



11 May 2009

Medgenics, Inc. ('Medgenics' or the 'Company')

Medgenics requests Stockholder Action in connection with  
fund raising through the proposed issue of convertible debentures

The Board of Medgenics (AIM: MEDG & MEDU) announces proposals to facilitate a proposed fundraising through the issue of convertible debentures.

In order to facilitate the proposed fundraising, it is necessary:

1. to amend the Company's amended and restated certificate of incorporation (the "Restated Certificate") to repeal Article XII of the Restated Certificate, which currently grants Stockholders preemptive rights in certain circumstances; compliance with which will otherwise unduly delay and hinder this proposed fundraising effort; and
2. to obtain sanction and approval from Stockholders to the issue of convertible debentures (or other debt securities) in the original principal amount of up to US \$5 million, (with discretion for the directors to increase the principal amount to up to US \$7 million) notwithstanding that such borrowings level may be in excess of the limit prescribed by Article VIII of the Company's Amended and Restated By-Laws.

### Background

The Company has regularly reported progress in relation to the Phase I/II clinical trial of EPODURE over the months since the trial commenced in August 2008. The ongoing trial, which to date has treated a total of seven patients suffering from chronic renal failure, has been successful in demonstrating that, with a single treatment, EPODURE is safe and effective in providing more than 5 months' sustained anemia treatment and, more broadly, has demonstrated the safety and effectiveness of the Group's Biopump platform technology. These results have, in turn, drawn active interest from large pharmaceutical and medical device companies from which the Company hopes to find long term strategic partners.

Since the initial announcement of positive preliminary results in its Phase I/II clinical trial in November 2008 and in tandem with the implementation of the Company's strategy for seeking out strategic partnering opportunities, the directors have focused on raising further capital for the Company. This capital is required to ensure the Group's ability to: continue to finance its operations; pursue strategic partnering alliances with major corporations; continue its device development program; advance the

development of additional products towards clinical trial and commercialisation; and, most importantly, conclude the Phase I/II clinical trial of EPODURE.

Notwithstanding these efforts, the main focus of the board in its fundraising endeavours, which has been to seek to raise additional funding through a significant equity raise, has been frustrated to date due, in large part, to general market conditions in the UK, the USA and Israel and, more pertinently, a lack of investor appetite for early-stage "biotech" stocks since the Company's admission to AIM. However, the directors believe that the Company may be able to raise much needed capital through the issue of convertible debentures (the "Debentures"). It is proposed that the Debentures will not be redeemable by the Company, unsecured, mature on the second anniversary of the date of issuance and accrue interest at a rate of 10% per annum. In the event of default under the Debentures, it is contemplated that the interest rate shall increase 2% per month for every month the Debentures are in default to a maximum of 18% per annum. The terms of the Debentures currently contemplate that they will automatically convert into Common Shares, together with the issuance of a significant amount of warrants to the Debenture holders upon conversion of the Debentures, if the Company completes a qualified transaction, such as a public offering of securities in the U.S. or certain merger transactions. Such warrants will be immediately exercisable upon issuance and shall expire five years from the date of issuance. The exercise price under the warrants shall be 110% of the pricing in the applicable qualified transaction.

On the assumptions that: the conversion price of the Debentures is US \$0.07; the full conversion of US \$5 million in principal amount of Debentures; no conversion of accrued interest and issuance of 10% broker warrants as commission (the "**Assumptions**"), the conversion in full of the Debentures will give rise to the issuance of 71,428,571 new Common Shares, equivalent to approximately 37 per cent of the outstanding Common Shares as enlarged by such issue. Based on the Assumptions, the maximum number of Common Shares to be issued on exercise in full of the warrants issued under these arrangements will be 28,571,728 Common Shares, which would result in an additional US \$2,199,999 in proceeds to the Company upon payment of the exercise price. It should be noted, however, that there can be no assurance that the actual conversion price will not be less or greater than the assumed \$0.07 conversion price or that the other Assumptions will, ultimately, be proved to be correct.

It should be noted, however, that, as the Company engages in its fundraising efforts, it may be necessary to amend the above terms, including in ways that may cause additional dilution to the current Stockholders. Furthermore, there can be no assurance that the Initial Fundraising will be consummated or, if consummated, that the same can be achieved on the terms described above.

Initially, the Company is seeking to commence a private offering (the "Private Offering") of Debentures and warrants to accredited investors to raise up to US\$ 5 million (with the option to increase such amount to up to US \$7 million in aggregate). The securities offered in the Private Offering will not be or have not been registered under the U.S. Securities Act of 1933 (as amended) (the "**Act**") and may not be offered or sold in the United States absent registration or an applicable exemption from the registration requirements. The Private Offering is contingent on the Stockholders' approval of the resolutions set out in the form of Written Consent of Stockholders which is to be posted to Stockholders this week (the "**Written Consent**").

**SHOULD THE RESOLUTIONS SET OUT IN THE WRITTEN CONSENT NOT BE APPROVED AND CONSENTED TO BY STOCKHOLDERS HOLDING THE REQUISITE NUMBER OF THE ISSUED COMMON SHARES, THEN, IN THE ABSENCE OF ANY ALTERNATIVE FINANCE BEING ARRANGED AND MADE AVAILABLE WITHIN A VERY SHORT PERIOD OF TIME, IT IS UNLIKELY THAT THE COMPANY AND ITS SUBSIDIARY (THE "GROUP") WILL BE ABLE TO MEET THEIR FINANCIAL**

**OBLIGATIONS OR CONTINUE THEIR OPERATIONS AND MAY, THEREFORE, BE UNABLE TO CONTINUE THE PHASE I/II CLINICAL TRIAL OF EPODURE THROUGH TO CONCLUSION.**

**Preliminary announcement of results**

The preliminary announcement of the results of the Group for the year ended 31 December 2008 is due to be published during the week of 18 May 2009.

**Recommendation**

The directors consider that the resolutions set out in the Written Consent are in the best interests of the Company and its Stockholders as a whole and are required at this time to allow the Company to continue its business operations and promote the success of the Group for the benefit of its Stockholders. Accordingly, the directors unanimously recommend that stockholders vote in favour of and approve and consent to the resolutions set out in the Written Consent of Stockholders as the directors themselves intend to do (or, as appropriate, intend to procure that the holders of Common Shares in which they are interested do) in relation to holdings amounting in aggregate to of 35,505,614 Common Shares (representing approximately 30 per cent. of the existing Common Shares and voting rights in the Company).

This press release does not constitute an offer to sell or the solicitation of an offer to buy nor will there be any sale of these securities in any state or jurisdiction in which such offer, solicitation or sale would be unlawful prior to registration or qualification under the securities laws of such state or jurisdiction.

A full copy of the letter to stockholders and of the Written Consent will be posted on the Company's website at: <http://www.medgenics.com/Investors.htm> following the posting of those documents to Stockholders this week.

#####

**For further information, contact:**

Medgenics, Inc.  
Dr. Andrew L. Pearlman

Phone: +972 4 902 8900

Grayling (Financial PR)  
Jonathan Shillington  
Alistair Scott

Phone: +44 (0)7900 053 536

Blomfield Corporate Finance Limited (Nominated  
Adviser)  
James Pinner  
Alan MacKenzie

Phone: +44 207 489 4500

SVS Securities plc (Broker)  
Ian Callaway

Phone: +44 207 638 5600

## Notes to Editors

Medgenics, Inc. is a clinical-stage 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 anemia
- INFRADURE - producing interferon-alpha (IFN-*a*) to treat Hepatitis-C

The Company's ongoing Phase I/II clinical trial for EPODURE in anemic patients continues to demonstrate proof of concept of the Biopump. Designed to produce and deliver a therapeutic dose of EPO steadily for up to six months or more, EPODURE Biopumps are already maintaining effective anemia treatment for more than 5 months in earliest patients in the ongoing study, even with the low dose levels administered to date.

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

Medgenics plans to raise the requisite funds during 2009, to enable it to follow the current trial of EPODURE with a Phase IIb clinical trial in the US starting in 2010, and in addition, to commence a Phase I/II trial of INFRADURE in Hepatitis-C patients in Israel also during 2010.

Beyond this, 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-*B*), hemophilia (Factor VIII), pediatric growth hormone deficiency (human growth hormone) and diabetes (insulin).

Founded in 2000, Medgenics is a US-incorporated company with major operations in Misgav, Israel. Medgenics was admitted to the London AIM in December 2007 (AIM: MEDG and AIM: MEDU).

[www.medgenics.com](http://www.medgenics.com)

## 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.*