ReNeuron

pioneering stem cell therapeutics

PRESS RELEASE

Guildford, UK: 30 June 2009

ReNeuron Group plc
Preliminary Results for the Year Ended 31 March 2009

Operational Highlights

- ReN001 stem cell therapy for stroke
  - UK regulatory approval obtained for Phase I trial
  - Ethics approval process ongoing, ahead of commencement of patient recruitment
  - Bio-manufacturing agreement signed with Angel Biotechnology for clinical-grade stem cell lots
- Positive pre-clinical data generated with lead *CTX* cell line in peripheral artery disease – initial clinical trial targeted within two years
- Business restructuring complete, with substantial reduction in underlying cost base
- Board strengthened with appointment of Bryan Morton as non-executive director

Financial Highlights

- Loss for the year reduced to £3.7 million (2008: £6.6 million)
- Net cash outflow from operating activities reduced to £4.4 million (2008: £6.1 million)
- Cash and cash equivalents at 31 March 2009 of £0.9 million (2008: £2.8 million)
- Share placing to raise £3.0 million, before expenses, together with capitalisation of existing £2.5 million convertible loan notes, both completed post-year-end

Commenting on the results, Professor Trevor Jones, Chairman, said:

"During the period, we secured UK regulatory approval to commence an initial clinical trial with our ReN001 stem cell therapy for stroke, a very significant achievement for ReNeuron and an important milestone in the wider stem cell field. We look forward to the commencement of patient recruitment for this trial once the ongoing UK ethical approval process has completed.

We have also reduced our cost base substantially during the period, re-focussing our efforts on enhancing the ReN001 therapy and testing the utility of our lead *CTX* cell line in other conditions beyond stroke. In this regard, we are greatly encouraged by the positive pre-clinical efficacy data generated in our peripheral artery disease programme during the period. In difficult financing conditions, we were also able to successfully complete a fundraising for the business subsequent to the year end.

We believe ReNeuron is strongly positioned to build on the above achievements as it transitions into a leading clinical-stage stem cell development business and we look forward to providing further updates on progress over the coming months."

Enquiries:

Michael Hunt, Chief Executive Officer - ReNeuron Dr John Sinden, Chief Scientific Officer - ReNeuron	+44 (0) 1483 302560
Jonathan Birt, Susan Quigley – Financial Dynamics	+44 (0) 20 7831 3113
Stewart Wallace, Adam Cowen – Collins Stewart	+44 (0) 20 7523 8350

Chairman's and Chief Executive Officer's Joint Statement

Review of Operations

ReN001 stem cell therapy for stroke

In January 2009, we achieved the most significant milestone in the Company's history thus far, notably regulatory approval from the UK Medicines and Healthcare Products Regulatory Agency (MHRA) to commence a Phase I clinical trial in stroke patients with our ReN001 stem cell therapy. The trial, the first of its kind using expanded neural stem cells, will be conducted at Glasgow's Southern General Hospital under the Principal Investigator, Professor Keith Muir, the SINAPSE Professor of Clinical Imaging, Division of Clinical Neurosciences at the University of Glasgow. The trial is designed primarily to test the safety profile of ReN001 in ischaemic stroke patients at a range of cell doses, but a number of efficacy measures will also be evaluated over the course of the trial.

We subsequently submitted the ReN001 clinical trial application to the Gene Therapy Advisory Committee (GTAC) who, in addition to their existing gene therapy remit, were recently given responsibility to act as the national research ethics committee for stem cell therapy clinical trials in the UK. A Provisional Opinion was recently granted by GTAC in respect of the application, subject to the resolution of a small number of points raised pertaining to non-safety-related pre-clinical data and the clinical trial protocol. We are currently working with GTAC with a view to swiftly resolving these outstanding points and we anticipate being able to give a further update in this respect over the next few weeks. In the meantime, we continue with our preparations for the Phase I trial with ReN001, including the recently announced bio-manufacturing contract with Angel Biotechnology plc regarding the production of clinical-grade ReN001 stem cell lots for the trial.

We intend to instigate or continue dialogue with other regulatory agencies regarding ReN001, including the US FDA and the European Medicines Agency (EMEA), with a view to clarifying the future clinical development pathways and data requirements for the therapy in these territories. Our near-term priority, however, remains the completion of the UK Phase I trial together with ongoing ReN001 product development to enhance both the shelf life of the therapy and its mode of administration to the patient.

Other activities

During the period, we have also focused on exploring the utility of our lead *CTX* cell line in other conditions beyond stroke, where we believe the cell line has broad utility. During the period, we commenced a UK-based research collaboration with the Bristol Heart Institute to test the *CTX* cell line in pre-clinical models of peripheral artery disease (PAD). PAD is a chronic and debilitating disease that progressively restricts blood flow in the limbs, causing cramping, chronic pain and in extreme cases, loss of limb. The disease is commonly associated with other conditions such as diabetes, obesity and stroke. At least 1 in 20 people over the age of 55 have some degree of PAD and it becomes more common with increasing age.

In April of this year, we announced positive pre-clinical data from this collaboration in a recognised murine hind limb ischaemia model, further demonstrating the potency of the *CTX* stem cell line when applied in ischaemic disease settings. We are continuing our research collaboration with the Bristol team with the aim of generating further pre-clinical data sufficient to take this programme into the clinic within the next two years.

In order to conserve our financial resources, we intend to maintain our focus on pursuing applications for the *CTX* cell line, such as the peripheral artery disease programme described above. The extensive knowledge base and regulatory data package we have built around this cell line as part of the ReN001 stroke programme will greatly assist us when taking the cell line through pre-clinical development in alternative disease settings. Our therapeutic programmes involving separately generated cell lines will consequently only be pursued further where funded third party collaborations can be secured.

During the period, a number of US patent applications were granted in respect of our platform technologies and cell lines. More recently, a key application in our patent estate was granted in Japan, containing broad claims over the composition and use of conditionally immortal stem cells in the treatment of neurological conditions such as stroke and Alzheimer's disease. This patent represents one of a family of patents in our estate that has now granted in all major territories of the globe.

In November 2008, Bryan Morton was appointed to the Board as a non-executive director. Bryan's contacts in the industry and his impressive track record of successfully growing and financing a number of significant businesses, and subsequently realising value for shareholders, will be invaluable to ReNeuron as it transitions from a research-focused operation into a clinical development-stage biotechnology business.

Funding

During the period, we completed the cost-reduction programme announced in last year's preliminary results statement. As is evident from the summary of results below, we are now benefiting from the outcomes of this programme in terms of a much reduced underlying cost base.

In June 2008, we secured a £2.5 million convertible loan note facility from our principal investors, the full amount of the facility being drawn down during the period.

In March 2009, we announced a placing of new ordinary shares to raise up to £3.0 million, before expenses. We successfully completed this placing post-year end, in what remains an extremely challenging financing environment for relatively early stage biotechnology companies such as ReNeuron. As part of this process, the £2.5 million of outstanding loan notes referred to above, together with accrued interest, were capitalised into new ordinary shares in the Company.

As a result of the above cost reduction and financing activities, we expect our current financial resources to last into the second quarter of 2010. Based on current and anticipated progress in the business in the near term, the directors also expect to secure further financing from equity issues and other sources sufficient for the future needs of the business beyond the second quarter of next year. Consequently, the going concern basis has been adopted in the preparation of the financial statements.

Summary of results

In the year ended 31 March 2009, turnover was £93,000 (2008: £27,000), representing income from the Group's non-therapeutic licensing activities.

Net operating expenses decreased in the year to £4.8 million (2008: £7.2 million), due principally to the effects of the cost reduction programme instigated in mid-2008. Of the total decrease of £2.4 million in the year, £2.0 million relates to a decrease in research and development expenditure, the balance of the decrease relating to general and administrative costs.

Other operating income dropped to nil in the year (2008: £309,000) as a result of the completion of certain projects for which grant income was being received in the prior year. Interest received also decreased in the year to £63,000 (2008: £318,000) as a result of lower average cash balances over the year. Interest costs of £62,000 in the year (2008: £1,000) relate primarily to interest accrued on amounts drawn down under the convertible loan facility referred to above.

Research and development tax credits booked in the year were £1.0 million (2008: nil). This amount consists of an accrual of £0.4 million in respect of the year under review and £0.6 million representing the tax credit received in respect of the prior year and not accrued in the prior year's financial statements.

As a result of the above income statement movements, the net loss for the year decreased to £3.7 million (2008: £6.6 million).

Net cash outflow from operating activities decreased in the year to £4.4 million (2008: £6.1 million), due largely to the decrease in operating expenses in the year. The Group had cash and cash equivalents of £0.9 million at 31 March 2009 (2008: £2.8 million), with the above-mentioned gross placing proceeds of £3.0 million being received post-year end.

Intangible assets of £3.4 million (2008: £3.4 million) include the cell encapsulation technology acquired by the Company in 2007 and transferred to the UK in 2008 following the closure of the Group's US research facility. Having successfully transferred this technology to the UK and further developed the pre-clinical data package, including the encapsulation of various cell types using the technology, the directors intend to pursue the most appropriate strategy to realise its potential given the resources currently available within the Group.

Summary and outlook

During the period, we secured UK regulatory approval to commence an initial clinical trial with our ReN001 stem cell therapy for stroke, a very significant achievement for ReNeuron and an important milestone in the wider stem cell field. We look forward to the commencement of patient recruitment for this trial once the ongoing UK ethical approval process has completed.

We have also reduced our cost base substantially during the period, re-focussing our efforts on enhancing the ReN001 therapy and testing the utility of our lead *CTX* cell line in other conditions beyond stroke. In this regard, we are greatly encouraged by the positive pre-clinical efficacy data generated in our peripheral artery disease programme during the period. In difficult financing conditions, we were also able to successfully complete a fundraising for the business subsequent to the year end.

We believe ReNeuron is strongly positioned to build on the above achievements as it transitions into a leading clinical-stage stem cell development business and we look forward to providing further updates on progress over the coming months.

Professor Trevor Jones
Chairman

Michael Hunt
Chief Executive Officer

30 June 2009

ReNeuron Group plc Consolidated Income Statement
For the year ended 31 March 2009

	Note	**Year ended 31 March 2009 Unaudited**	Year ended 31 March 2008
		£'000	£'000
Revenue		**93**	27
Research and development costs	4	**(3,177)**	(5,166)
General and administrative costs		**(1,584)**	(2,059)
Other operating income: grants receivable		**-**	309
Operating loss		**(4,668)**	(6,889)
Finance income		**63**	318
Finance costs		**(62)**	(1)
Loss before income taxes		**(4,667)**	(6,572)
Tax credit on loss on ordinary activities		**1,000**	-
Loss for the financial year		**(3,667)**	(6,572)
Loss per ordinary share			
Basic and diluted	5	**(2.4p)**	(4.4p)

All revenues and expenses above were generated from continuing operations.

ReNeuron Group plc Consolidated Balance Sheet
As at 31 March 2009

	31 March 2009 Unaudited £'000	31 March 2008 £'000
Non-current assets		
Property, plant and equipment	**834**	1,003
Intangible assets	**3,419**	3,419
Trade and other receivables	**135**	135
	4,388	4,557
Current assets		
Trade and other receivables	**1,024**	411
Cash and cash equivalents	**943**	2,791
	1,967	3,202
Current liabilities		
Trade and other payables	**(740)**	(765)
Financial liabilities: finance leases	**(42)**	(54)
	(782)	(819)
Net current assets	**1,185**	2,383
Total assets less current liabilities	**5,573**	6,940
Non-current liabilities		
Trade and other payables	**-**	-
Convertible loan note	**(2,088)**	-
Net assets	**3,485**	6,940
Shareholders' equity		
Ordinary shares	**1,542**	1,542
Share premium	**14,358**	14,358
Capital redemption reserve	**8,964**	8,964
Merger reserve	**2,223**	2,223
Warrant reserve	**583**	113
Share-based credit reserve	**504**	329
Retained deficit	**(24,689)**	(20,589)
Capital and reserves attributable to The Group's equity shareholders	**3,485**	6,940

ReNeuron Group plc Consolidated Statement of Changes in Equity

Group

	Share capital £'000	Share premium £'000	Capital redemption reserve £'000	Merger reserve £'000	Warrant Reserve £'000	Share-based credit reserve £'000	Retained Deficit £'000	Total Equity £'000
As at 1 April 2007	**1,377**	**13,213**	**8,964**	**365**	**113**	**166**	**(14,017)**	**10,181**
Shares issued for acquisition	93	-	-	1,858	-	-	-	1,951
Issue of new ordinary shares	72	1,437	-	-	-	-	-	1,509
Costs of share issue	-	(292)	-	-	-	-	-	(292)
Share-based payment credit	-	-	-	-	-	163	-	163
Loss for the year	-	-	-	-	-	-	(6,572)	(6,572)
As at 31 March 2008	**1,542**	**14,358**	**8,964**	**2,223**	**113**	**329**	**(20,589)**	**6,940**
Equity element of convertible loan note	-	-	-	-	470	-	-	470
Share-based payment credit	-	-	-	-	-	175	-	175
Loss on foreign exchange translation	-	-	-	-	-	-	(433)	(433)
Loss for the year	-	-	-	-	-	-	(3,667)	(3,667)
As at 31 March 2009	**1,542**	**14,358**	**8,964**	**2,223**	**583**	**504**	**(24,689)**	**3,485**

ReNeuron Group plc Consolidated Cash Flow Statement
For the year ended 31 March 2009

	Note	**Year ended 31-Mar 2009 Unaudited**	Year ended 31-Mar 2008
		£'000	£'000
Cash consumed by operations	6	**(4,697)**	(6,601)
Interest paid		**(4)**	(1)
Income tax credit received		**300**	523
Cash outflow from operating activities		**(4,401)**	(6,079)
Cash flows from investing activities			
Capital expenditure		**(28)**	(120)
Proceeds from sale of fixed assets		**41**	-
Purchase of business		**-**	(217)
Interest received		**63**	318
Net cash generated/(used) in investing activities		**76**	(19)
Cash flows from financing activities			
Finance lease principal payments		**(12)**	(4)
Convertible loan note proceeds		**2,500**	-
Proceeds from issuance of ordinary shares		**-**	1,217
Net cash generated by financing activities		**2,488**	1,213
Net decrease in cash and cash equivalents		**(1,837)**	(4,885)
Loss on foreign exchange translation		**(11)**	-
Cash and cash equivalents at the start of period		**2,791**	7,676
Cash and cash equivalents at the end of period		**943**	2,791

Notes to the financial information
for the year ended 31 March 2009

1. General information

ReNeuron Group plc ("the Company") and its subsidiaries (together "the Group") research and develop therapies using stem cells. The Company is a public limited company incorporated and domiciled in England with registered number 05474163 and its shares are listed on the AIM market of the London Stock Exchange plc.

The financial information included in this preliminary results announcement for the years ended 31 March 2009 and 31 March 2008 does not comprise statutory accounts within the meaning of section 240 of the Companies Act 1985. It represents an extract from the statutory accounts, which have not yet been delivered to the Registrar of Companies. Statutory accounts for the year ended 31 March 2008 were approved by the Board of directors and delivered to the Registrar of Companies. Whilst the report of the auditors on those accounts was unqualified, it did contain a material uncertainty in respect of going concern but did not contain any statement under Section 237 of the Companies Act 1985.

2. Accounting policies and basis of preparation

Whilst the financial information included in this preliminary announcement has been prepared in accordance with IFRS adopted for use in the European Union, the preliminary announcement does not itself contain sufficient information to comply with IFRS. The announcement should be

read in conjunction with the annual financial statements for the year ended 31 March 2008. The financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union, the interpretations of International Financial Reporting Interpretations Committee (IFRIC) and the Companies Act 1985 applicable to companies reporting under IFRS. The financial statements have been prepared on a historical cost basis.

The accounting policies have been consistently applied to all of the financial years presented, and to both the consolidated results and those for the Company. The only additional policy for the year ended 31 March 2009 relates to convertible loan notes which were issued in that year. This policy is set out below.

Convertible loan notes
Convertible loan notes are regarded as compound instruments, consisting of a liability component and an equity component. At the date of issue, the fair value of the liability component is estimated using the prevailing market interest rate for similar non convertible debt. The difference between the proceeds of the issue of the convertible loan notes and the fair value assigned to the liability component, representing the option to convert the liability into the equity of the Company, is included in equity.

The interest expense on the liability component is calculated applying the effective interest rate for the liability component of the instrument. The difference between this amount and the interest payable is added to the carrying amount of the convertible loan note.

3. Going concern
The financial statements have been prepared on a going concern basis which assumes that sufficient funds will be available for the Company and Group to continue in operational existence for the foreseeable future.

The Group is developing its technologies for the marketplace and as such, generates net cash outflows. This is expected to continue until cash is generated from either therapeutic product licensing activities or therapeutic product sales. The directors estimate that the cash currently held by the Group will not be sufficient to support the current level of activities for the next twelve months. The directors are confident of raising further funds by the issue of equity or other financial instruments within the next twelve months although there are no confirmed sources of these funds at the current time. These circumstances represent a material uncertainty which may cast significant doubt on the Group's ability to continue as a going concern. Should the Group be unable to obtain further funding, adjustments would be required to reduce balance sheet values of assets to their recoverable amounts, to provide for further liabilities that might arise and to reclassify fixed assets as current assets.

4. Research and development costs
All research and development costs incurred in the year have been charged directly to the income statement.

5. Basic and diluted loss per ordinary share
The basic and diluted loss per share is calculated by dividing the loss for the financial year of £3,667,000 (2008: £6,572,000) by 154,167,354 shares (2008: 148,675,471 shares), being the weighted average number of ordinary 1p shares in issue during the year.

Potential ordinary shares are not treated as dilutive as the entity is loss making.

6. Cash consumed by operations

	Year ended 31-Mar 2009 £'000	Year ended 31-Mar 2008 £'000
Loss before income tax	**(4,667)**	(6,572)
Adjustments for:		
Interest received	**(63)**	(318)
Interest payable	**62**	1
Depreciation of tangible assets	**197**	181
Provisions	**25**	53
Share-based payment charge	**175**	163
(Profit)/loss on sale of fixed assets	**(39)**	1
Changes in working capital		
Receivables	**86**	(117)
Payables	**(473)**	7
Cash consumed by operations	**(4,697)**	(6,601)

7. Post balance sheet event

On 12 March 2009, the Company announced its intention to raise up to £3.0 million, before expenses, via a placing of up to 100,000,000 new ordinary shares of 1 pence each credited as fully paid up at a price of 3 pence per ordinary share. The Placing comprised four closings to enable certain placees to take advantage of UK Enterprise Investment Scheme ("EIS") tax treatment.

On 18 May 2009, the Company announced the completion of the fourth and final closing of the Placing, bringing the aggregate gross proceeds of the placing to the full £3.0 million. In connection with the Placing, a further 85,526,648 ordinary shares were allotted and issued on capitalisation of £2.5 million of outstanding loan notes (together with accrued interest thereon) at a price of 3 pence per ordinary share.

Notes to Editors

ReNeuron is a leading, UK-based stem cell business. Its primary objective is the development of stem cell therapies targeting areas of significant unmet or poorly met medical need.

ReNeuron recently received regulatory approval to commence a Phase I clinical trial in the UK with its lead ReN001 stem cell therapy for disabled stroke patients. The Company is developing stem cell therapies for a number of other conditions, including peripheral arterial disease and diseases of the retina.

ReNeuron has also developed a range of stem cell lines for non-therapeutic applications – its *ReNcell®* products for use in academic and commercial research. The Company's *ReNcell®CX* and *ReNcell®VM* neural cell lines are marketed worldwide under license by USA-based Millipore Corporation.

ReNeuron's shares are traded on the AIM market of the London Stock Exchange plc, under the symbol RENE.L. Further information on ReNeuron and its products can be found at www.reneuron.com.

This announcement contains forward-looking statements with respect to the financial condition, results of operations and business achievements/performance of ReNeuron and certain of the plans and objectives of management of ReNeuron with respect thereto. These statements may generally, but not always, be identified by the use of words such as "should", "expects", "estimates", "believes" or similar expressions. This announcement also contains forward-looking

statements attributed to certain third parties relating to their estimates regarding the growth of markets and demand for products. By their nature, forward-looking statements involve risk and uncertainty because they reflect ReNeuron's current expectations and assumptions as to future events and circumstances that may not prove accurate. A number of factors could cause ReNeuron's actual financial condition, results of operations and business achievements/performance to differ materially from the estimates made or implied in such forward-looking statements and, accordingly, reliance should not be placed on such statements.

The terms 'ReNeuron', 'the Company' or 'the Group' used in this statement refer to ReNeuron Group plc and/or its subsidiary undertakings, depending on the context.