



Medgenics Inc.
(“Medgenics” or the “Company”)

ADMISSION TO TRADING

Karmiel, Israel and London, UK – 4 December, 2007 – Medgenics (AIM: MEDG), the US incorporated holding company of a biopharmaceutical group, is pleased to announce that the Company’s issued shares of common stock of par value of US\$ 0.0001 each (“Common Shares”) have been admitted to trading on AIM, and dealings in the Common Shares of the Company will start at 8.00am today, 4 December 2007. The Admission to AIM follows the Company’s successful fund raising, which raised a total of £3.276 million.

The group’s research & development and administrative operations are conducted by Medgenics Medical (Israel) Limited, the Company’s wholly owned subsidiary, from premises in Karmiel, Israel (together the “Group”).

- The Group is at the clinical trial stage of testing the safety and efficacy of its proprietary ‘biological pump’ (the “Biopump”) and associated technologies for producing and delivering therapeutic proteins in patients (together the “Biopump Platform Technology”).
- The Biopump is made from a toothpick-sized sample of the patients’ own skin dermal tissue, which is processed outside the body to produce therapeutic proteins, and reimplanted subcutaneously 1-2 weeks later.
- The Biopump is designed to enable patients to produce (in their own bodies), on a long-term basis, their own natural human protein therapy. The Biopump is targeted at a range of chronic diseases, including anaemia and hepatitis C.
- The Company is developing the Biopump treatment method as a major advance over the current methods involving costly factory-produced proteins delivered via frequent and often painful injections and their associated adverse side effects.
- The worldwide market for protein therapy was valued at over US \$51 billion in 2005 and is forecast to reach US \$87 billion by 2010. The Directors estimate that the Biopump Platform Technology could potentially be applied to a substantial part of this market.
- The Directors believe that the Biopump Platform Technology provides a wide range of advantages over existing therapies. These advantages should appeal to, and offer benefits to, doctors, patients and third-party payers (e.g. medical insurers).
- The Group has published a Phase I clinical trial of a short-acting version of the Biopump, which demonstrated the safe, dose-dependent production and delivery of active erythropoietin (“EPO”) for treatment of anaemia in 10 anaemic patients.
- The Group plans to commence a Phase I/II Clinical Trial aimed at the treatment of anaemia using “EPODURE”, a sustained action EPO-producing Biopump, during the

second quarter of 2008. In 2006, EPO injections for the treatment of anaemia generated revenues of US \$11.9 billion.

- The Company expects to obtain key initial safety and proof of efficacy data three-to-five months after the above trial commences.

The Group, whilst identifying the anaemia and hepatitis C markets as the first priorities for the Biopump, will initially focus on EPODURE for the treatment of anaemia. The Directors believe that the Biopump Platform Technology has the potential to offer a superior treatment which could replace many current methods of protein therapy with a reversible procedure that is more efficacious, safer and more cost effective.

Blomfield Corporate Finance Limited is the Company's Nominated Adviser and SVS Securities plc is the Company's Broker. Moneys raised in the IPO came through sources introduced by Arbel Capital Group Limited and SVS Securities plc as well as from investment funds and private investors including the Directors.

Admission Statistics

Placing Price	10p
Number of existing issued Common Shares	66,054,335
Number of Placing Shares being issued	9,640,000
Number of Subscription Shares being issued	18,897,213
Number of shares issued on conversion of the Loan Note	6,417,447
Number of Adviser Shares being issued	3,084,422
Number of Common Shares in issue at Admission	104,093,417
Percentage of the Enlarged Share Capital represented by the Placing Shares at Admission	9.3%
Number of Common Shares issuable under Warrants and Options at Admission	171,531,519
Fully diluted number of Common Shares on Admission	275,624,936
Gross proceeds of the Placing	£964,000
Gross proceeds from the Subscriptions	£1,804,074
Gross proceeds from the Loan Note	£499,135
Total gross proceeds of the fund raising	£3,276,985
Market Capitalisation at the Placing Price	£10,409,342
ISIN for Common Shares	USU582411075
TIDM	MEDG

Protein therapy market background and opportunity

The worldwide market for protein therapy was valued at over US \$51 billion in 2005 and is forecast to reach US \$87 billion by 2010. The Directors estimate that the Biopump Platform Technology could potentially be applied to a substantial part of this market, starting with proteins to treat anaemia (EPO) and then hepatitis C (Interferon-alpha – “IFN-*α*”). In 2006, EPO injections to treat anaemia generated revenues of US \$11.9 billion and IFN-*α* injections for treatment of patients with hepatitis C and some forms of cancer generated revenues of US \$2.8 billion. The Directors have therefore identified the anaemia and hepatitis C markets as first priorities for applying the Biopump Platform Technology, although the current fundraising will only allow focus on the EPODURE application.

The current standard platform for protein production and delivery involves a highly complex and capital-intensive manufacturing process based on large-scale animal cell tissue culture and delivery in the form of frequent injections (due to the short half-life of recombinant proteins). Protein manufacturing plants generally take several years and hundreds of millions of US dollars to build, secure regulatory approvals and bring into production. Once produced, the protein is typically distributed to, and stocked in, pharmacies and physicians’ offices and administered by injection. Injections can be painful and costly and require frequent visits either by home healthcare nurses or to the doctor’s office. A treatment based on the administration of serial injections can suffer from poor patient compliance and, therefore, inadequate treatment can result.

As recombinant proteins are typically metabolised (i.e. broken down) by the body very quickly, they have a very short therapeutic life, ranging from a few minutes to a few hours. This means that, for many proteins, injections need to be taken at least once a week and often more frequently, to maintain concentration in the blood within the therapeutic window, i.e. above the minimum level required to be effective. Indeed, research has shown that, below certain levels, the protein has no therapeutic effect. In order to keep protein levels in the blood above the minimum therapeutic level for as long as possible in between injections, large bolus injections are typically administered. Whilst this can extend the time before the protein levels in the blood drop below the minimum therapeutic level (undershoot), it also causes initial levels to rise to many times above the maximum desired level (overshoot), often causing side effects. This produces the pattern of extended periods of overshoot, which can cause significant side effects, followed by undershoot, which leaves the patient under treated until the next injection.

The Biopump Platform Technology

The Biopump platform uses a toothpick size sliver of dermal tissue, which is removed from under the patients’ skin (under local anaesthesia on an outpatient basis) and processed to produce and secrete the required therapeutic protein.

The dermal tissue is processed *in vitro* with a viral vector, specifically developed to be non-immunogenic, to introduce the selected gene into the tissue’s cells, enabling them to produce the selected protein, thus converting the intact dermal tissue into a sustained-action Biopump. Between one and two weeks after the initial dermal tissue extraction, the required number of Biopumps (depending on the rate of protein production and the patient’s individual requirement) are re-implanted under the patient’s skin, where they are designed to supply the required therapeutic protein within the required dosage range for four-to-six months (or potentially longer). The Biopump Platform Technology is essentially designed to function as a protein production plant within the patient.

The Directors expect that the Biopump Platform Technology will offer a cost-effective protein therapy. The Biopump Platform Technology does not require a protein production

facility to produce protein, thereby eliminating the need for an outlay of hundreds of millions of US dollars to build such a facility, which would be needed to meet the anticipated growing protein demand. The Directors expect that, once fully developed, the devices used in the Biopump platform will be sufficiently automated such that, together with the use of sealed cartridges and other single-use items, they will enable the practical and reliable implementation of Biopump therapy and the Group will be able to lower the per-patient cost of Protein therapy significantly.

The Directors believe that the Biopump Platform Technology provides a wide range of advantages over existing therapies that appeal and offer benefits to doctors, patients and third-party payers (e.g. medical insurers) including:

- increased efficacy;
- reduced side effects and improved safety;
- eliminating frequent injections;
- reversible treatment;
- lower costs; and
- extended treatment to undertreated populations.

Strategy

The Group's current plans are to use the Placing and Subscription proceeds to focus on the following key objectives through to the end of 2008:

- commencing Phase I/II Clinical Trials of EPODURE during the second quarter of 2008;
- obtaining the key initial safety and proof of efficacy data for EPODURE three-to-five months after the above trial commences;
- further development of the devices required for the Phase I/II Clinical Trial;
- pursuing strategic alliances;
- continuing to develop alternative vector methods; and
- initiating development of additional applications with other proteins.

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Board of Directors

Eugene Andrew Bauer, M.D., Non-executive Chairman of the Board of Directors, Age 65

Dr. Bauer has been a member of Medgenics' Board since 22 March 2001. He is a Lucy Becker professor, Emeritus, in the School of Medicine at Stanford University. Dr. Bauer

served as Dean of the Stanford University School of Medicine from 1995-2001 and as Chair of the Department of Dermatology at the Stanford University School of Medicine from 1988-1995. He is also a co-founder and emeritus member of the Board of Directors of Connetics Corporation, a publicly traded, dermatology-focused therapeutics company, which was acquired by Steifel Laboratories Inc. He also serves as director of Protalex, Inc., Peplin Biotech, Limited and Modigene Inc., a life sciences company that is developing technology to lengthen the life of various proteins, including EPO and IFN-*a*. Dr. Bauer has been an NIH funded investigator for 25 years, has served on review groups for the NIH and has served as a member of the Board of Scientific Counsellors of the National Cancer Institute and the Advisory Council for the National Institute of Arthritis, Musculoskeletal and Skin Diseases. Dr. Bauer is also a member of the Institute of Medicine of the National Academy of Sciences. Dr. Bauer received an M.D. from Northwestern University.

Andrew Leonard Pearlman, Ph.D., Chief Executive Officer and President, Age 56

Dr. Pearlman was appointed to the Board on 1 February 2000 and is the founder and CEO of Medgenics. Dr. Pearlman has over 25 years experience founding and managing biotechnology and medical device companies, as well as inventing and developing biomedical technology. Prior to founding Medgenics, Dr. Pearlman founded and served as CEO and chief scientist for TransScan Research & Development Co., Limited, under whose leadership the company's product, the T-scan 2000 breast impedance scanner, was the first new medical imaging method for cancer detection to receive FDA pre-market approval in over 20 years. He has also founded or co-founded several other companies in the fields of diagnosis and patient monitoring. Dr. Pearlman holds a Ph.D. in biophysics from the University of California, Berkley, where he completed his doctoral thesis under Nobel Laureates – Professors Melvin Calvin and Donald Glaser.

Joel Stephen Kanter, Non-executive Director, Age 50

Mr. Kanter served as Legislative Assistant to former Congressman Abner J. Mikva, as Special Assistant to the National Association of Attorneys General and as the Staff Director of the House Rules Committee's Subcommittee on Legislative Process chaired by the late Congressman Gillis W. Lond.

Since 1986, Mr. Kanter has served as president of Windy City, Inc., a privately held investment company specialising in early stage venture capital. Mr. Kanter has been a member of Medgenics' Board since 7 August 2000. Mr. Kanter also serves on the board of directors of several public companies including Encore Medical, L.P., a manufacturer of orthopaedic surgery products; Aquamatrix, Inc., a manufacturer of foam and gel products for the health care industry; Echo Healthcare Acquisition Corp., a US \$57.5 million health care special acquisition company; I-Flow Corporation, a publicly-held drug delivery technology company; Magna-Labs, Inc., formerly involved in the development of a cardiac MRI device; Modigene Inc., a life sciences company that is developing technology to lengthen the life of various proteins, including EPO and IFN-*a* ; Prospect Medical, an owner/operator of Independent Physician Associations; and WaferGen Biosystems, which develops, manufactures and sells systems for gene expression and genotyping. Mr. Kanter is also on the Board of a number of private companies and is also a Trustee of the Union Institute & University, the Georgetown Day School in Washington, D.C., and is a Trustee Emeritus and the former President and Board Chair of the Langley School in McLean, Virginia.

Gary Allan Brukardt, MBA, Non-executive Director, Age 61

Mr. Brukardt has over 30 years of experience in the healthcare industry and was appointed to the Board on 18 September 2006. From 1991 to 1996, he was executive vice president of Baptist Health Care Affiliates, a company that provides occupational medical

centres/programs, urgent care, home healthcare, managed care, corporate health services, management of hospitals and hospital joint ventures and an ambulatory surgery centre. From 1991 to 1996, Mr. Brukardt was also chairman of HealthNet Management, Inc., a managed care services company. Mr. Brukardt was executive vice president and COO of Renal Care Group from 1996 to 2003. From 2003 through March 2006, he was president and CEO of Renal Care Group. Mr. Brukardt led Renal Care Group's US \$3.5 billion acquisition by Fresenius Medical Care in March 2006, which resulted in the creation of the world's largest integrated provider of dialysis services. After the close of the transaction, Mr. Brukardt held the position of vice chairman, Fresenius North America and CEO, Global Disease Management/Ambulatory Services until September 2006. He is currently serving as a consultant to Fresenius globally. Mr. Brukardt received a Bachelor of Arts at the University of Wisconsin at Oshkosh and his MBA in International Management from Thunderbird School of Global Management.

Stephen Devon McMurray, M.D., Non-executive Director, Age 60

Dr. McMurray was appointed to the Board on 21 December 2005. Dr. McMurray was one of the founders of Renal Care Group, Inc., a company that provides acute dialysis services. He served on the board of Renal Care Group until its US \$3.5 billion acquisition by Fresenius in March 2006. He is a past member of the Renal Physicians Association Board and has served on the board of the Network Medical Review for many years. Dr. McMurray is very active in developing processes to improve patient care and outcomes and is currently the medical director of the Fresenius Medical Care Health Plan. Dr. McMurray received an M.D. from Indiana University Medical School in 1972, followed by medicine residency and nephrology fellowship at Indiana University Medical Center. He has practiced nephrology in Fort Wayne, Indiana, since 1977. He is a member of Indiana Medical Associates, a 45-member multi-specialty group and is past president of their board.

CAUTIONARY NOTICE REGARDING FORWARD-LOOKING STATEMENTS

This release contains forward-looking statements, which include all statements other than statements of historical fact, including (without limitation) those regarding the Company's financial position, business strategy, plans and objectives of management for future operations. These statements relate to future events, prospects, developments and strategies. Forward-looking statements are sometimes identified by their use of the terms and phrases such as "estimate", "project", "intend", "forecast", "anticipate", "plan", "planning", "expect", "believe", "will", "will likely", "should", "could", "would", "may" or the negative of such terms and other comparable terminology. All such forward-looking statements are based on current expectations and are subject to risks and uncertainties. Should any of these risks or uncertainties materialize, or should any of the Company's assumptions prove incorrect, actual results may differ materially from those included within these forward-looking statements. Accordingly, no undue reliance should be placed on these forward-looking statements, which speak only as of the date made. The Company expressly disclaims any obligation or undertaking to disseminate any updates or revisions to any forward-looking statements contained herein to reflect any change in the Company's expectations with regard thereto or any change in events, conditions or circumstances on which any such statements are based. As a result of these factors, the events described in the forward-looking statements contained in this release may not occur.

Industry and Market Data

The industry and market data presented in this release are inherently estimates and are based upon third party data, including information derived from the Company's own internal estimates. The Company has not confirmed such third-party data.

This release does not constitute an offer to sell or a solicitation of an offer to buy any security.