



**EPISTEM ANNOUNCES RESEARCH AND DEVELOPMENT COLLABORATION WITH A MAJOR
PHARMACEUTICAL COMPANY**

Manchester, UK, 2nd March 2009 - Epistem Plc (LSE:EHP) the UK biotechnology and research services company announced today that they have signed a research and development collaboration with Novartis to identify new drug targets and therapeutics across a variety of disease areas.

2/3/2009

The collaboration combines Epistem's stem cell expertise and drug discovery program, with Novartis's insights into disease pathways & bioinformatics.

Under the terms of the agreement, Novartis will pay Epistem an upfront cash payment of \$4.0 million and will provide research funding for 2 years. Novartis has an option to exclusively license targets for development of biotherapeutic products in exchange for license fees, milestone payments and royalties. For each product developed from targets licensed under the agreement, Epistem is eligible to receive up to \$45.0 million in milestones. Furthermore, if leads are commercialized Epistem is eligible to receive tiered royalties on worldwide sales.

Matthew Walls, Epistem CEO, commented: "The collaboration will enable us to accelerate the development of our existing targets with a world class pharmaceutical collaborator and to jointly explore disease opportunities in regenerative medicine".

Dr Jeffrey Moore, Novel Therapies Division Managing Director said: "The collaboration will leverage each group's strengths to make novel discoveries leading to advances in treating unmet medical needs across several disease areas".