



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

**MEDGENICS RAISES £3.28 MILLION IN INITIAL PUBLIC OFFERING IN
CONJUNCTION WITH FORTHCOMING LISTING ON AIM**

Karmiel, Israel and London, UK – 29 November, 2007 – Medgenics, Inc., a US biopharmaceutical company with key operations in Israel, is pleased to announce that it has raised £3.28 million in its Initial Public Offering (“IPO”) in connection with its forthcoming Admission to the AIM market of the London Stock Exchange, expected on 4 December 2007. The shares being placed in the IPO are being issued at 10 pence per share, giving the Company a market capitalisation of approximately £10.4 million immediately after the IPO (£27.6 million on a fully diluted basis, equivalent to ca \$58m).

Medgenics is developing a unique platform technology called a “Biopump” – a toothpick-sized protein “factory” derived from patients’ own tissue that enables patients to produce therapeutic proteins in their own bodies for the long-term treatment of a range of chronic diseases; initially focusing on anaemia, hepatitis C and haemophilia.

The Company is aiming to develop the Biopump treatment procedure as a major advance over the current method of treating these diseases, which involves frequent and often uncomfortable protein injections involving the risks of repeated cycles of overdose and underdose. In providing a sustained source of the patients’ own protein in the patient within the therapeutic range, Medgenics believes it has potential to capture share in the large and growing protein therapy market, which is forecast to reach US \$87 billion by 2010.

The Company has demonstrated proof of principle of the Biopump treatment procedure in a clinical trial using a short-term version of its lead product EPODURE in anaemia patients. A long-acting version of EPODURE designed to produce and deliver a therapeutic dose of the protein erythropoietin (EPO) steadily for six months or more is expected to enter Phase I/II clinical trials in mid-2008. Following behind this, the Company is aiming to proceed to clinical trials with INFRADURE, which is designed to produce interferon-alpha (IFN- α) on a sustained basis to treat hepatitis C.

Dr. Andrew Pearlman, CEO of Medgenics, said: “I am delighted to have completed the IPO of Medgenics, a significant milestone for the Company. We are very optimistic about the future of the Company and particularly look forward to demonstrating the proof of concept of EPODURE, as well as our innovative Biopump technology, in our Phase I/II clinical trial programme this coming year, which the fund-raising we have completed will allow us to do. The next 18 months are going to be very exciting for us and we hope to be able to create significant value for our shareholders in the UK and overseas during this period.”

Details of the IPO are as follows:

- A total of 104,093,417 Common shares are expected to be in issue immediately following the IPO, giving the Company a market capitalisation at the Placing price of 10 pence of approximately £10.4 million on Admission to AIM

- It is expected that the Company's Common Shares will be admitted to trading on AIM at 08.00hrs on 4 December 2007 under the ticker symbol MEDG
- In conjunction with Admission, the Company has raised gross proceeds of £3.28 million from a range of US institutional investors as well as from individuals in the US, Israel and the UK
- The proceeds of the IPO will be applied by Medgenics to fund its second clinical trial, the Phase I/II proof of concept study of its lead sustained-release protein therapy product EPODURE in anaemia patients, as well as further development and testing of its Biopump platform technology and products.
- Blomfield Corporate Finance Limited is Nominated Adviser and SVS Securities plc is Broker to Medgenics.

Copies of the admission document will be available free of charge during normal business hours from 4 December 2007 to 4 January 2008, from the offices of Blomfield Corporate Finance Limited at 12 Pepper Street, London, E14 9RP, UK. A copy of the admission document will also be available on the Company's website, www.medgenics.com.

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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.

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NOTES TO EDITORS

About Medgenics

Medgenics Inc. (AIM: MEDG) is a biopharmaceutical company developing its unique tissue-based Biopump platform technology to provide sustained-action protein therapy for the treatment of a range of chronic diseases.

Medgenics currently has two products in development based on this technology:

- EPODURE – producing erythropoietin (EPO) to treat anaemia
- INFRADURE – producing interferon-alpha (IFN- α) to treat hepatitis C

The Company has demonstrated proof of principle of the Biopump treatment procedure in a clinical trial using a short-acting version of EPODURE in anaemic patients. A long-acting version of EPODURE, designed to produce and deliver a therapeutic dose of EPO steadily for six months or more, is scheduled to enter Phase I/II trials in mid-2008. The Company plans to follow with clinical trials of INFRADURE in 2009.

Medgenics intends to develop its innovative products and bring them to market via multiple strategic partnerships with major pharmaceutical and/or medical device companies, starting with EPODURE and INFRADURE.

Beyond these, Medgenics plans to develop and/or out-license a pipeline of future Biopump products targeting the large and rapidly growing global protein therapy market, which is forecast to reach US \$87 billion by 2010. Other potential areas include multiple sclerosis (interferon- β), haemophilia (Factor XIII), paediatric growth hormone deficiency (human growth hormone) and diabetes (insulin).

Founded in 2000, Medgenics is a US-incorporated company with major operations in its wholly owned subsidiary in Karmiel, Israel. The Company's shares will be admitted to trading on the AIM market of the London Stock Exchange on 4 December 2007 (ticker MEDG).

www.medgenics.com

About the Biopump Technology

The Medgenics' Biopump technology is a combination biological/device product that allows patients to produce a natural human protein therapy in their own bodies for the long-term treatment of a range of chronic diseases, initially focusing on anaemia, hepatitis C and haemophilia.

A Biopump is created from a toothpick-sized sliver of tissue, which is taken from the lower layer of the patient's skin and then processed outside the body to cause the cells of the intact

tissue to produce steadily the desired therapeutic protein. The level of protein production (dose) from the Biopump is determined prior to its implantation back into the patient, where it maintains therapeutic protein levels in the blood for up to six months or more.

The first stage of the procedure is the extraction of a sliver of dermal tissue, called a micro-organ (2-3 mm diameter x 30-40mm length), from beneath the patient's skin. This procedure is performed under a local anaesthetic in a physician's office, and is minimally invasive, so as to encourage rapid healing with little or no scarring. Typically 4-5 micro-organs will be harvested from the patient.

The micro-organ is processed outside the body (*ex vivo*) using a non-immunogenic ("gutless") adeno-viral vector to introduce the appropriate gene into the cells of the intact tissue, causing it to produce the desired protein, thus converting it into a sustained-action Biopump.

Tests are then performed during processing to determine the level of protein production from each Biopump. The appropriate number of Biopumps, and therefore dose, is determined and then implanted subcutaneously back into the patient after 1-2 weeks. After implantation, Biopumps are designed to maintain protein levels in the blood within the therapeutic window for up to six months or more. Dose can be increased if needed by implantation of additional Biopumps, and can be reduced or stopped entirely by ablating (deactivating) some or all of the implanted Biopumps.

Medgenics is developing a line of proprietary devices and an automated processing station to be used in conjunction with low-cost, single-use sealed cassettes for each patient's harvested micro-organs. The Company believes that this will enable the entire treatment procedure to be performed cost-effectively at local clinics or doctors offices.

Market Potential

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. Medgenics estimates that its 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 (IFN- α), but extending potentially to the following:

Condition	Protein therapy
Anaemia	EPO
Hepatitis C	IFN- α
Growth failure/Muscular atrophy	Hgh
Multiple sclerosis	IFN- β
Hemophilia	Factor VIII, Factor IX, Factor X
Arthritis	IL-1Ra
Wound healing	PDGF-BB
Obesity	Peptide YY3-36
Chronic pain	IL-10
Cancer recovery	G-CSF

Anaemia and EPO

Anaemia is a condition in which the number of red blood cells or the haemoglobin in the red blood cells is below normal. This affects the distribution both of oxygen from the lungs to the tissues and of carbon dioxide back to the lungs for exhalation. Symptoms of anaemia include weakness, pale skin, a fast heartbeat, shortness of breath, fatigue/exhaustion, chest pain, dizziness, cognitive problems, numbness or coldness in the extremities, and headaches.

Anaemia is caused by, or associated with, a wide variety of conditions, ranging from chronic kidney disease and end-stage renal disease (e.g., in dialysis patients), to AIDS, hepatitis, cancer, chemotherapy, and other conditions.

Erythropoietin (EPO) is a protein produced naturally in the kidneys that stimulates red blood cell production in the body. A shortage of EPO in the body can cause anaemia, and for these patients, restoring EPO levels through multiple and frequent subcutaneous injections of recombinant EPO is the primary treatment.

The U.S. National Kidney Foundation estimates that 20 million Americans suffer from chronic kidney disease and will develop or are at risk for anaemia.

The current treatment for a number of chronic anaemic conditions is multiple and frequent subcutaneous injections of recombinant EPO produced in animal cells. Such therapy is costly, requires serial multiple injections, whose administration depends on patient compliance and has been reported to often result in unstable hematocrit and hemoglobin levels as well as increased cardiovascular morbidity, leading the FDA to issue a recent “black box” warning regarding the risks of EPO overdose. Leading experts in renal disease believe the steady delivery profile of EPODURE could offer a safer and more reliable way to provide EPO therapy with less risk of overdose and side effects compared to serial bolus injections of animal-produced protein.

Sales of injectable EPO generated revenues of \$11.9 billion in 2006.

Hepatitis C and Interferon- α

Hepatitis C is caused by the hepatitis C virus (HCV) and causes inflammation of the liver, chronic liver disease, cirrhosis and in 1-5% of chronic cases, liver cancer over a period of 20 to 30 years. Chronic HCV infection is the leading cause of liver disease in the U.S. and many other western countries.

Worldwide, it is estimated there are 170 million carriers of hepatitis C, with three to four million new infections annually. IFN- α , typically along with anti-viral drugs, such as ribavirin, is the leading therapy for chronic hepatitis C infection, but is effective in only 40-50% of patients, and its administration by periodic injections is routinely accompanied by severe side effects associated with the temporary overdose of each bolus injected. Up to 40% of patients reduce their therapy dose and 10-20% of patients are reported to discontinue treatment as a result of treatment side effects.

Sales of IFN- α to treat hepatitis C and some forms of cancer reached \$2.8 billion in 2006, but there is an unmet need for an IFN- α therapy with greatly reduced side effects, which experts believe could be met by INFRADURE, the sustained-action Biopump producing IFN- α .

Key Benefits of Biopump Technology

Medgenics believes its technology can deliver effective, dosable and fully reversible protein therapy that offers a range of benefits over current protein therapies and will therefore appeal to doctors, patients, and third-party payers.

The Biopump is designed to:

- **Increase efficacy** by maintaining blood protein levels within the intended dose range (therapeutic window) by sustained protein production over a period of several months;

- **Reduce side effects** resulting from overdose and immune reaction associated with frequent bolus injections;
- **Improve patient compliance and quality of life** by enabling patients to avoid the frequent and painful injections of therapeutic proteins;
- **Lower treatment costs** as the procedure does not use a protein production plant, thereby eliminating the need for an expensive production facility and ongoing costs traditionally required to provide recombinant proteins; and
- **Extend treatment to under-treated populations** where it has the potential to provide a treatment option where current protein therapy regimens are unsuitable, such as those with unacceptable side effects or cost issues.

Current Clinical Status

The potential initial application of EPODURE is for chronic kidney disease patients with anaemia; however, Medgenics believes it may also be used to treat anaemia caused by end state renal disease (where patients are on dialysis), cancer, AIDS or other indications.

The Company has demonstrated proof of principle of the Biopump treatment procedure in a Phase I clinical trial using a short-acting version of EPODURE to treat anaemia in chronic kidney disease patients. In this trial, EPODURE showed reproducible, dose-dependent production and delivery of EPO and raised reticulocyte counts (early sign of red blood cell production) for up to two weeks. In addition, the technique proved to be safe and free of adverse effects.

The Company has now developed a second-generation long-acting version of EPODURE which has shown reproducibly more than six months of sustained *in vitro* production of active EPO and therapeutic levels of protein continuing for more than six months in implanted mice in preclinical testing.

Based on these results, Medgenics is completing preparations to begin a human Phase I/II proof of concept trial in Israel in mid-2008 with this long-acting version of EPODURE, and anticipates key initial data within 3-5 months of the start of the trial.

The Phase I/II trial of EPODURE will aim to demonstrate safety and efficacy in the use of EPODURE to treat anaemia in up to 30 patients with chronic kidney disease. The trial will aim to demonstrate sustained delivery of EPO for four-to-six months or more in these patients, which should cause the sustained elevation of haematocrit and haemoglobin levels in many of these anaemic patients for a similar period of time.

The trial will be conducted at Hadassah Medical Centre in Jerusalem, where the previous trial took place. The Group is in the process of receiving regulatory approval from the Israel Ministry of Health.

Strategy

Medgenics' long-term strategy is to develop its innovative protein therapy products and bring them to market via multiple strategic partnerships with major pharmaceutical and/or medical device companies, starting with EPODURE and INFRADURE.

Beyond these, Medgenics plans to develop and/or out-license a pipeline of future Biopump products to treat diseases such as multiple sclerosis (interferon- β), hemophilia (Factor XIII), pediatric growth hormone deficiency (human growth hormone) and diabetes (insulin). Other potential applications include arthritis, obesity, wound healing, cancer and chronic pain.

Key Personnel

Medgenics' Management and Board of Directors includes current and former directors of international healthcare companies, and the Scientific Advisory Board (SAB) includes past presidents of the American Society of Renal Physicians, the American Gastroenterological Association, and the American Society of Gene Therapy.

Andrew Pearlman, PhD. Chief Executive Officer

Dr. Pearlman is the founder and CEO of Medgenics and has more than 25 years of experience in developing and introducing new biomedical technologies and products in the life sciences industry. He has a Ph.D. in Biophysics from the University of California Berkeley.

Board of Directors

Eugene A. Bauer, MD (Chairman), Emeritus Dean, Stanford University Medical School
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Scientific Advisors

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Emmet B. Keeffe, MD, Past President, American Gastroenterological Society
Mark A. Kay, MD, PhD, Past President American Society of Gene Therapy