



Chairman's address AGM 28 November 2011

Let's move on to the Chairman's address, and it is my pleasure to report to you at my first AGM as your chairman.

As you will be aware there have been some key developments for LCT over the past year and I am pleased to have this opportunity to talk to you about what we have achieved – including a significant company changing opportunity which was announced recently.

Last month we were pleased to announce that LCT entered into a joint venture agreement with Otsuka Pharmaceutical Factory, Inc. to commercialise our DIABECELL® product. This is a relationship that your Board believes is crucial to the development of DIABECELL®, as well as LCT's development of our other products, NTCELL and IMMUPEL™.

Otsuka Pharmaceutical Factory has invested \$A25m cash while LCT has transferred its DIABECELL assets for \$A25m into a new joint venture company, Diatranz Otsuka Limited, which is owned 50/50 by both Otsuka Pharmaceutical and LCT. The joint venture offers two key advantages for LCT: Firstly, it ensures that we have sufficient funding to take DIABECELL® forward through to registration over the next 3 years, and secondly, it ensures that once we are ready to go to market we have the global presence to take full advantage of commercial opportunities.

Otsuka Pharmaceutical is a major Japanese pharmaceutical company, with a significant presence in over 20 countries. We are fortunate to have them as a partner and are encouraged by their optimism over what can be done with DIABECELL® – both in terms of therapeutic value and commercial value.

Bringing a new experimental treatment to market is a time consuming and expensive process. Due to the continued market turmoil – both on local stock markets and throughout the global economy - it has become increasingly difficult for small companies like LCT to generate sufficient funding to see product development programs through to completion.

It was therefore desirable to find a partner who shared our vision, was willing to commit significant financing and resources, and one with a global distribution network that can fully maximize DIABECELL®'s opportunities. It is therefore a perfect partner.

We are pleased to report that the development of DIABECELL® has progressed over the past year. We have started Phase II trials in Argentina – with that country becoming our third jurisdiction to be trialling our product. The body of evidence to support the safety and efficacy of DIABECELL® for the treatment of Type 1 diabetes

is growing - with the completion of implants in the New Zealand trial adding to the results from the pilot Russian study.

The new company, Diatranz Otsuka Limited, has sufficient funding to carry out, over the next 3 years, the planned dose finding clinical trials, further refinement of DIABECCELL®, conduct pivotal trials and obtain product registration.

Through Diatranz Otsuka Limited, both Otsuka Pharmaceutical and LCT remain firmly focused on delivering new therapeutic options for sufferers of Type 1 Diabetes.

By ensuring that DIABECCELL® has sufficient resources, LCT is enabled to focus attention on further development of some of our other assets – such as NTCELL and IMMUPEL™. To some extent the development of these products has been limited by the focus on ensuring funding for DIABECCELL.

As you are aware our technology has applications beyond diabetes and we are excited by the opportunity to further expand this area of the Company. LCT can now focus on its plans and funding options to further develop these initiatives. In particular, as I said in our recent newsletter we are excited about our new product NTCELL, which is showing high pre-clinical promise for the treatment of Parkinson's disease. Animal studies have been promising and the next step will be for LCT to apply for a small clinical trial of NTCELL with Parkinson's patients.

With the changing market conditions, and changes to the structure of LCT, we have also had some changes to the management of the Company.

During the year Ross MacDonald resigned CEO. Fortunately, LCT founder Professor Bob Elliott was able to step into the position as acting CEO. Now that LCT's future is clearer and more focussed, we have redefined the role of the CEO and the need to advance NTCELL and IMMUPEL™, we are now in the process of filling this position.

We were fortunate to have attracted two new directors to your Board, Dr Bernie Tuch and Robert Willcocks. Dr Tuch, currently with the CSIRO, brings his extensive experience in cell transplantation and Robert Willcocks will support us through his extensive corporate leadership experience.

The Board recognises that it has been a challenging period for investors in the Company. However, we believe the changes we have recently made put us in a much more stable position from which to develop our technologies.

We are developing unique technologies, we are a technical leader in cell implantation and importantly we offer the potential for DIABECCELL® and NTCELL to provide paradigm-changing treatments for some of the world's most common chronic diseases.

On behalf of the Board of Directors I would like to thank Prof. Elliott for his ongoing leadership of our Company during this challenging year.

I also would also like to thank our dedicated staff and collaborators, and you our investors, who continue to believe in our ultimate goal of providing improved treatments for diseases which continue to have a devastating impact on the lives of millions of people around the world.

We will now move to today's formal business proceeding with the voting on resolutions.

– Ends –

**For further information:** [www.lctglobal.com](http://www.lctglobal.com)

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**About Living Cell Technologies** - [www.lctglobal.com](http://www.lctglobal.com)

Living Cell Technologies (LCT) is developing cell-based products to treat life threatening human diseases. The Company holds 50% of Diatranz Otsuka Limited which owns a biocertified pig herd that it uses as a source of cells for treating diabetes and neurological disorders. For patients with Type 1 diabetes, microencapsulated islet cells are implanted so that near-normal blood glucose levels may be achieved without the need for administration of insulin or at significantly reduced levels. The Company entered clinical trials for its diabetes product in 2007. For the treatment of Parkinson's disease and other neurological disorders, the company transplants microencapsulated choroid plexus cells that deliver beneficial proteins and neurotrophic factors to the brain. LCT's technology enables healthy living cells to be injected into patients to replace or repair damaged tissue without requiring the use of immunosuppressive drugs to prevent rejection. LCT also offers encapsulation services and medical-grade porcine-derived products for the repair and replacement of damaged tissues, as well as for research and other purposes.

## **About Otsuka Pharmaceutical Factory - [www.otsukakj.jp/en/](http://www.otsukakj.jp/en/)**

Otsuka Pharmaceutical Factory, Inc., the first company in the group companies of Otsuka Holdings Co., Ltd. (TSE:4578), was established by Busaburo Otsuka in 1921. Originally, the company manufactured and distributed industrial and pharmaceutical chemicals. It began manufacturing intravenous solutions such as large volume parenterals in 1946. Since that time, Otsuka Pharmaceutical Factory has extended its operations into a wide variety of areas such as the development of new drugs, innovative packaging, and intravenous delivery systems. It has over 2000 employees and is headquartered in Naruto City, Tokushima, Japan.

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