12 staff, focused on research and development. The remaining 55 staff transferred into Diatranz Otsuka Limited to drive the commercialisation of DIABECCELL®.

LCT's assets and equity are unchanged by the restructure, while the resulting reduction in consolidated annual revenue will be offset by corresponding reductions in consolidated annual expenses.

The restructuring means LCT can focus on the current clinical trial of NTCELL® as a potential treatment for Parkinson's disease.

We will also explore opportunities to develop new clinical products from our existing technology and intellectual property portfolio. Dr Ken Taylor will talk about the opportunities we're currently investigating in his presentation after the close of the official portion of the meeting.

The restructure also increases the capability of LCT's 50 percent owned joint venture company, Diatranz Otsuka Limited or DOL. DOL now directly employs the staff essential for successful commercialisation of DIABECCELL® where previously LCT provided the staff and functions for development on a fee-for-service basis.

In October DOL agreed to a loan facility of up to NZD42m from its other shareholder Otsuka Pharmaceutical Factory, Inc. (OPF). The loan will be repaid from DOL's cash flows. DOL has also agreed to licence DIABECCELL® to OPF for use in USA and Japan for a fee of up to NZD15m.

As DOL is a privately held company it does not have the same disclosure obligations as a listed entity like LCT does. However any significant news, events and developments are posted on its website. Please do look there from time to time.

In July the board confirmed Dr Ken Taylor in the role of chief executive of LCT. Dr Taylor joined LCT in February, initially as NTCELL program director, and he was appointed acting chief executive after the restructure.

Dr Taylor has had a prestigious career in business and academia across New Zealand, Europe and the United States. Already we are reaping the benefits of his experience, expertise and professional relationships in the field of neurodegenerative disorders.

There are two particular developments I would like to highlight:

First, the appointment of three high calibre scientific advisors in September to support our work on NTCELL. Professors Anne Young from Harvard, Roger Barker from Cambridge and Richard Faull from Auckland will review therapeutic opportunities and keep us up to date with advances in treatments for neurodegenerative diseases. LCT will benefit greatly from the support and guidance of these internationally recognised experts on the discovery of new treatments for neurodegenerative diseases.

Second, also in September, LCT formed a collaboration with the Centre for Brain Research at the University of Auckland. The aim of the collaboration is to identify additional neurodegenerative disease targets for clinical studies of NTCELL. You'll hear more about this collaboration from the director of the Centre for Brain Research, Professor Richard Faull.

In terms of the science, we have made good progress with our lead product candidate, NTCELL. As we discussed at last year's meeting, the first patient was successfully implanted in the Phase I/IIa clinical trial of NTCELL for Parkinson's disease in September 2013. The second patient was implanted in August 2014 and earlier this month we announced that the third and fourth patients in the trial have been recruited. The clinical trial team expects those patients to have received their NTCELL implants by the end of the calendar year. We anticipate results of the 26 week trial will be presented at the International Congress of Parkinson's Disease and Movement Disorders in June 2015.

In our annual report we highlighted the fact that the directors were actively working to improve the company's cash position. Since the report went to print there have been some significant developments on that front.

At the end of the first quarter of the new financial year we had a cash balance of almost \$3.2m. Net operating cash flow in the quarter was \$(1.3m) compared to \$(1.2m) last quarter. At 31 October 2014, following the private placement, the cash balance was \$5.9m.

That private placement was announced on 8 October, issuing 49,410,392 shares to a number of high profile New Zealanders, some of whom were existing shareholders, others are new investors in the company.

Sir Eion Edgar, Sir Stephen Tindall, Peter Cooper, Julian Robertson, Gary Lane and Peter Francis took part in the private placement of 14% of LCT share capital, raising \$3m for the company.

These investors had expressed an interest in our program of cell therapies for neurodegenerative diseases as well as a willingness to invest. They also have the capacity to invest further funds which will eventually be necessary to commercialise NTCELL for the treatment of Parkinson's and other indications. We are pleased to have attracted investment from some of New Zealand's most successful business people.

At the same time we announced a share purchase plan for existing shareholders, which now closes on the 28<sup>th</sup> of this month. Shareholders are invited to purchase up to \$15,000 worth of new fully paid Ordinary shares. The funds will be used for working capital to continue clinical trials of lead product NTCELL in Parkinson's disease and further develop it for other indications.

I would like to thank our employees for their dedication and contributions made during the past year. Much has changed at LCT but their commitment and talent has remained constant.

We would like to acknowledge the commercial, research and financial contribution of our business partner OPF.

We are grateful for the support of our shareholders – existing and new, our partners, mentors and peers as LCT enters the next phase in its mission to improve the wellbeing of people with serious diseases worldwide by discovering, developing and commercialising breakthrough cell therapies.